



Date: November 5, 2007

Amended and Restated on May 19, 2009 to reflect the correction of an error in the calculation of future income taxes related to the SIFT tax for three month periods ended June 30, 2007 and September 30, 2007. The SIFT tax is further discussed in this MD&A under the headings “Consolidated Operating and Financial Results” and “Risk Factors”.

Management’s Discussion and Analysis of Consolidated Financial Position and Results of Operations for the three and nine month periods ended September 30, 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 nine months ended September 30, 2007 as restated on May 19, 2009. These financial statements can be found at www.sedar.com or www.thebrickgroup.ca. The Brick Group Income Fund’s interim consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada (GAAP). The Brick Group Income Fund’s reporting currency is the Canadian dollar. Per unit amounts are calculated using the weighted average number of units outstanding for the applicable period.

This MD&A contains forward-looking statements. Please see “Note Regarding Forward-Looking Statements” for a discussion of the risks, uncertainties and assumptions relating to those statements. This discussion also makes reference to certain non-GAAP measures to assist in assessing The Brick Group Income Fund’s financial performance. Non-GAAP earnings measures do not have any standard meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. See “Non-GAAP Financial Measures”.

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1. BUSINESS OVERVIEW

The Brick Group Income Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Alberta. The Brick Group Income Fund was created to invest in the retail furniture, mattress, appliance, and electronics industry initially through the indirect acquisition of the limited partnership units of The Brick Warehouse LP (together with its general partner, the “Brick LP”). The Brick LP owns among other things, 100% of the outstanding limited partnership units of United Furniture Warehouse LP (“United Furniture”) and all of the outstanding shares of First Oceans Trading Corporation. United Furniture owns Trans Global Warranty Corp. and its subsidiaries Trans Global Insurance Company and Trans Global Life Insurance Company. The Brick Group Income Fund and all of its subsidiaries and partnerships will collectively be referred to as the “Brick Group” in this MD&A.

Our Vision

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

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 September 30, 2007, The Brick Group operated 206 retail stores (including its 31 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 exclude stores where significant cannibalization has occurred. For the 2007 third quarter and year to date results for same store sales growth, 8 stores have been excluded due to cannibalization. On this basis, same store sales as discussed in this MD&A reflect 90.0% in third quarter and 90.8% year to date of the total sales occurring at all stores that have been open 14 full calendar months.

Same store sales is not an earnings measure recognized by GAAP, and does not have a standardized meaning prescribed by GAAP. Therefore, same store sales as discussed in this MD&A may not be comparable to similar measures presented by other issuers.

In this MD&A, references to 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, prior to our First Quarter 2007 MD&A, 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.

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2. THIRD QUARTER HIGHLIGHTS

(000's of \$ except %, and store amounts)	For the three months ended September 30				For the nine months ended September 30			
	2007	2006	\$ Increase (Decrease)	% Increase (Decrease)	2007	2006	\$ Increase (Decrease)	% Increase (Decrease)
Retail Segment - Sales and operating revenue	\$ 362,590	\$ 328,203	34,387	10.5%	\$ 1,002,813	\$ 922,401	80,412	8.7%
Financial Services Segment - Sales and operating revenue	12,513	9,580	2,933	30.6%	35,631	26,236	9,395	35.8%
Consolidated - Sales and operating revenue	375,103	337,783	37,320	11.0%	1,038,444	948,637	89,807	9.5%
Franchise Sales	30,922	22,983	7,939	34.5%	82,135	62,221	19,915	32.0%
Consolidated and Franchise Sales and operating revenue	\$ 406,025	\$ 360,766	45,259	12.5%	\$ 1,120,579	\$ 1,010,858	109,722	10.9%
Same Store Sales Growth (corporate stores)	7.7%	2.9%			6.4%	6.0%		
Same Store Sales Growth (corporate and franchise stores)	7.5%	2.8%			6.2%	6.0%		
Retail Segment - EBITDA	\$ 18,969	\$ 13,424	5,545	41.3%	\$ 32,812	\$ 29,567	3,245	11.0%
Financial Services Segment - EBITDA	7,165	5,842	1,323	22.6%	19,948	15,852	4,096	25.8%
Consolidated - EBITDA	\$ 26,134	\$ 19,266	6,868	35.6%	\$ 52,760	\$ 45,419	7,341	16.2%
Retail Segment - Net income (loss)	\$ 10,002	\$ 4,793	5,209	108.7%	\$ (28,605)	\$ 4,914	(33,519)	-0.682%
Financial Services Segment - Net income	7,143	6,915	228	3.3%	20,784	18,026	2,758	15.3%
Consolidated - Net income (loss)	\$ 17,145	\$ 11,708	5,437	46.4%	\$ (7,821)	\$ 22,940	(30,761)	-134.1%
EBITDA - Adjusted	\$ 28,156	\$ 22,130	6,026	27.2%	\$ 60,165	\$ 54,190	5,975	11.0%
Distributable cash per unit for the three months ended September 30	\$ 0.44	\$ 0.34	0.10	29.1%				
Payout Ratio for the three months ended September 30	69.0%	87.4%						
Distributable cash per unit for the twelve months ended September 30	\$ 1.29	\$ 1.26	0.03	2.4%				
Payout Ratio for the twelve months ended September 30	92.8%	95.4%						
Stores at period end	206	196			206	196		

Overview

Management is pleased to report record results for the three months ended September 30, 2007.

For the third quarter, the Brick Group's EBITDA of \$26.1 million, and consolidated net income of \$17.1 million, were the highest ever reported for a quarter.

Our third quarter consolidated sales and operating revenue of \$375.1 million, increased by 11.0%, or \$37.3 million, over the same quarter in 2006. This increase was due primarily to the retail segment where same store sales growth was strong at 7.7%. Same store sales growth, strong in both Eastern and Western Canada, was driven by a strong promotional calendar in conjunction with improved supply chain management. Supply chain improvements have enhanced the effectiveness of our merchandising strategy, yielding improvements such as increased turnover of high margin items. As anticipated, we were successful in leveraging the investment in our distribution infrastructure which is providing us with the capacity to deliver our sales more efficiently. This was our seventh consecutive quarter of positive same store sales growth.

Our third quarter consolidated EBITDA increased by 35.6%, or \$6.9 million, over the same quarter in 2006. By returning our focus to management basics, as discussed in our second quarter 2007 MD&A, we have achieved improvements in key revenue and expense line items, most notably within our supply chain infrastructure. As a result, Selling, General and Administrative (SG&A) expense, as a percentage of sales and operating revenue, fell below prior year levels for the first time in four quarters, and EBITDA, as a percentage of sales and operating revenue, increased by 1.3 ppts over the same quarter last year.

Adjusted EBITDA for the third quarter of \$28.2 million increased by 27.2%, or \$6.0 million, over the same quarter in 2006.

Our third quarter consolidated net income increased by 46.4%, or \$5.4 million, over the same quarter in 2006. The retail segment contributed \$5.2 million of the quarter over quarter increase in consolidated net income.

Our distributable cash per unit of \$0.44 increased by \$0.10, or 29.1%, when compared to the same quarter of 2006.

Through the end of September 2007, and for the 38th consecutive month since becoming an income fund, we have continued to meet all of our distribution commitments. This represents just over \$217 million distributed to our unitholders. The payout ratio for the twelve months ended September 30, 2007 was 92.8%, reflecting an improvement of 7.1 ppts from the June 30, 2007 twelve month ratio. Management is very pleased with the improvement shown in just one quarter.

Under our alternative view of distributable cash, the payout ratio for the twelve month period ended September 30, 2007 was 93.3%.

Our fourth quarter typically has the highest sales volume of the year. We believe we are well positioned to continue to take advantage of our new infrastructure and optimize operational efficiencies to deliver strong results in the last quarter of 2007.

Consolidated and Franchise Sales and Operating Revenue

Consolidated and franchise sales and operating revenue was \$406.0 million, including \$30.9 million of franchise sales, compared to \$360.8 million, including \$23.0 million of franchise sales, in the same quarter last year. This represents a 12.5% increase. Same store sales growth for corporate stores together with franchise stores was 7.5% compared to 2.8% in 2006.

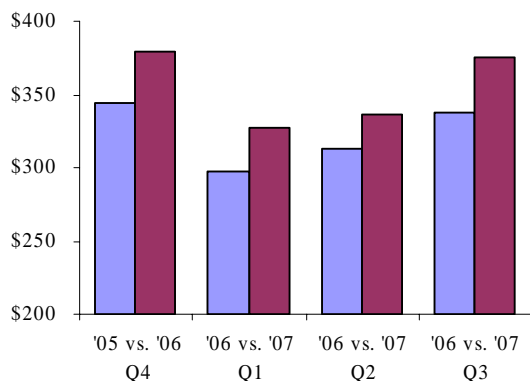
Compared to the same quarter a year ago, sales at franchise stores increased by 34.5% to \$30.9 million.

We began the quarter with 29 franchise stores and ended with 31, while in 2006, we began the quarter with 22 franchise stores and ended with 25.

3. CONSOLIDATED OPERATING AND FINANCIAL RESULTS

(000's of \$ except %, per unit and store amounts)	For the three months ended September 30				For the nine months ended September 30			
	2007	2006	\$ Increase (Decrease)	% Increase (Decrease)	2007	2006	\$ Increase (Decrease)	% Increase (Decrease)
Sales and operating revenue	\$ 375,103	\$ 337,783	37,320	11.0%	\$ 1,038,444	\$ 948,637	89,807	9.5%
Cost of sales	(222,664)	(203,760)	18,904	9.3%	(620,642)	(569,034)	51,608	9.1%
Gross margin	152,439	134,023	18,416	13.7%	417,802	379,603	38,199	10.1%
<i>Gross margin as a percentage of sales and operating revenue</i>	40.6%	39.7%			40.2%	40.0%		
Selling, general and administrative expenses (SG&A)	(126,743)	(115,130)	11,613	10.1%	(368,281)	(335,419)	32,862	9.8%
Investment and other income	438	373	65	17.4%	3,239	1,235	2,004	162.3%
EBITDA	26,134	19,266	6,868	35.6%	52,760	45,419	7,341	16.2%
<i>EBITDA as a percentage of sales and operating revenue</i>	7.0%	5.7%			5.1%	4.8%		
Interest expense on long-term and other debt	(2,260)	(1,505)	755	50.2%	(6,778)	(4,167)	2,611	62.7%
Income tax (expense) recovery	(187)	1,074	(1,261)	-117.4%	(33,924)	2,176	(36,100)	-1659.0%
Amortization	(6,542)	(7,127)	(585)	-8.2%	(19,879)	(20,488)	(609)	-3.0%
Income (loss) before extraordinary item	17,145	11,708	5,437	46.4%	(7,821)	22,940	(30,761)	-134.1%
Extraordinary item net of taxes	-	-	-	-	-	362	-	-
Net income (loss)	\$ 17,145	\$ 11,708	5,437	46.4%	\$ (7,821)	\$ 23,302	(31,123)	-133.6%
Basic and diluted net income (loss) per unit	\$ 0.32	\$ 0.22	0.10	45.5%	\$ (0.14)	\$ 0.42	(0.56)	-133.3%
Stores at period end	206	196			206	196		
Adjusted results (purchase accounting adjustments removed):								
Sales and operating revenue	\$ 377,153	\$ 340,969	36,184	10.6%	\$ 1,045,407	\$ 958,774	86,633	9.0%
EBITDA	\$ 28,156	\$ 22,130	6,026	27.2%	\$ 60,165	\$ 54,190	5,975	11.0%
<i>EBITDA as a percentage of sales and operating revenue</i>	7.5%	6.5%			5.8%	5.7%		
Net income	\$ 20,335	\$ 15,175	5,160	34.0%	\$ 2,956	\$ 37,804	(34,848)	-92.2%
Payout ratio for the three months ended September 30	69.0%	87.4%						
Payout ratio for the twelve months ended September 30	92.8%	95.4%						

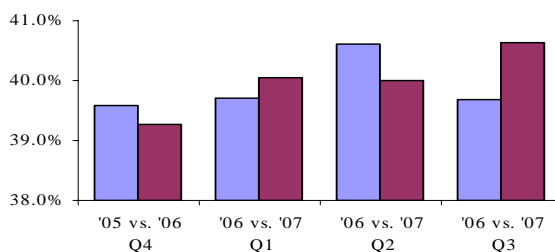
Consolidated Sales & Operating Revenue
(Millions of \$'s)



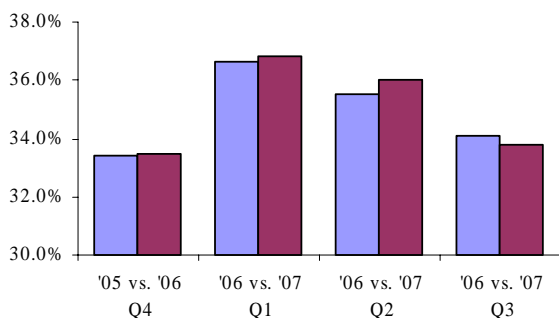
For the quarter ended September 30, 2007, consolidated sales and operating revenue of \$375.1 million increased by 11.0% over the same quarter of 2006. This result was due primarily to the retail segment where same store sales growth at 7.7%, was strong in both Eastern and Western Canada.

Gross margins for the quarter ended September 30, 2007 reflected improved furniture sales margin, primarily due to improved inventory turns for high-margin items and increased mattress sales. Gross margin continued to be positively impacted by increased delivery revenue compared to 2006.

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



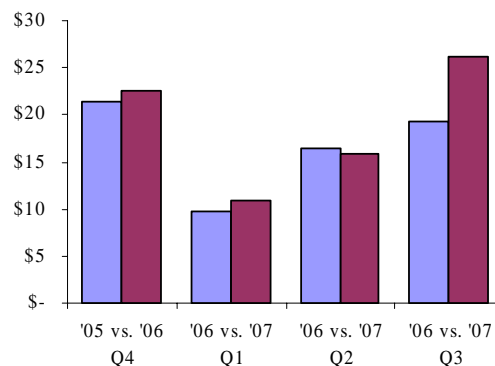
Consolidated SG&A
(As % of Consolidated Sales and Operating Revenue)



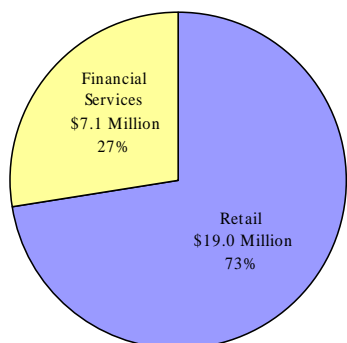
As anticipated, higher sales in the retail segment allowed us to leverage the investment in our distribution infrastructure. By returning our focus to management basics, as discussed in our second quarter 2007 MD&A, we have achieved improvement in key expense line items, most notably within our supply chain. As a result, SG&A expense, as a percentage of sales and operating revenue, fell below prior year levels for the first time in four quarters.

Third quarter EBITDA reflected an increase of \$6.9 million or 35.6% over the same period last year. Our strong quarter was driven by more effectively executing against strong written sales.

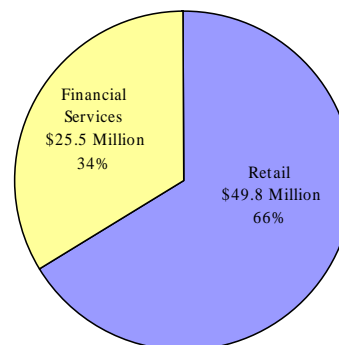
Consolidated EBITDA
(Millions of \$'s)



Consolidated EBITDA by Segment
(Three Months Ended September 30, 2007)



Consolidated EBITDA by Segment
(Twelve Months Ended September 30, 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 quarterly EBITDA to trend lower, as we progress from the first to the fourth quarter of the year. On an annual basis, financial services contributes approximately one third of our consolidated EBITDA.

Consolidated Net Income

For the quarter, consolidated net income increased \$5.4 million or 46.4% to \$17.1 million compared to the same quarter last year. \$5.2 million of this increase was attributable to strong sales and gross margin in the retail segment.

Increased interest expense impacted the quarter negatively and was \$0.8 million higher than in the same quarter a year ago. The increased interest expense was attributable to our long-term debt, which was refinanced in March 2007 at a higher effective interest rate.

On a year to date basis, The Brick Group has reported a consolidated net loss of \$7.8 million driven by a \$34.6 million charge for future income tax expense incurred in the second quarter. This change was related to the "Tax Fairness Plan" announced on October 31, 2006 by the Department of Finance (Canada). This charge for future income tax expense does not have any impact on our operating decisions, our credit facilities or financial covenants, the carrying values of our assets, our cash flows, our ability to generate cash flow, or our ability to make distributions to our unitholders.

After normalizing to exclude the impact of the future income tax charge incurred in the second quarter, our year to date net income would be \$26.8 million compared to \$23.3 million in the same period of 2006, an increase of \$3.5 million or 15%. The financial services segment has contributed \$2.8 million of this increase.

4. SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

The table below highlights the variability of quarterly results and the impact of seasonality on quarterly results. The first quarter of the year is typically the slowest period for the Brick Group, with results improving throughout the year. The third and fourth quarters are traditionally the Brick Group's strongest quarters due to seasonality.

(000's of \$ except per unit amounts)	July 1 to September 30, 2007 Q3	April 1 to June 30, 2007 Q2	January 1 to March 31, 2007 Q1	October 1 to December 31, 2006 Q4
Sales and operating revenue:	\$ 375,103	\$ 335,901	\$ 327,440	\$ 375,460
EBITDA:	\$ 26,134	\$ 15,859	\$ 10,767	\$ 22,681
Net income (loss): ⁽²⁾	\$ 17,145	\$ (27,698)	\$ 2,732	\$ 14,768
Basic and diluted net income (loss) per unit ⁽²⁾	\$ 0.32	\$ (0.51)	\$ 0.05	\$ 0.27
Distributable cash	\$ 23,569	\$ 14,707	\$ 9,929	\$ 21,834
Distributable cash per unit	\$ 0.44	\$ 0.27	\$ 0.18	\$ 0.40
Cash distributions declared	\$ 16,251	\$ 16,251	\$ 16,251	\$ 16,253

(000's of \$ except per unit amounts)	July 1 to September 30, 2006 Q3	April 1 to June 30, 2006 Q2	January 1 to March 31, 2006 Q1	October 1 to December 31, 2005 Q4
Sales and operating revenue:	\$ 337,783	\$ 313,123	\$ 297,731	\$ 343,547
EBITDA	\$ 19,266	\$ 16,441	\$ 9,712	\$ 21,445
Net income: ⁽¹⁾	\$ 11,708	\$ 9,380	\$ 2,214	\$ 13,453
Basic and diluted net income per unit ⁽¹⁾	\$ 0.22	\$ 0.17	\$ 0.04	\$ 0.25
Distributable cash	\$ 18,587	\$ 16,748	\$ 10,083	\$ 22,740
Distributable cash per unit	\$ 0.34	\$ 0.31	\$ 0.19	\$ 0.42
Cash distributions declared	\$ 16,251	\$ 16,251	\$ 16,251	\$ 16,253

(000's of \$ except per unit amounts)	July 1 to September 30, 2005 Q3	April 1 to June 30, 2005 Q2	January 1 to March 31, 2005 Q1	October 1 to December 31, 2004 Q4
Sales and operating revenue:	\$ 323,356	\$ 293,269	\$ 254,233	\$ 343,341
EBITDA	\$ 19,601	\$ 15,789	\$ 5,313	\$ 23,189
Net income (loss):	\$ 11,713	\$ 9,175	\$ (2,337)	\$ 16,503
Basic and diluted net income (loss) per unit	\$ 0.22	\$ 0.17	\$ (0.04)	\$ 0.30
Distributable cash	\$ 20,543	\$ 16,182	\$ 5,851	\$ 20,981
Distributable cash per unit	\$ 0.38	\$ 0.30	\$ 0.11	\$ 0.39
Cash distributions declared	\$ 16,251	\$ 16,251	\$ 16,251	\$ 21,234
Special non-cash distributions	-	-	-	\$ 4,984

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

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

5. SEGMENTED INFORMATION – RETAIL OPERATIONS

(000's of \$)	Three months ended September 30				Nine months ended September 30			
	2007	2006	\$ Increase (Decrease)	% Increase (Decrease)	2007	2006	\$ Increase (Decrease)	% Increase (Decrease)
Sales and operating revenue	\$ 362,590	\$ 328,203	\$ 34,387	10.5%	\$ 1,002,813	\$ 922,401	\$ 80,412	8.7%
EBITDA	18,969	13,424	5,545	41.3%	32,812	29,567	3,245	11.0%
<u>Adjusted results (purchase accounting adjustments removed):</u>								
Sales and operating revenue	\$ 362,590	\$ 328,203	\$ 34,387	10.5%	\$ 1,002,813	\$ 922,401	\$ 80,412	8.7%
EBITDA	19,428	13,889	5,539	39.9%	34,956	30,829	4,127	13.4%

Sales and Operating Revenue

For the Quarter:

Sales and operating revenue from the retail segment, which increased by \$34.4 million or 10.5% compared to the same quarter a year ago.

This increase was due primarily to same store sales growth of 7.7%. Same store sales growth, strong in both Eastern and Western Canada, was driven by a strong promotional calendar in conjunction with improved supply chain management. Same store sales in Eastern Canada improved to 4.8% as compared to negative 0.7% in the prior year. Supply chain improvements have enhanced the effectiveness of our merchandising strategy, yielding improvements such as increased turnover of high margin items. As anticipated, we were successful in leveraging the investment in our distribution infrastructure which is providing us with the capacity to deliver our sales more efficiently. This was our seventh consecutive quarter of positive same store sales growth.

We began the quarter with 174 stores in this group and ended with 175, while in 2006, we began the quarter with 170 stores and ended with 171.

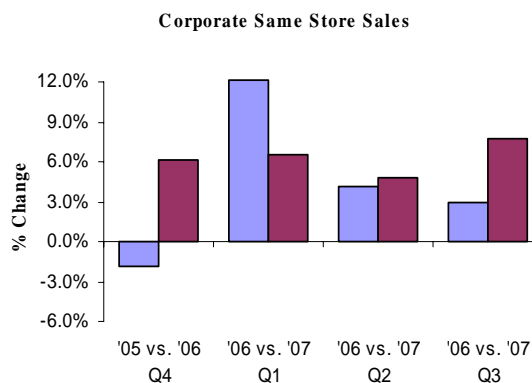
Year to Date:

Driven by 6.4% same store sales growth and new store openings, sales and operating revenue from the retail segment increased by \$80.4 million or 8.7% when compared to the first nine months of 2006.

Third Quarter Same Store Sales Change versus prior year			Year to Date Same Store Sales Change versus prior year		
	2007	2006		2007	2006
Corporate Stores			Corporate Stores		
Western Canada	10.8%	7.0%	Western Canada	9.3%	12.0%
Eastern Canada	4.8%	-0.7%	Eastern Canada	3.6%	0.5%
Total Corporate Stores	7.7%	2.9%	Total Corporate Stores	6.4%	6.0%
Franchise Stores	4.3%	1.3%	Franchise Stores	3.6%	5.3%
Total Corporate Stores & Franchise Stores	7.5%	2.8%	Total Corporate Stores & Franchise Stores	6.2%	6.0%

Year-to-date same store sales as discussed in this MD&A reflect 90.8% 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, prior to our First Quarter 2007 MD&A, were presented separately. In our post-rebanning 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

For the Quarter:

Sales at franchise stores increased by 34.5% to \$30.9 million. We began the quarter with 29 franchise stores and ended with 31, while in 2006, we began the quarter with 22 franchise stores and ended with 25.

Year to Date:

Sales at franchise stores increased by 32.0% to \$82.1 million. During the nine months ended September 30, 2007, we have added 5 franchise stores ending the period with 31, while in the same period of 2006, we added 5 franchise stores and ended with 25.

Gross Margin

For the Quarter:

For the quarter ended September 30, 2007, gross margin was \$17.2 million higher than in the same quarter a year ago. Quarter over quarter, gross margin percentage was 1.1 ppts higher.

Gross margin for the quarter was positively impacted by higher gross margin for furniture. The improvement was primarily due to improved inventory turns for high-margin items and increased mattress sales.

The increase in furniture gross margin more than offset a small year over year shift in mix towards lower margin electronics. As mentioned in previous MD&A's, the increase in our mix of appliances and electronics (A&E) has been driven most recently by strong market demand for electronics, predominantly, flat screen TV's, and, over the longer term, has also been impacted by the rebanning of United Furniture stores to Brick stores. Our mix of A&E, which provide lower margins than furniture, is typically highest in the fourth quarter due to customer preference during the holiday sales season.

In addition to the above, gross margin continued to be positively impacted by increased delivery revenue compared to 2006.

The increase in the strength of the Canadian dollar has not impacted margins significantly. The Brick routinely adjusts its prices so as to offer lower, more competitive, prices to our customers, and this includes lowering prices on those goods where cost is impacted by the strength of the Canadian dollar.

Year to Date:

On a year to date basis, gross margin was \$33.7 million higher than in 2006. Gross margin percentage was 0.2 ppts higher due to the strong third quarter margins as discussed above.

Selling, General and Administrative Expenses

For the Quarter:

SG&A expenses for the third quarter were better than management's expectations as we continued to make gains on managing fundamental cost line items discussed in previous MD&A's.

As a percentage of sales and operating revenue, SG&A expense was 33.8 %, 0.3 ppts lower than in the third quarter of 2006 as strong sales in the quarter allowed us to leverage our fixed operating costs.

SG&A expenses for the quarter, \$11.2 million higher than in the same quarter of 2006, reflect the costs of new stores and the distribution centre build out which have increased our fixed occupancy costs by approximately \$2.4 million, as well as other fixed costs, including compensation, which have increased by \$2.6 million. The balance of the quarter over quarter increase in SG&A expense of \$6.2 million was driven by increased sales volume.

Year to Date:

With progress made in addressing those SG&A challenges discussed in previous reports evident in our third quarter SG&A results, our year to date SG&A expenses are slightly better than management's expectations.

To the end of the third quarter, management has worked to address challenges related to costs associated with delivery expense due to the changes in our distribution model in 2006. Management is pleased with the result that has been achieved in managing our delivery expense, in addition to other key cost line items.

As a percentage of sales and operating revenue, SG&A expense was 0.1 ppts higher than in the first nine months of 2006. On a year to date basis, SG&A expense increased by \$31.8 million.

New stores and the distribution centre build out have increased our fixed occupancy costs by approximately \$8.7 million for the first nine months of 2007.

EBITDA

For the Quarter:

Third quarter EBITDA is the highest the Brick Group has generated in one quarter since its inception. EBITDA as a percentage of retail segment sales and operating revenue, increased by 1.1 pts, and was \$5.5 million, or 41.3%, higher than in the same quarter a year ago.

Year to Date:

For the year to date, retail segment EBITDA as a percentage of retail segment sales and operating revenue increased over 2006 by and 0.1 pts and was \$3.2 million or 11.0% higher than in the same period of 2006.

Store Continuity

For the Quarter:

During the third quarter, we opened a Brick store in Brampton, Ontario and a Brick Mattress Store in Canmore, Alberta, and also opened Brick franchise stores in Edson, Alberta and Moosonee, Ontario.

As well, during the third quarter, we rebannered United Furniture stores to Brick stores in Airdrie, Alberta and Abbotsford, BC, and closed a United Furniture store in London, Ontario.

To the end of the third quarter, we have rebannered three United Furniture stores to Brick stores. As discussed in our 2006 Annual MD&A, management continues to evaluate further rebannered of United Furniture stores, as an option to improve overall retail results.

The following chart illustrates the Brick Group's store count continuity from June 30, 2007 to September 30, 2007.

Store Count Continuity - Q3 2007				
	At June 30, 2007	Rebannered	Opened / Closed	At Sept 30, 2007
Corporate Stores				
Brick	88	2	1	91
Brick Clearance Centres	11	0	0	11
Superstore	3	0	0	3
Mattress Store	21	0	1	22
UFW	51	-2	-1	48
Corporate Subtotal	174	0	1	175
Franchise Stores				
Brick Franchise (1 mattress franchise)	28	0	2	30
UFW Franchise	1	0	0	1
Franchise Subtotal	29	0	2	31
Total Corporate & Franchise Stores	203	0	3	206

Year to Date:

The following chart illustrates the Brick Group's store count continuity from December 31, 2006 to September 30, 2007.

Store Count Continuity - Year to Date Q3 2007				
	At Dec 31, 2006	Rebanned	Opened / Closed	At Sept 30, 2007
Corporate Stores				
Brick	88	3	0	91
Brick Clearance Centres	11	0	0	11
Superstore	3	0	0	3
Mattress Store	19	0	3	22
UFW	54	-3	-3	48
Corporate Subtotal	175	0	0	175
Franchise Stores				
Brick Franchise (1 mattress franchise)	25	0	5	30
UFW Franchise	1	0	0	1
Franchise Subtotal	26	0	5	31
Total Corporate & Franchise Stores	201	0	5	206

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 revenue and recognized into income over the term of the warranty coverage provided. Warranty contracts sold by the financial services segment provide coverage for periods subsequent to expiration of the manufacturer's warranty coverage period. Consequently, earned warranty revenue recognized in the current period relates to warranty contracts sold in previous years.

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

- Diversity and number of products, manufacturers, and models being underwritten;
- No single product model in any one year makes up more than 3.5% 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 insurance revenues include the portion of premiums written on multi-year coverage policies that relate to the unexpired term of coverage.

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

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

- Geographic dispersion of accounts
- Relatively high number of active accounts, with moderate level of balances outstanding
- Credit risk loss generally limited to account balance
- Specified maximums to loss payout on any one account (\$10,000)
- Coverage periods of one month
- 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 September 30				Nine months ended September 30			
	2007	2006	\$ Increase (Decrease)	% Increase (Decrease)	2007	2006	\$ Increase (Decrease)	% Increase (Decrease)
Sales and operating revenue	\$ 12,513	\$ 9,580	\$ 2,933	30.6%	\$ 35,631	\$ 26,236	\$ 9,395	35.8%
EBITDA	7,165	5,842	1,323	22.6%	19,948	15,852	4,096	25.8%
<u>Adjusted results (purchase accounting adjustments removed):</u>								
Sales and operating revenue	\$ 14,563	\$ 12,766	\$ 1,797	14.1%	\$ 42,594	\$ 36,373	\$ 6,221	17.1%
EBITDA	8,728	8,241	487	5.9%	25,209	23,361	1,848	7.9%

Sales and Operating Revenue

For the Quarter:

Sales and operating revenue from the financial services segment increased by \$2.9 million or 30.6% compared to the same quarter a year ago. Third party business accounted for approximately 29% of the increase in sales and operating revenue.

Year to Date:

Sales and operating revenue from the financial services segment increased by \$9.4 million or 35.8% compared to the same period a year ago. Third party business accounted for approximately 38% of the increase in sales and operating revenue.

EBITDA

For the Quarter:

The financial services segment EBITDA was \$7.2 million in the quarter compared to \$5.8 million in the same quarter last year, an increase of 22.6%.

EBITDA as a percentage of sales and operating revenue was 57.3% compared to 61.0% for the same quarter of 2006, impacted by the increasing contribution to sales and operating revenue from our third party clients.

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.

For the third quarter, claims costs associated with our warranty portfolio showed improvement over levels experienced in the first half of the year.

Along with its ongoing review of claims costs, management has identified and is implementing key strategic initiatives that will contribute to mitigating future A&E claims exposure.

Year to Date:

On a year to date basis, financial services segment EBITDA increased \$4.1 million, or 25.8%, to \$19.9 million when compared to the same period in 2006.

EBITDA, as a percentage of sales and operating revenue, was 56.0% compared to 60.4% for the first nine months of 2006, primarily impacted by the increasing contribution to sales and operating revenue from our third party clients.

Overall gross margin percentage was down due mainly to the increasing relative contribution of our lower margin third party clients, and partially due to a decrease in our Brick business gross margin percentage, reflecting the increase in warranty claims costs.

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 by the financial services segment in the third quarter of 2007 were \$20.9 million compared to \$17.4 million in the third quarter of 2006, reflecting an increase of 20.2%.

On a year to date basis, warranty and insurance premiums written increased by \$9.1 million, or 18.7%, to \$57.5 million.

For the quarter and for the year to date, our third party clients contributed the majority of the increase in premiums written in our insurance business.

For the twelve months ended September 30, 2007, our CSP improved slightly as compared to 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.

7. FINANCIAL POSITION

(000's of \$)	September 30, 2007	December 31, 2006
Total assets	\$ 933,904	\$ 948,767
Total long-term liabilities	250,293	118,343

Assets

Total assets as at September 30, 2007 of \$934 million were \$15 million lower than the \$949 million reported at December 31, 2006. Inventory was \$22 million lower than at December 31, 2006, offset by increased cash of \$5 million and increased accounts receivable of \$2 million. Management was pleased with the change, reflecting the impact of ongoing efforts to improve supply chain management, cash management and working capital efficiency.

There was no net change in long-term assets.

Long-Term Liabilities

Long-term liabilities at September 30, 2007 increased \$132 million to \$250 million compared to \$118 million at December 31, 2006.

The main components of this increase were as follows:

The issuance of long-term debt of \$82 million. At December 31, 2006, the term debt and mortgages were classified on the Brick Group's consolidated balance sheet as a current liability as they were scheduled to mature and become payable in full on July 20, 2007. On March 14, 2007, the Brick Group completed the refinancing of its long-term debt which is now due on March 14, 2014.

An increase to our future income tax liability of \$34.6 million was recorded in the second quarter. This amount, related to the "Tax Fairness Plan" announced on October 31, 2006 by the Government of Canada (Department of Finance), is further discussed in this MD&A under the heading "Consolidated Operating and Financial Results" and under the heading "Risk Factors".

Our deferred warranty and insurance plan revenue increased by \$15 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.

Deferred lease inducements increased by \$2 million related to current year capital asset improvements.

8. LIQUIDITY AND CAPITAL RESOURCES

The following table provides a summarized statement of cash flows for the three and nine month periods ended September 30, 2007 and September 30, 2006.

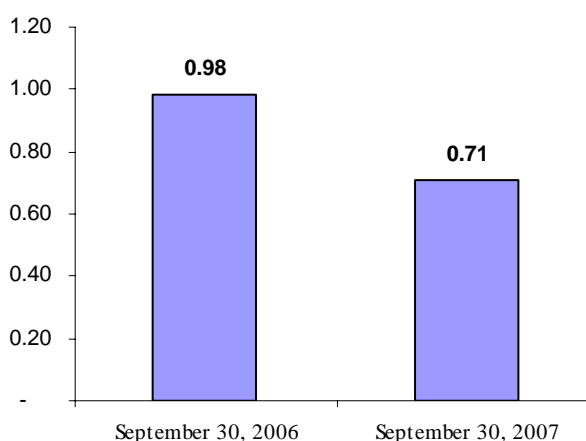
Source (Use) of Cash (000's of \$)	Three months ended September 30			Nine months ended September 30		
	2007	2006	\$ Increase (Decrease)	2007	2006	\$ Increase (Decrease)
Operating activities						
Retail	\$ 18,608	\$ 13,720	4,888	\$ 25,505	\$ 27,722	(2,217)
Financial	10,668	10,784	(116)	30,218	29,643	575
Funds Flow from operations	29,276	24,504	4,772	55,723	57,365	(1,642)
Change in non-cash working capital	18,817	17,934	883	18,961	(5,895)	24,856
	48,093	42,438	5,655	74,684	51,470	23,214
Financing activities						
Distributions	(16,251)	(16,251)	-	(48,753)	(48,753)	-
Other	(10,442)	(16,086)	5,644	(7,470)	(7,448)	(22)
Investing activities	(7,846)	(8,317)	471	(13,667)	(20,724)	7,057
Increase (decrease) in cash	\$ 13,554	\$ 1,784	11,770	\$ 4,794	\$ (25,455)	30,249

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

Overall, management is pleased with our cash position as cash flow generated from operating activities continues to show improvement over 2006 levels. Management continually looks for ways to improve cash management and working capital efficiency. These efforts, together with the solid and stable contribution to cash flow from our financial services segment, and ample borrowing capacity in our credit facilities, position us well to support and take advantage of future growth opportunities.

Our efforts to improve cash management and working capital efficiency are also reflected in our improved net debt to adjusted EBITDA ratio. Adjusted EBITDA for the twelve months ended September 30, 2007 was \$85.5 million and net debt was \$60.7 million. Net debt includes long-term debt of \$81.9 million offset by cash and cash equivalents of \$21.2 million. Adjusted EBITDA for the twelve months ended September 30, 2006 was \$79.0 million and net debt was \$77.6 million. Net debt, as at September 30, 2006, includes long-term debt of \$80.8 million, bank indebtedness of \$0.5 million offset by cash and cash equivalents of \$3.7 million.

**Net Debt to Adjusted EBITDA
(Twelve months ended September)**



Compared to 2006, funds flow from operations increased by \$4.8 million for the quarter and decreased \$1.6 million on a year to date basis.

For the quarter, improved funds flow from operations was attributable to the results in the retail segment.

On a year to date basis, marginally lower funds flow from operations was attributable to the retail segment results for the first half of the year.

Compared to 2006, changes in non-cash working capital contributed \$0.9 million more to cash flow for the quarter, and \$24.9 million more to cash flow on a year to date basis.

We have worked hard to ensure inventory and accounts payable balances, the main components of the change in non-cash working capital, are at efficient levels. Regarding our inventory levels, as we worked through the build out of our distribution infrastructure in 2006, logistical inefficiencies drove inventory balances above normal levels. Through focused efforts on basic inventory and logistics management, our nominal inventory levels have decreased, while real inventory levels, in light of additional stores and increased distribution centre space, reflect even greater improvement. Strong sales in the third quarter further impacted inventory levels. As for our accounts payable, management continually reviews payment processes and terms to ensure the cash cycle related to purchases and payments is optimized where possible.

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 unitholder 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 third quarter, the Brick Group paid cash distributions to unitholders of \$16.3 million bringing the total cash distributions paid for the nine months ended September 30, 2007 to \$48.8 million (three and nine months ended September 30, 2006: \$16.3 million and \$48.8 million respectively).

Other

For the quarter, other financing activities included a reduction in our bank indebtedness of \$10.4 million. In the third quarter of 2006, our bank indebtedness decreased by \$15.9 million and we paid \$0.3 million for financing fees and scheduled mortgage principal repayments.

On a year to date basis, 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 \$2.3 million. This amount, together with a decrease in bank indebtedness of \$9.8 million, accounted for all of the \$7.5 million cash outflow from other financing activities. For the same period in 2006, our bank indebtedness decreased by \$6.8 million and we made \$0.7 million in scheduled mortgage principal repayments.

Investing Activities

The following table summarizes the Brick Group's investing activities for the three and nine month periods ended September 30, 2007 and September 30, 2006:

Investing Activities Source (Use) of Cash (000's of \$)	Three months ended September 30			Nine months ended September 30		
			\$ (Increase) Decrease			\$ (Increase) Decrease
	2007	2006		2007	2006	
Capital assets additions	\$ (8,475)	\$ (6,935)	(1,540)	\$ (15,802)	\$ (22,450)	6,648
Intangible asset additions	-	(1,470)	1,470	(1,508)	(4,597)	3,089
Proceeds from disposal of capital assets	1	14	(13)	2,924	6,608	(3,684)
Marketable securities additions	(1,770)	(452)	(1,318)	(4,781)	(2,486)	(2,295)
Proceeds from sale of marketable securities	2,398	526	1,872	5,500	2,201	3,299
	\$ (7,846)	\$ (8,317)	471	\$ (13,667)	\$ (20,724)	7,057

Capital asset additions for the quarter of \$8.5 million include \$1.8 million of maintenance capital expenditures, and \$6.7 million of growth capital expenditures invested mainly in new stores.

On a year to date basis, investments in capital assets are lower than in the prior year as 2006 investments in capital assets were related primarily to the build out of our distribution infrastructure. Proceeds from capital asset disposals of \$6.6 million in 2006 include \$5.5 million related to an expropriation of property by the City of Calgary. During the second quarter of 2007, we received proceeds from disposal of capital assets of \$2.9 million relating to the disposal of a redundant real estate asset in Edmonton, Alberta.

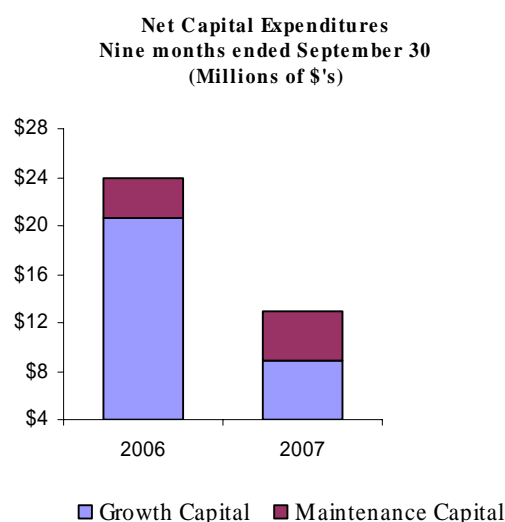
Capital Expenditures

Maintenance Capital

The Brick Group incurred maintenance capital expenditures for the three months ended September 30, 2007 of \$1.8 million compared to \$1.8 million for the same quarter in 2006.

On a year to date basis, maintenance capital expenditures of \$4.0 million have been incurred compared to \$3.2 million 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 buildings and equipment.



For 2007, management expects maintenance capital expenditures will be approximately \$6.0 million.

Growth Capital

For the quarter ended September 30, 2007, growth capital expenditures were \$6.7 million. We received tenant inducements of \$2.3 million, bringing our net expenditures on growth capital to \$4.4 million for the quarter.

On a year to date basis, we have spent \$11.8 million on growth capital expenditures and received tenant inducements of \$2.9 million, for a net investment in growth capital of \$8.9 million.

In 2006, growth capital expenditures net of tenant inducements for the quarter, and on a year to date basis, were \$4.5 million and \$20.6 million respectively. 2006 growth capital expenditures were driven by the build out of our distribution infrastructure.

Management expects growth capital expenditures in 2007 will be approximately \$11.0 million, net of tenant inducements.

Financing Resources

At September 30, 2007, no amount was drawn under the \$50.0 million Operating Credit Facility and \$0.3 million was drawn under the Commercial Letter of Credit Facility leaving \$4.7 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"). Proceeds of \$81.8 million, net of transaction costs of \$1.2 million, 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 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 September 30, 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 September 30, 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.

In July 2007 the Canadian Institute of Chartered Accountants (CICA) published an interpretative release titled "Standardized Distributable Cash in Income Trusts and Other Flow-through Entities". Management is currently reviewing this guidance to determine whether it will result in appropriate or improved disclosure of the Brick Group's distributable cash.

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

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.

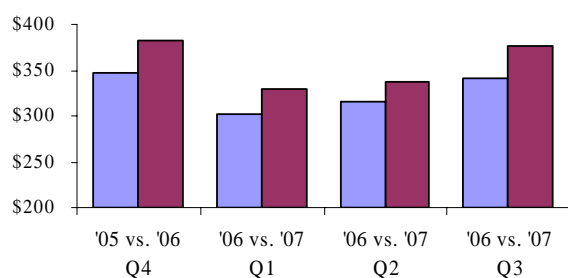
Management of the Brick Group believes that adjusted EBITDA is a useful financial measure as it represents a starting point in the determination of cash available for distribution to unitholders.

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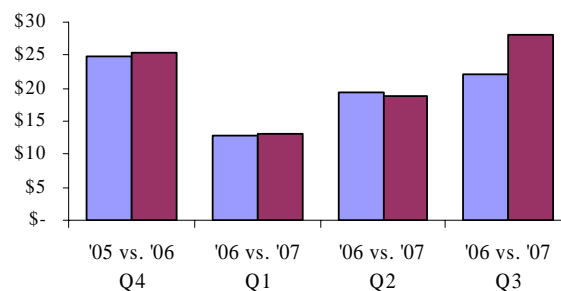
Adjusted Results of Operations

Adjusted Results: (000's of \$ except %, per unit and store amounts)	For the three months ended September 30				For the nine months ended September 30			
	2007 Adjusted	2006 Adjusted	\$ Increase (Decrease)	% Increase (Decrease)	2007 Adjusted	2006 Adjusted	\$ Increase (Decrease)	% Increase (Decrease)
Sales and operating revenue	\$ 377,153	\$ 340,969	36,184	10.6%	\$ 1,045,407	\$ 958,774	86,633	9.0%
Cost of sales	(223,176)	(204,558)	18,618	9.1%	(622,383)	(571,580)	50,803	8.9%
Gross margin	153,977	136,411	17,566	12.9%	423,024	387,194	35,830	9.3%
<i>Gross margin as a percentage of sales and operating revenue</i>	40.8%	40.0%			40.5%	40.4%		
Selling, general and administrative expenses (SG&A)	(126,284)	(114,664)	11,620	10.1%	(366,903)	(334,157)	32,746	9.8%
Investment and other income	463	383	80	21.0%	4,045	1,153	2,892	250.8%
EBITDA	28,156	22,130	6,026	27.2%	60,165	54,190	5,975	11.0%
<i>EBITDA as a percentage of sales and operating revenue</i>	7.5%	6.5%			5.8%	5.7%		
Interest expense on long-term and other debt	(2,260)	(1,612)	648	40.2%	(6,942)	(4,489)	2,453	54.7%
Income tax expense	(711)	(137)	574	419.0%	(35,711)	(1,013)	34,698	3425.3%
Amortization	(4,850)	(5,206)	(356)	-6.8%	(14,556)	(14,262)	294	2.1%
Income (loss) before extraordinary item	20,335	15,175	5,160	34.0%	2,956	34,426	(31,470)	-91.4%
Extraordinary item net of taxes	-	-	-	-	-	3,378	3,378	
Net income (loss)	\$ 20,335	\$ 15,175	5,160	34.0%	\$ 2,956	\$ 37,804	(34,848)	-92.2%
Basic and diluted net income (loss) per unit	\$ 0.38	\$ 0.28	0.10	35.7%	\$ 0.05	\$ 0.64	(0.59)	-92.2%
Stores at period end	206	196			206	196		

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



Adjusted EBITDA
(Millions of \$'s)



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. Compared to our net income, our distributions have been higher. Management does not view distributions in excess of net income as an economic return of capital because they include significant amounts of cash flows from our warranty business, which are recorded as deferred revenue and recognized into income in future periods.

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.

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

Distributions for the twelve months ended September 30, 2007 resulted in a payout ratio of 92.8% (twelve months ended September 30, 2006: 95.4%). For the twelve months ended September 30, 2007, our payout ratio was positively impacted by our strong third quarter results. Management is pleased with the improvement in the payout ratio. As we progress through the remainder of this year, management expects to continue to leverage the impact of our 2006 infrastructure build out and improved cost management against our typically seasonally higher sales.

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 remain in effect for 2007.

The subordination arrangements relating to the Class B units are only entitled to be terminated effective December 31, 2007 if the Brick Group earns adjusted EBITDA for fiscal 2007 of at least \$82.848 million, and the Brick Group has paid average monthly distributions of at least \$0.10 per Class A and Class B unit for fiscal 2007.

For the nine months ended September 30, 2007, the Brick Group has earned adjusted EBITDA of \$60.2 million. Fourth quarter adjusted EBITDA earned in 2006 was \$25.3 million. Adjusted EBITDA earned in the twelve month period ended September 30, 2007 was \$85.5 million.

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

(000's of \$ except per unit amounts)	Notes	Three months ended September 30		Twelve months ended September 30	
		2007	2006	2007	2006
Cash flow from operating activities	1	\$ 48,093	\$ 42,438	\$ 103,768	\$ 90,967
Changes in non-cash operating working capital items	1, 2	(18,817)	(17,934)	(19,612)	1,085
Items not affecting cash	3	492	(1,442)	(33,899)	(8,919)
Cash items	4	(12,623)	(11,354)	(43,450)	(46,740)
Income (loss) before extraordinary item		17,145	11,708	6,807	36,393
Interest		2,260	1,505	8,531	5,483
Income tax expense (recovery)		187	(1,074)	33,230	(3,077)
Amortization		6,542	7,127	26,733	28,065
Reported EBITDA		26,134	19,266	75,301	66,864
Elimination of Purchase Accounting Impact	5	2,022	2,864	10,212	12,146
Adjusted EBITDA		28,156	22,130	85,513	79,010
Debt service obligation	6	(2,218)	(1,615)	(8,846)	(6,128)
Maintenance capital expenditures	7	(1,754)	(1,800)	(5,276)	(3,604)
Corporate income taxes - current	8	(615)	(128)	(1,303)	(1,120)
Cash available for distribution		\$ 23,569	\$ 18,587	\$ 70,088	\$ 68,158
Cash available for distribution per unit		\$ 0.44	\$ 0.34	\$ 1.29	\$ 1.26
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 September 30		69.0%	87.4%	92.8%	95.4%

- 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 third quarter payout ratio of 66.9% compared to our reported third quarter payout ratio of 69.0%. For the twelve months ended September 30, 2007, the payout ratio under this alternative view was 93.3%, as compared to our reported payout ratio of 92.8% for the same period.

The decrease in spread between the reported and alternative payout ratio is primarily due to the recognition of deferred warranty revenue growing faster than cash flow generated from written warranty sales. Written sales saw significant growth in 2004 and 2005 which is only now being reflected in the income statement as earned income. During that time, increased growth in written warranty sales was driven by sales growth as a result of the Quebec store openings and the addition of a third party client. Warranty sales continue to grow, but the rate of growth for written sales is not as high as it was in 2004. As a result, there will be less difference between the reported and alternative payout ratio.

Alternative View (000's of \$)	Three months ended September 30		Twelve months ended September 30	
	2007	2006	2007	2006
	Cash flow from operating activities	\$ 48,093	\$ 42,438	\$ 103,768
Changes in non-cash working capital	(18,817)	(17,934)	(19,612)	1,085
Funds flow from operations	29,276	24,504	84,156	92,052
Cash received for leasehold inducements	(2,290)	(2,087)	(4,436)	(11,308)
Increase in claims exposure	(931)	(961)	(4,327)	(4,382)
Scheduled principal repayments	-	(181)	(406)	(841)
Maintenance capital expenditures	(1,754)	(1,800)	(5,276)	(3,604)
Distributable Cash	24,301	19,475	69,711	71,917
Distributions	(16,251)	(16,251)	(65,006)	(65,006)
Excess	\$ 8,050	\$ 3,224	\$ 4,705	\$ 6,911
Payout ratio	66.9%	83.4%	93.3%	90.4%

Changes in Non-Cash Working Capital

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

Funds Flow From Operations

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

Cash Received for Leasehold Inducements

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

Increase in Claims Exposure

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

The alternate view calculation deducts an amount from Funds Flow from operations to address the increase in claims exposure (i.e. future warranty and certain insurance claims) of the warranty and insurance portfolios (i.e. unexpired warranty and insurance contracts). In general, any change in claims exposure is driven by two main factors, including a change in the size of the portfolios as well as changes in estimated future claims rates.

In determining the total claims exposure associated with these portfolios, management looks at each type of warranty and insurance product offered and the associated historical claims rates as an indicator of future claims rates. These estimates for future claims rates are applied to the portfolios.

Principal Payments

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

Maintenance Capital Expenditures

This amount is the same as that which is currently deducted in the reported calculation of Distributable Cash.

Distributions For The Period

Distributions remained unchanged in the third quarter of 2007. For the quarter ended September 30, 2007, the Brick Group met all distribution targets of \$0.10 per unit per month for Class A and Class B units. Total declared cash distributions were \$16.3 million for the quarter as detailed in the table below:

Period	Record Date	Payment Date	Per Unit	Amount
				\$ (000's)
Class A units				
July 2007	July 31, 2007	August 15, 2007	0.1000	\$ 4,292
August 2007	August 31, 2007	September 17, 2007	0.1000	4,292
September 2007	September 28, 2007	October 15, 2007	0.1000	4,292
				12,876
Class B units				
July 1 - September 30, 2007	September 28, 2007	October 15, 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 September 30, 2007 and November 5, 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 remains as discussed in our 2006 Annual Report, and in our First and Second Quarter MD&A reports. 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. With our third quarter results, we are beginning to validate the impact of our focus and commitment.

Management believes that we are well positioned to positively leverage the seasonality factor in the fourth quarter of this year, further improving our EBITDA performance over the prior year.

Strategic Levers

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

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

Within our financial services segment, these include:

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

Store Count Continuity

The following chart illustrates our 2007 store count projections:

Store Count Projection 2007				
	At Sept 30, 2007	Rebannered	Opened / Closed	At Dec 31, 2007
Corporate Stores				
Brick	91	1	1	93
Brick Clearance Centres	11	0	-1	10
Superstore	3	0	0	3
Mattress Store	22	0	1	23
UFW	48	-1	0	47
Corporate Subtotal	175	0	1	176
Franchise Stores				
Brick Franchise (1 mattress franchise)	30	0	2	32
UFW Franchise	1	0	0	1
Franchise Subtotal	31	0	2	33
Total Corporate & Franchise Stores	206	0	3	209

Limited Rebanning in 2007

Management has been very pleased with results on the rebanning initiative. Management continues to evaluate the option of further rebanning of United Furniture stores, where opportunities present themselves.

Mattress Stores

Management expects to open 1 new Brick Mattress Store in the fourth quarter of the year, bringing our total number of mattress stores to 23 by the end of the year. We have been very pleased with the performance of our specialty bedding chain and will continue to pursue its expansion over the coming years.

Capital Expenditures

In 2007, management expects to spend approximately \$6.0 million in maintenance capital expenditures and approximately \$11.0 million in growth capital expenditures, net of tenant inducements.

Current Income Tax Expense

Our anticipated current income tax expense for the year is estimated at approximately \$1.4 million.

As we have stated in the past, we believe that our geographic and economic diversification will allow us to remain competitive in the short and long term Canadian economy.

In recent weeks, we have seen the Canadian Dollar reach parity with the US Dollar. While we anticipate some positive impact on our cost of goods purchased by the Brick Group in US dollars, we do not see that

impact as significant. As noted earlier, The Brick routinely adjusts its prices so as to offer lower, more competitive, prices to our customers, and this includes lowering prices on those goods where cost is impacted by the strength of the Canadian dollar.

There have been no significant shifts since the last quarter as it relates to energy and interest costs. Inflation across the country remains relatively low. On the whole, against this macroeconomic backdrop, management continues to see conditions conducive to continued growth on both sales and EBITDA through the balance of the year.

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

13. CRITICAL ASSUMPTIONS

Future Income Taxes

The impact of the adjustment for future income taxes is discussed in this MD&A under the heading, “Consolidated Operating and Financial Results” and is further discussed under the heading “Risk Factors”.

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 and \$0.6 million for the three and nine month periods ended September 30, 2007 respectively, paid to a joint venture partially owned by an officer of the Brick Group (Three and nine months ended September 30, 2006: \$0.2 million and \$0.6 million respectively). 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 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 September 30, 2007 (September 30, 2006: U.S. dollar forward exchange contracts with a notional maturity amount of \$6,694 CAD were outstanding with a weighted average term to maturity of 10 days and an unrealized gain of \$11 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

Section 1506 – Accounting Changes

Pending Changes to Accounting Policy:

Section 3031 – Inventories

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 nine months ended September 30, 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.

US Subprime Mortgage Market and Asset Backed Commercial Paper

During the quarter ended September 30, 2007, management considered The Brick Group's exposure to risks related to credit liquidity, and other potential issues, related to asset backed commercial paper and the US subprime mortgage market. Through enquiry and discussion with the relevant business partners and advisors, specific consideration was made of potential risks related to our marketable securities portfolios, and of potential risks related to our relationships with our financial institution business partners. From these discussions and enquiries, management did not identify any risks from asset backed commercial paper, or the US subprime mortgage market impacting the marketable securities portfolios. The Brick Group does not hold any non-bank asset backed commercial paper.

From those same discussions and enquiries, management identified a potential risk of reduced credit approval rates for the Brick Card.

In our financial services segment, claims within our insurance business have remained stable and consistent with historical levels.

Non-resident Unitholders

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.

Income Taxes

Within The Brick Group, The Brick Group Income Fund (the Fund), is a mutual fund trust as defined under the Income Tax Act (Canada) and, as such, is permitted to deduct from its taxable income certain

amounts distributed to its unitholders. This deduction is not available to those subsidiaries of the Brick Group which are corporations and are therefore subject to income tax.

On June 22, 2007, Bill C-52, which significantly modifies the income tax rules applicable to certain publicly traded or listed trusts and partnerships, received Royal Assent. In particular, certain income of (and distributions made by) these entities will be taxed in a manner similar to income earned (and distribution made by) a corporation. These rules will be effective for the 2007 taxation year with respect to trusts which commence public trading after October 31, 2006. For the Brick Group, the application of these rules will be delayed to the earlier of (i) the Brick Group's 2011 taxation year, and (ii) a taxation year of the Brick Group in which the Brick Group exceeds normal growth as determined by reference to normal growth guidelines, as amended from time to time, unless that excess arose as a result of a prescribed transaction.

On December 15, 2006, the Department of Finance (Canada) released the normal growth guidelines which apply to the Brick Group. The guidance establishes objective tests with respect to how much the Brick Group is permitted to grow without jeopardizing its four year transitional relief. In general, the Brick Group will be permitted to issue new equity in each of the next four years equal to the greater of \$50 million and a certain percentage of the Brick Group's market capitalization as of the end of trading on October 31, 2006 (up to 100% over the four years). The latter amount is cumulative to the extent it is not used in a given year and, accordingly, the Brick Group will be permitted to issue new equity over the next four years at least equal to its October 31, 2006 market capitalization (subject to the applicable annual limits). Market capitalization, for these purposes, is to be measured in terms of the value of the Brick Group's issued and outstanding publicly-traded units. If these limits are exceeded, the Brick Group may lose its transitional relief and thereby become immediately subject to the new rules.

The Brick Group is considering these legislative changes and their possible impact to the Brick Group. The new rules (including the normal growth guidelines released on December 15, 2006) may adversely affect the marketability of the Brick Group's units and the ability of the Brick Group to undertake financings and acquisitions, and, at such time as the new rules apply to the Brick Group, distributable cash of the Brick Group will be reduced. The impact of the tax on the Brick Group's distributable cash will be mitigated to the extent that management is successful in growing the amount of distributable cash generated by the Brick Group's business over the next three and one-quarter years.

For illustrative purposes, the consequences for an Ontario resident individual unitholder, holding units outside a tax deferred plan who received a \$100 distribution would be as follows, assuming that 100% of the distribution was treated as income with no return of capital.

	2006	2011
	Tax Measures	Tax Measures
Distributable amount before tax	\$100.00	\$100.00
Tax paid by the Fund	<u>0.00</u>	<u>(31.50)</u>
Distribution after the Fund's tax	\$100.00	\$ 68.50
Tax paid by the unitholder	<u>(46.40)⁽¹⁾</u>	<u>(15.30)⁽²⁾</u>
Net amount	<u>\$ 53.60</u>	<u>\$ 53.20</u>

⁽¹⁾ Assuming a 46.41% combined tax rate currently in effect in Ontario.

⁽²⁾ Assuming a 22.38% tax rate on the deemed dividend income.

The foregoing is based on the Fund's understanding of new rules enacted by the federal government. The tax consequences of these new rules to a unitholder that is tax-exempt, holds units in a tax-deferred plan or is a non-resident of Canada would differ from the example set forth above.

Unitholders are encouraged to consult their own tax advisors concerning the application of these new rules to their investment in units, with reference to their particular circumstances.

Performance Guarantee

Prior to June 1, 2007, under the terms of a credit card services contract, the Brick Group guaranteed the performance of a portfolio of Brick Card balances owned and underwritten by an unrelated external service provider. The guarantee set out minimum performance benchmarks, measured on an annual basis, for certain features of the portfolio such as term, interest rate, losses, early payout, and fraud. If these benchmarks were not met, the service provider had the right to propose and negotiate amendments to the discount rates charged. During the quarter ended June 30, 2007, in conjunction with the amendment and renewal of this agreement, this guarantee was removed.

15. CONTROLS AND PROCEDURES

There were no changes in the Brick Group's internal controls over financial reporting that occurred during the quarter ended September 30, 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.