



Date: November 3, 2008

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 the three month periods ended June 30, 2007, September 30, 2007 and December 31, 2007. The SIFT tax is further discussed in this MD&A under the heading “Distributable Cash and Distributable Cash Per Unit”.

Management’s Discussion and Analysis of Consolidated Financial Position and Results of Operations for the three and nine month periods ended September 30, 2008.

The Brick Group Income Fund assumes the reader of this document has access to, and has read The Brick Group Income Fund’s 2007 Annual Management’s Discussion and Analysis (the “2007 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 16, 2008 (the “March 2008 AIF”). The 2007 Annual MD&A and the March 2008 AIF can be downloaded in portable document format (PDF) from the SEDAR web site for Canadian regulatory filings at www.sedar.com or from www.thebrickgroup.ca. To request a printed copy, you may contact The Brick Group Income Fund at investor@thebrick.com.

The information in this Management’s Discussion and Analysis (“MD&A”) is supplemental to, and should be read in conjunction with the unaudited interim consolidated financial statements of The Brick Group Income Fund for the three and nine month periods ended September 30, 2008, 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.

Urban Brick

The Brick Group is excited about the launch of Urban Brick in the fourth quarter of 2008. Urban Brick provides condo dwellers and other metro market consumers with unique, stylish, high quality home furnishings at competitive prices. The first Urban Brick store will be opened by rebannered one of our Mattress Stores within Toronto, Ontario to the new design. The banner is then expected to expand to high density, metro areas across Canada.

As at September 30, 2008, The Brick Group operated 215 retail stores (including its 38 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 was the first quarter for which prior year quarterly and year-to-date comparative results included the effects of purchase accounting.

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

The purchase accounting adjustments are described in detail under the heading Purchase Accounting Adjustments in the 2007 Annual MD&A.

Management believes the adjusted results to be important measures as they facilitate comparison to past performance of the business acquired by the Brick Group. To provide continuity, management will continue to provide adjusted results as supplementary information throughout this MD&A where

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

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

Same Store Sales

Comparable same store sales are calculated to include merchandise sales for new stores open 14 full calendar months and sales from all relocated and rebannered stores, but exclude stores where significant cannibalization has occurred.

For the 2008 third quarter results for same store sales growth, 5 stores have been excluded due to cannibalization. On this basis, same store sales as discussed in this MD&A reflect 96.9% in the third quarter, and 97.4% year to date, of the total sales occurring at all stores that have been open 14 full calendar months.

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

In this MD&A, references to corporate same store sales in Western Canada include corporate stores situated in Manitoba, Saskatchewan, Alberta, British Columbia, and the Yukon Territory. References to corporate same store sales in Eastern Canada include corporate stores located in Ontario and Quebec.

Franchise Sales

Franchise sales figures and franchise same store sales figures as discussed in this MD&A refer to results that have not been audited. Sales at franchise stores are not included in the sales and operating revenue figures presented in The Brick Group Income Fund’s consolidated financial statements, or in the corporate same store sales figures presented in this MD&A.

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2. THIRD QUARTER HIGHLIGHTS

(000's of \$ except %, and store amounts)	For the three months ended September 30				For the nine months ended September 30			
	2008	2007	\$ Increase (Decrease)	% Increase (Decrease)	2008	2007	\$ Increase (Decrease)	% Increase (Decrease)
Retail Segment - Sales and operating revenue	\$ 365,008	\$ 362,590	2,418	0.7%	\$ 1,016,787	\$ 1,002,813	13,974	1.4%
Financial Services Segment - Sales and operating revenue	15,753	12,513	3,240	25.9%	45,120	35,631	9,489	26.6%
Consolidated - Sales and operating revenue	380,761	375,103	5,658	1.5%	1,061,907	1,038,444	23,462	2.3%
Franchise Sales	36,001	30,922	5,079	16.4%	96,838	82,135	14,703	17.9%
Consolidated and Franchise Sales and operating revenue	\$ 416,762	\$ 406,025	10,737	2.6%	\$ 1,158,745	\$ 1,120,579	38,166	3.4%
<i>Same Store Sales Growth (corporate stores)</i>	-0.3%	7.7%			-0.2%	6.4%		
<i>Same Store Sales Growth (corporate and franchise stores)</i>	-0.3%	7.5%			-0.3%	6.2%		
Retail Segment - EBITDA	\$ 12,754	\$ 18,969	(6,215)	-32.8%	\$ 26,844	\$ 32,812	(5,968)	-18.2%
Financial Services Segment - EBITDA	7,854	7,165	689	9.6%	22,772	19,948	2,824	14.2%
Consolidated - EBITDA	\$ 20,608	\$ 26,134	(5,526)	-21.1%	\$ 49,616	\$ 52,760	(3,144)	-6.0%
<i>EBITDA as a percentage of sales and operating revenue</i>	5.4%	7.0%			4.7%	5.1%		
Retail Segment - Net Income (loss)	\$ 4,776	\$ 10,002	(5,226)	-52.2%	\$ 27	\$ (28,605)	28,632	-100.1%
Financial Services Segment - Net income	7,666	7,143	523	7.3%	22,865	20,784	2,081	10.0%
Consolidated - Net income (loss)	\$ 12,442	\$ 17,145	(4,703)	-27.4%	\$ 22,892	\$ (7,821)	30,713	-392.7%
<i>EBITDA - Adjusted</i>	\$ 21,823	\$ 28,156	(6,333)	-22.5%	\$ 53,782	\$ 60,165	(6,383)	-10.6%
<i>Adjusted EBITDA as a percentage of sales and operating revenue</i>	5.7%	7.5%			5.1%	5.8%		
<i>Distributable cash per unit for the three months ended September 30</i>	\$ 0.31	\$ 0.44	(0.12)	-28.0%				
<i>Payout Ratio for the three months ended September 30</i>	95.8%	69.0%						
<i>Distributable cash per unit for the twelve months ended September 30</i>					\$ 1.23	\$ 1.29	(0.06)	-4.6%
<i>Payout Ratio for the twelve months ended September 30</i>					97.2%	92.8%		
Stores at period end	215	206			215	206		

Overview

Third quarter consolidated sales and operating revenue grew by \$5.7 million, or 1.5%, to \$380.8 million as compared to the same quarter of 2007. Sales and operating revenue increased by \$3.2 million or 25.9% in our financial services segment, and \$2.4 million or 0.7% in our retail segment. Against a backdrop of challenging economic conditions, management was pleased with positive same store sales growth in eastern Canada of 3.9%. In western Canada, same store sales growth was negative 5.3% compared to positive growth of 10.8% in the same quarter last year. Overall same store sales growth was negative 0.3% compared to positive growth of 7.7% in the same quarter last year.

Consolidated EBITDA of \$20.6 million decreased by \$5.5 million and was 1.6 pts lower as a percentage of sales and operating revenue compared to the same quarter last year.

Consolidated net income of \$12.4 million decreased by \$4.7 million compared to the same quarter last year.

For the quarter, the decrease in EBITDA and net income performance was attributable to our retail segment, which was impacted primarily by the slowing pace of sales growth in the Canadian retail sector and also by a higher level of operating costs. Compared to the same quarter in 2007, our fixed occupancy and compensation costs are higher, due primarily to new Brick stores.

Secondly, EBITDA and net income were also impacted by lower gross margins in the retail segment. For the majority of our furniture goods, which are sourced off-shore and paid for in U.S. dollars, freight cost inflation and the weakening of the Canadian dollar against the U.S. dollar were factors impacting retail margins in the third quarter.

Since becoming an income fund in July 2004, through the end of September 30, 2008, we have paid cash distributions of \$283 million to our unitholders. Based on the September 30, 2008 closing price of \$6.75 per Class A Trust Unit, our September 2008 distribution of \$0.10 per unit represents an annualized cash-on-cash yield of approximately 17.8%.

The payout ratio for the twelve months ended September 30, 2008 was 97.2% compared to 92.8% for the twelve months ended September 30, 2007. Under our alternative view of distributable cash, the payout ratio for the twelve months ended September 30, 2008 was 96.9% compared to 93.3% for the twelve months ended September 30, 2007.

Consolidated and Franchise Sales and Operating Revenue

Third quarter consolidated and franchise sales and operating revenue was \$416.8 million, including \$36.0 million of franchise sales, compared to \$406.0 million, including \$30.9 million of franchise sales, in the same quarter last year, representing an increase of 2.6%. Same store sales growth for corporate stores together with franchise stores was negative 0.3% compared to positive 7.5% for the third quarter in 2007.

Compared to the same quarter a year ago, sales at our franchise stores increased by 16.4%, to \$36.0 million.

We began the quarter with 33 franchise stores and ended with 38, while in 2007, we began the quarter with 29 and ended with 31 franchise stores.

3. OUTLOOK

Management anticipates that the fourth quarter will continue to be challenging for the Brick Group, and is taking appropriate action to mitigate the impact of continuing unfavourable economic trends. For the balance of the year, we will focus on:

- 1) driving profitable sales;
- 2) maximizing gross margin;
- 3) reducing SG&A; and
- 4) conserving cash.

As a result of sudden and dramatic changes in the economic and financial outlook, both domestically and internationally, we have and will continue to assess the potential impact on The Brick Group. Management has already implemented a number of operating initiatives to reduce and control costs, and intends to take advantage of these difficult times to use our strengths to increase market share. Management's focus for the balance of fiscal 2008 and 2009 will also include taking a prudent and proactive approach to cash flow management. Accordingly, we believe a reduction in distributions is prudent at this time, and anticipate that, beginning with the November 2008 distribution, our monthly distribution will be reduced from \$0.10 per unit to \$0.05 per unit. The Brick Group is also presently reviewing the strategic concept of an early conversion to a corporation. We believe these strategies are necessary and prudent at this time and will help The Brick Group to be able to deal with the future economic uncertainty.

The Distribution Committee of the Brick Group's Board of Trustees will continue to review and approve the level of cash distributions on a monthly basis, taking into account the Brick Group's reported distributable cash, its current and prospective performance, seasonality, and other factors they consider prudent. Further discussion surrounding the Brick Group's cash distributions is provided in this MD&A under the heading **DISTRIBUTABLE CASH AND DISTRIBUTABLE CASH PER UNIT**. The Distribution Committee will meet on November 19, 2008 to set the November 2008 cash distribution, to be paid on December 15, 2008.

Based on the October 31, 2008 closing price of \$4.51 per Class A Trust Unit, our anticipated reduced monthly distribution of \$0.05 per unit represents an annualized cash-on-cash yield of approximately 13.3%.

We believe that our geographic and economic diversification will allow us to remain competitive in the Canadian economy over both the short and long term. For the remainder of the year, we will maintain our aggressive marketing approach to supplying our customers with the best quality and value purchase opportunities, coast to coast, across Canada.

Our 2008 outlook builds upon the success and benefits of our prior year key strategic initiatives, rebannered and the distribution centre infrastructure build-out. Specifically, management has focused its efforts on driving a more aggressive capital investment program, with an approximate total spend of \$30 million in both growth and maintenance capital to establish new stores, enhance IT infrastructure and develop more efficient distribution capabilities. These investments should be accretive and favourably impact on profitability and market share. We remain confident that, despite the economy-driven pressure on our core business, we will continue to achieve solid returns from our investments over both the near and longer term.

Strategic Levers of The Brick Group

We continue to employ several fundamental strategic 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 and new formats, relocations and renovations, and selective rebannered
- Franchise Expansion: New outlets in high-potential locations
- Corporate Sales Growth: Prudent expansion into the hospitality and health-care markets

The specific levers being applied in our Financial Services segment include:

- Organic Growth: The Brick Card Credit Card, insurance penetration, warranty attachment rates
- Third Party Client Development: New business development

Store Count Continuity

The following chart illustrates our store count projections to the end of the 2008 fiscal year:

	At Sep 30, 2008	Rebanning to be Completed	Opening / Closing	At Dec 31, 2008
Corporate Stores				
Brick	99	2	3	104
Urban Brick	0	1	0	1
Brick Clearance Centres	8	-1	0	7
Superstore	3	0	0	3
Mattress Store	26	-1	3	28
UFW	41	-1	0	40
Corporate Subtotal	177	0	6	183
Franchise Stores				
Brick Franchise	38	0	9	47
Franchise Subtotal	38	0	9	47
Total Corporate & Franchise Stores	215	0	15	230

Capital Expenditures

In 2008, management expects to invest approximately \$6 million in maintenance capital expenditures and approximately \$25 million in growth capital expenditures, net of tenant inducements. Fiscal 2008 growth capital will be directed to opening five new Brick stores and six new Brick Mattress stores, and completing seven new rebanning projects and approximately eleven relocation and renovation projects. Consistent with its history, management will manage the pace of its capital investment program prudently through the year.

Mattress Stores

In the first three quarters of 2008, we opened three new Brick Mattress stores. For the remainder of fiscal 2008, management expects to open an additional three new Brick Mattress Stores, bringing our total number to 28 by the end of 2008. We have been very pleased with the performance of our specialty bedding chain and will continue to pursue its expansion over the coming years.

Urban Brick

The Brick Group is excited about the launch of Urban Brick in the fourth quarter of 2008. Urban Brick provides condo dwellers and other metro market consumers with unique, stylish, high quality home furnishings at competitive prices. The first Urban Brick store will be opened by rebanning of one of our Mattress Stores within Toronto, Ontario to the new design. The banner is then expected to expand to high density, metro areas across Canada.

Rebanning

Seven potential locations were selected for rebanning during fiscal 2008, and five were completed in the first three quarters of the year. Management has been very pleased with results of the rebanning initiative to date. As a result, we will continue to evaluate the option of further rebanning of United Furniture stores in appropriate circumstances.

Relocations and Renovations

Approximately eleven projects have been identified across our banners for either relocation or renovation during 2008. Management is pleased with the success of the previous years' renovation projects and is pursuing an even more aggressive schedule this year. We have secured more desirable locations for a number of older stores whose lease terms are nearing expiry. In other cases, we will invest in the renovation of older stores in preferred locations to freshen up their look and feel and make them more attractive to new customer demographics. We believe the returns on this capital investment will remain at least as strong as those already achieved.

Retail Installment Financing

The Brick Group began providing customer retail installment financing during the fourth quarter of 2007 on a limited basis. Customers not qualifying for Brick Credit Cards under either of the Brick Group's third party credit providers, have the option of applying for retail installment financing that is provided directly by the Brick Group. For those customers meeting the Brick Group's credit scoring requirements, retail financing for specific individual purchases will provide the customer with an installment payment plan of either 12 or 24 months. Qualifying customers are required to make regular scheduled monthly blended payments of interest and principal. Management believes that this program will offset the potential risk of reduced credit approval rates for the Brick Card by our third party credit providers.

Management will closely monitor the related receivable balances, as well as any reserves for potential bad debts. At Sept 30, 2008, the receivable balance associated with this program was \$1.4 million. In order to manage risk appropriately, the Brick Group has set the limit of the maximum allowable receivable balance for this program at no more than \$10 million. Management does not expect to reach this level in 2008.

Current Income Tax Expense and SIFT Tax

Our anticipated current income tax expense for the 2008 year is estimated at approximately \$0.5 million.

As noted previously, 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. Management is currently reviewing and formulating its tax planning strategy as it relates to the SIFT tax, including the potential conversion of the Brick Group from an income fund to a corporation.

On July 14, 2008, the Department of Finance (Canada) introduced draft legislation which contains proposed conversion rules for income funds. These draft rules are designed to permit income funds to convert into public corporations and wind up without triggering adverse tax consequences to the income fund and its unitholders. The draft legislation is subject to comments by interested parties by September 15, 2008, and will likely be revised before being enacted into law. When enacted, the proposed rules are expected to cover transactions that occur within the period after the Announcement Date (July 14, 2008), and before 2013. Management is considering the impact of this draft legislation on its tax planning strategy, and potential conversion to a public corporation.

Summary

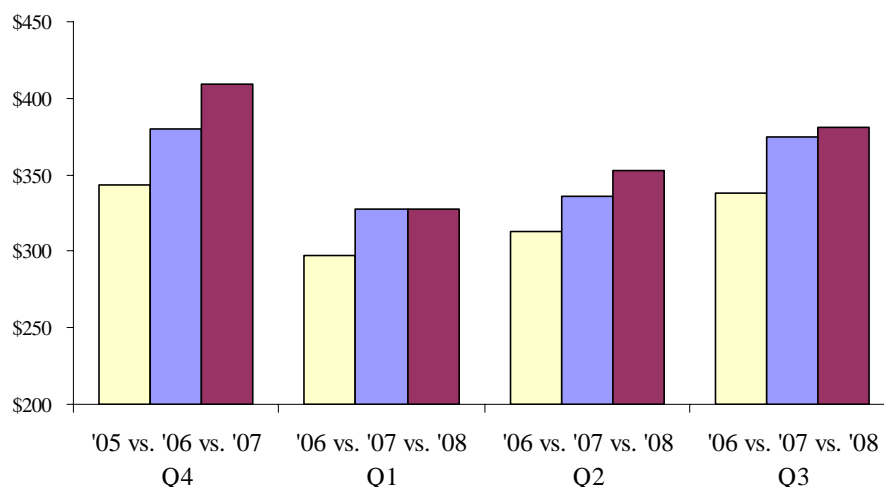
Management believes that it can continue to maintain and increase its competitive position despite the current economic downturn because of several key factors:

- The Brick Group is financially sound, with financing arrangements in place that provide stability and support the pursuit of new growth opportunities.
- Management is committed to a highly selective capital spending strategy focused entirely on projects with the potential to deliver high returns on investment.
- The Brick Group's Financial Services segment is, and will remain, a key driver of the overall business.
- The Brick Group markets the dominant brands in value and consumer awareness on a national basis, which means that it is able to win market share in both good and bad economic conditions.
- Cash conservation will remain a key priority. The Brick Group will continue to review the level of distributions on a monthly basis.

4. CONSOLIDATED OPERATING AND FINANCIAL RESULTS

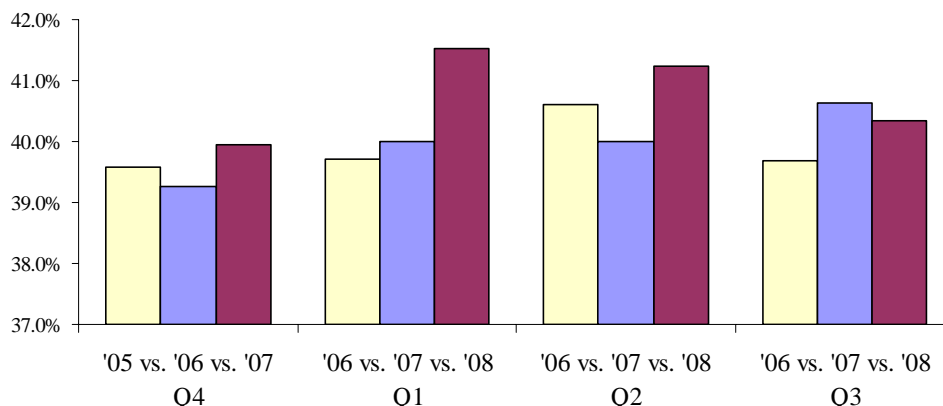
(000's of \$ except %, per unit and store amounts)	For the three months ended September 30				For the nine months ended September 30			
	2008	2007	\$ Increase (Decrease)	% Increase (Decrease)	2008	2007	\$ Increase (Decrease)	% Increase (Decrease)
Sales and operating revenue	\$ 380,761	\$ 375,103	5,658	1.5%	\$ 1,061,907	\$ 1,038,444	23,463	2.3%
Cost of sales	(227,145)	(222,664)	4,481	2.0%	(626,480)	(620,642)	5,838	0.9%
Gross margin	153,616	152,439	1,177	0.8%	435,427	417,802	17,625	4.2%
<i>Gross margin as a percentage of sales and operating revenue</i>	40.3%	40.6%			41.0%	40.2%		
Selling, general and administrative expenses (SG&A)	(133,252)	(126,743)	6,509	5.1%	(386,626)	(368,281)	18,345	5.0%
Investment and other income	244	438	(194)	-44.4%	814	3,239	(2,425)	-74.9%
EBITDA	20,608	26,134	(5,526)	-21.1%	49,615	52,760	(3,145)	-6.0%
<i>EBITDA as a percentage of sales and operating revenue</i>	5.4%	7.0%			4.7%	5.1%		
Interest expense on long-term and other debt	(2,357)	(2,260)	97	4.3%	(7,048)	(6,778)	270	4.0%
Income tax recovery (expense)	1,157	(187)	1,344	-718.8%	1,419	(33,924)	35,343	-104.2%
Amortization	(6,966)	(6,542)	424	6.5%	(21,094)	(19,879)	1,215	6.1%
Net income (loss)	\$ 12,442	\$ 17,145	(4,703)	-27.4%	\$ 22,892	\$ (7,821)	30,713	-392.7%
Basic and diluted net income (loss) per unit	\$ 0.23	\$ 0.32	(0.09)	-28.1%	\$ 0.42	\$ (0.14)	0.56	-400.0%
Stores at period end	215	206			215	206		
Adjusted results (purchase accounting adjustments removed):								
Sales and operating revenue	\$ 381,790	\$ 377,153	4,637	1.2%	\$ 1,065,710	\$ 1,045,407	20,303	1.9%
EBITDA	21,823	\$ 28,156	(6,333)	-22.5%	53,782	\$ 60,165	(6,383)	-10.6%
<i>EBITDA as a percentage of sales and operating revenue</i>	5.7%	7.5%			5.0%	5.8%		
Net income (loss)	\$ 14,924	\$ 20,335	(5,411)	26.6%	\$ 30,698	\$ 2,956	27,742	-938.5%
Payout ratio for the three months ended September 30	95.8%	69.0%						
Payout ratio for the twelve months ended September 30	97.2%	92.8%						

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

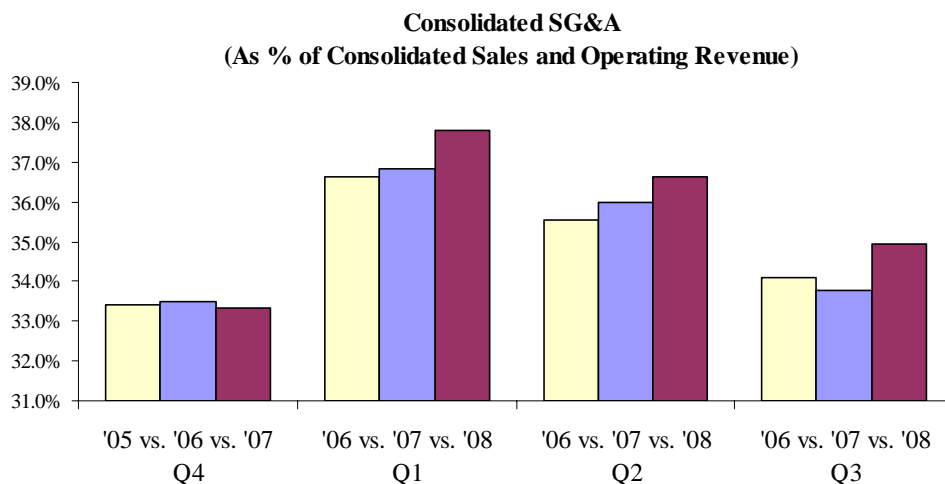


For the quarter ended September 30, 2008, consolidated sales and operating revenue of \$380.8 million increased by \$5.7 million or 1.5% as compared to the same quarter of 2007. Of this increase, \$2.4 million was in the retail segment, and \$3.3 million was in the financial services segment. The increase in the retail segment was due primarily to same store sales growth in eastern Canada of 3.9%, and new stores. In the financial services segment, revenue growth was attributable primarily to our warranty business.

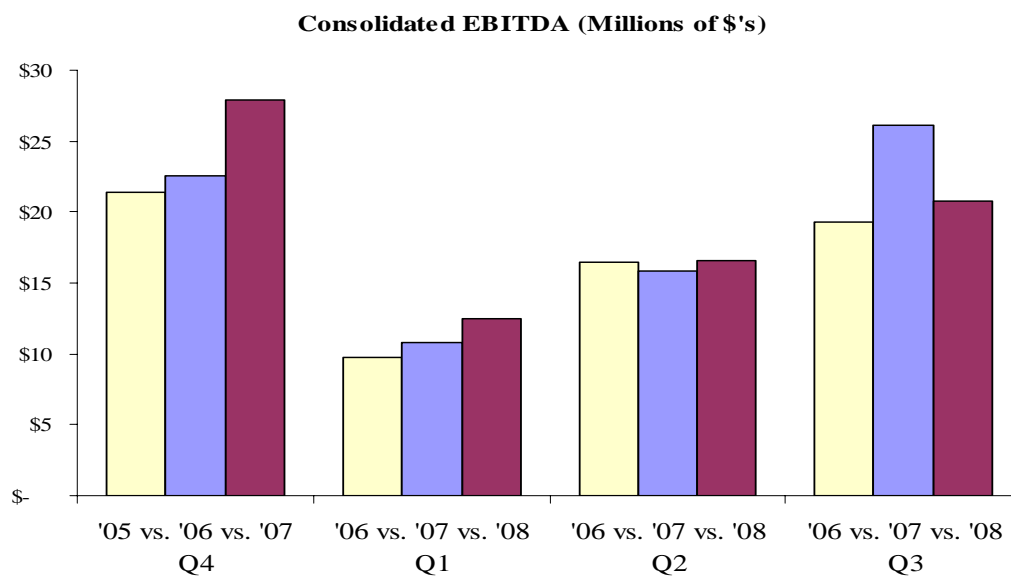
**Consolidated Gross Margin
(As % of Consolidated Sales and Operating Revenue)**



Consolidated gross margin for the quarter was 0.3 pts lower than the third quarter of 2007. This change was driven primarily by the retail segment where lower margin in the furniture category was the main driver of our quarter-over-quarter margin decrease. For the majority of our furniture goods, which are sourced off-shore and paid for in U.S. dollars, freight cost inflation and the weakening of the Canadian dollar against the U.S. dollar were the major factors impacting margins in the third quarter. Compared to 2007, margin in the retail segment was also impacted by a market driven shift in sales mix towards higher-growth, lower-margin electronics.

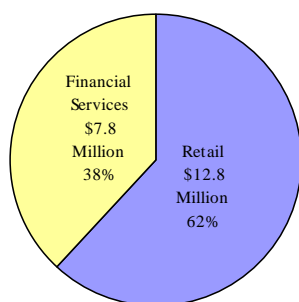


Consolidated selling, general and administrative expenses (SG&A), as a percentage of sales, were 1.2 pts higher in the third quarter of 2008 as compared to the third quarter of 2007. Higher fixed occupancy and compensation costs, due primarily to new Brick stores, were a major component of the increase in SG&A expenses.

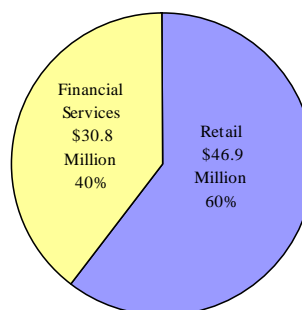


Third quarter consolidated EBITDA of \$20.6 million decreased \$5.5 million, or 21.1%, compared to the same quarter last year. With the slowing pace of sales growth experienced in the retail segment in the third quarter, and with a higher level of operating costs compared to the same quarter in 2007, EBITDA performance was negatively impacted. Quarter over quarter, weaker margins in the retail segment also contributed to the decrease in EBITDA.

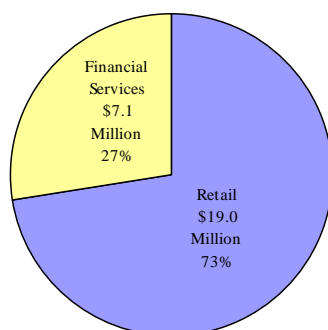
**Consolidated EBITDA by Segment
(Three Months Ended September 30, 2008)**



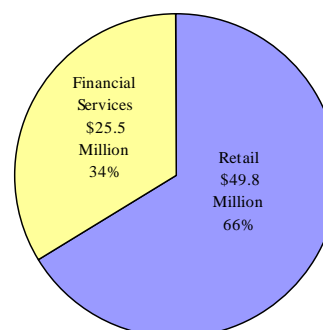
**Consolidated EBITDA by Segment
(Twelve Months Ended September 30, 2008)**



**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 over one third of our consolidated EBITDA.

Consolidated Net Income

Third quarter consolidated net income was \$12.4 million compared to \$17.1 million for the same quarter last year, representing a decrease of \$4.7 million. Net income in the retail segment decreased by \$5.2 million due primarily to relatively flat sales growth and increased SG&A expenses, and secondly, to lower gross margin. Net income in the financial services segment was \$0.5 million higher than in the same quarter of 2007.

On a year to date basis, net income was \$22.9 million compared to a loss of \$7.8 million for the same period in 2007. Our 2007 year-to-date consolidated loss included a one-time charge for future income tax expense of \$34.6 million related to the "Tax Fairness Plan" announced on October 31, 2006 by the Department of Finance (Canada). For further discussion on this \$34.6 million one-time charge please see the 2007 Annual MD&A. Normalized to exclude the impact of this one-time charge for future income tax expense, our 2007 year-to-date consolidated net income would have been \$26.8 million. On this basis, our 2008 year-to-date consolidated net income has decreased by \$3.9 million or 14.5% as compared to the same period last year. As for the quarter, the decrease in year-to-date net income has been driven

primarily by the slowing pace of sales growth in the Canadian retail sector, and also by increased SG&A expenses. Compared to the same period in 2007, our fixed occupancy and compensation costs are higher, due primarily to new Brick stores. The current economic environment, and specifically the decrease in the equity markets, has also impacted our net income. On a year-to-date basis we have recorded \$0.8 million in investment income compared to \$1.5 million for the same period in 2007.

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5. SUMMARY OF CONSOLIDATED QUARTERLY AND ANNUAL 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, 2008 Q3	April 1 to June 30, 2008 Q2	January 1 to March 31, 2008 Q1	October 1 to December 31, 2007 Q4
Sales and operating revenue	\$ 380,761	\$ 353,227	\$ 327,919	\$ 409,132
EBITDA	\$ 20,608	\$ 16,559	\$ 12,449	\$ 27,918
Net income	\$ 12,442	\$ 6,765	\$ 3,685	\$ 23,354
Basic and diluted net income per unit	\$ 0.23	\$ 0.12	\$ 0.07	\$ 0.43
Distributable cash	\$ 16,961	\$ 13,754	\$ 10,554	\$ 25,610
Distributable cash per unit	\$ 0.31	\$ 0.25	\$ 0.19	\$ 0.47
Cash distributions declared	\$ 16,251	\$ 16,251	\$ 16,251	\$ 16,252

(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	\$ 379,684
EBITDA	\$ 26,134	\$ 15,859	\$ 10,767	\$ 22,541
Net (loss) income ⁽²⁾	\$ 17,145	\$ (27,098)	\$ 2,732	\$ 14,628
Basic and diluted net (loss) income 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

(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. For the quarter ended December 31, 2007, this amount was reduced to \$30.3 million to reflect a reduction to the tax rate applicable in future years.

6. SEGMENTED INFORMATION – RETAIL OPERATIONS

(000's of \$)	Three months ended September 30				Nine months ended September 30			
	2008	2007	\$ Increase (Decrease)	% Increase (Decrease)	2008	2007	\$ Increase (Decrease)	% Increase (Decrease)
Sales and operating revenue	\$ 365,008	\$ 362,590	\$ 2,418	0.7%	\$ 1,016,787	\$ 1,002,813	\$ 13,974	1.4%
EBITDA	12,754	18,969	(6,215)	-32.8%	26,844	32,812	(5,968)	-18.2%
<u>Adjusted results (purchase accounting adjustments removed):</u>								
Sales and operating revenue	\$ 365,008	\$ 362,590	\$ 2,418	0.7%	\$ 1,016,787	\$ 1,002,813	\$ 13,974	1.4%
EBITDA	13,191	19,428	(6,237)	-32.1%	28,149	34,956	(6,807)	-19.5%

Sales and Operating Revenue

For the Quarter:

Sales and operating revenue from the retail segment increased by \$2.4 million or 0.7% compared to the same quarter a year ago.

This increase was primarily driven by positive same store sales growth in eastern Canada of 3.9%, and new stores. In western Canada, the previous trend of strong same store sales growth, 10.8% in 2007 and 7.0% in 2006, did not continue as same store sales growth in western Canada was negative 5.3%.

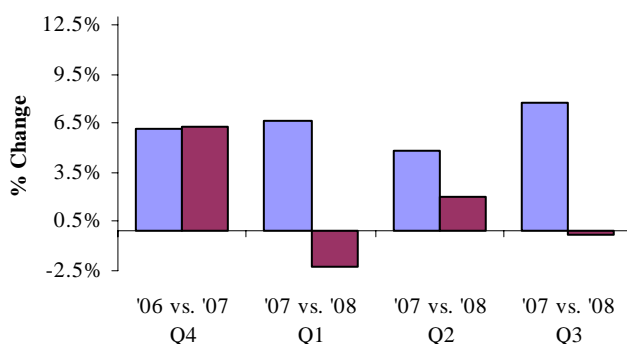
Management was pleased with strong same store sales growth of 3.9% in eastern Canada, especially in light of challenging economic conditions.

Year to Date:

On a year-to-date basis, sales and operating revenue from the retail segment has increased by \$14.0 million or 1.4%. In addition to relatively flat growth in our third quarter, our year-to-date sales and operating revenue has been impacted most significantly by weak sales growth in the first quarter. First quarter results were impacted by severe weather conditions which affected the number of customers coming into our stores to make purchases, and our ability to deliver goods. Positive sales growth in the second quarter more than offset the negative growth we experienced in the first quarter, and has been the main contributor to our year-to-date growth.

Third Quarter Same Store Sales Change Versus Prior Year			Year to Date Same Store Sales Change Versus Prior Year		
	2008	2007		2008	2007
Corporate Stores			Corporate Stores		
Western Canada	-5.3%	10.8%	Western Canada	-2.2%	9.4%
Eastern Canada	3.9%	4.8%	Eastern Canada	1.6%	3.5%
Total Corporate Stores	-0.3%	7.7%	Total Corporate Stores	-0.2%	6.4%
Franchise Stores	-0.7%	4.3%	Franchise Stores	-1.2%	3.6%
Total Corporate Stores & Franchise Stores	-0.3%	7.5%	Total Corporate Stores & Franchise Stores	-0.3%	6.2%

Corporate Same Store Sales



Year-to-date same store sales as discussed in this MD&A reflect 97.4% of the total sales occurring at all stores that have been open 14 full calendar months.

Franchise Sales

For the Quarter:

Sales at franchise stores increased by 16.4% to \$36.0 million. We began the quarter with 33 franchise stores and ended with 38, while in 2007, we began the quarter with 29 and ended with 31 franchise stores.

Year to Date:

Sales at franchise stores increased by 17.9% to \$96.8 million. We began this period with 33 franchise stores and ended with 38, while in the same period of 2007, we began with 26 and ended with 31 franchise stores.

Gross Margin

For the Quarter:

Gross margin for the retail segment was 0.5 ppts lower than in the third quarter of 2007.

Gross margin was impacted primarily by lower margins in the furniture category. For the majority of our furniture goods, which are sourced off-shore and paid for in U.S. dollars, freight cost inflation and the weakening of the Canadian dollar against the U.S. dollar were the major factors impacting margins in the third quarter. Although increasing product costs are normally addressed through pricing adjustments, the pace of these recent cost increases, coupled with the longer lead times associated with off shore purchases, impacted our ability to make price adjustments effective throughout the third quarter.

Management is continuing, in the fourth quarter, to work to address pricing issues related to our imported furniture goods where market conditions allow.

Our overall retail margin was also impacted in the quarter by a market driven shift in sales mix away from the furniture and appliance categories towards the higher-growth, lower-margin electronics category. Growth in current consumer demand for electronics is out pacing growth in consumer demand for furniture and appliances.

Year to Date:

On a year-to-date basis, gross margin has increased by 0.7 pts over 2007. Margin improvement on a year-to-date basis has been positively impacted by increased margins for electronics, which have more than offset an overall market driven shift in sales mix towards this higher-growth, lower-margin category.

Selling, General and Administrative Expenses

For the Quarter:

For the quarter ended September 30, 2008, SG&A expenses were \$5.8 million higher than in the same quarter a year ago. SG&A as a percentage of sales increased 1.5 pts from 34.8% in the third quarter of 2007 to 36.3% in the third quarter of 2008.

Approximately \$3.6 million of the increase in SG&A is attributable to semi-fixed and variable costs, with the balance of approximately \$2.2 million attributable to fixed costs. Key drivers impacting semi-fixed and variable costs were hourly compensation and credit card fees. Fixed occupancy and compensation costs each increased approximately \$1.0 million, with other general fixed cost increases contributing the balance of the increase in fixed costs of approximately \$0.2 million. Compared to the same quarter in 2007, the increase in our fixed occupancy and compensation costs is due primarily to new Brick stores.

Year to Date:

On a year-to-date basis, SG&A expenses were \$16.7 million higher than in the same period a year ago. SG&A as a percentage of sales increased 1.3 pts from 36.6% for the first three quarters of 2007 to 37.9% for the same period in 2008.

Approximately \$7.4 million of the increase in SG&A is attributable to semi-fixed and variable costs with the balance of approximately \$9.3 million attributable to fixed costs. Year-to-date semi-fixed and variable costs have been impacted primarily by hourly compensation and credit card fees. Fixed occupancy and compensation costs each increased approximately \$3.9 million, with other general fixed cost increases contributing the balance of the increase in fixed costs of approximately \$1.5 million. Compared to the same period in 2007, the increase in our fixed occupancy and compensation costs is due primarily to new Brick stores.

EBITDA

For the Quarter:

EBITDA in the retail segment of \$12.8 million decreased by \$6.2 million quarter over quarter. With sales growth essentially flat compared to the same quarter of 2007, and below management's expectations, and with a higher level of operating costs compared to the same quarter in 2007, EBITDA performance was negatively impacted. Quarter over quarter, weaker margins also contributed to the decrease in EBITDA.

Year to Date:

On a year-to-date basis, EBITDA in the retail segment of \$26.8 million was \$6.0 million or 18.2% lower than in the same period of 2007, attributable primarily to our third quarter results. As for the quarter, EBITDA performance on a year-to-date basis has been negatively impacted by the low level of sales growth which has been below management's expectations, and a higher level of operating costs compared to the same period in 2007.

Comparability of retail segment EBITDA on a year-to-date basis is impacted by a gain of \$1.8 million related to the disposal of a redundant real estate asset in the second quarter of 2007.

Store Continuity

During the third quarter, we opened Brick franchise stores in Estevan, Saskatchewan and Grande Cache, Alberta, and also in Midland, Goderich, and Carleton Place in the province of Ontario.

We rebannered a United Furniture store to a Brick store in Surrey, British Columbia, and closed a United Furniture store in Drayton Valley, Alberta. As well, we opened a Brick store in Saskatoon, Saskatchewan, and closed a Brick Clearance Centre in Edmonton, Alberta.

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

Store Count Continuity Q3 2008				
	At June 30, 2008	Rebannered	Opened / Closed	At Sep 30, 2008
Corporate Stores				
Brick	97	1	1	99
Brick Clearance Centres	9	0	-1	8
Superstore	3	0	0	3
Mattress Store	26	0	0	26
UFW	43	-1	-1	41
Corporate Subtotal	178	0	-1	177
Franchise Stores	33	0	5	38
Total Corporate & Franchise Stores	211	0	4	215

The following chart illustrates the Brick Group's store count continuity from December 31, 2007 to September 30, 2008.

Store Count Continuity - Year to Date Q3 2008				
	At Dec 31, 2007	Rebanned	Opened / Closed	At Sep 30, 2008
Corporate Stores				
Brick	92	5	2	99
Brick Clearance Centres	11	-1	-2	8
Superstore	3	0	0	3
Mattress Store	23	0	3	26
UFW	48	-5	-2	41
Corporate Subtotal	177	-1	1	177
Franchise Stores	33	1	4	38
Total Corporate & Franchise Stores	210	0	5	215

7. SEGMENTED INFORMATION – FINANCIAL SERVICES

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

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. On December 31, 2007, TGI’s business agreement with this third party matured and was not renewed. This third party accounted for less than 5% of premiums written in the financial services segment in 2007.

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

The Brick Group’s accounting policy for revenue and expense recognition in connection with insurance policies requires that premiums written and policy acquisition costs incurred in an accounting period be recognized over the term of the related coverage. The majority of insurance premiums written relate to coverage provided on a month-to-month basis. However, in 2005, as noted above, the financial services segment also began to provide multi-year property insurance to a third party. Unearned insurance revenues include the portion of premiums written on multi-year coverage policies that relate to the unexpired term of coverage.

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

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

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

Beyond these factors, our insurance business is regulated and is subject to oversight by the various insurance regulatory bodies across Canada, its own separate board of directors, and undergoes actuarial reviews of its claims provisions.

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

Financial Services Operating Results

(000's of \$)	Three months ended September 30				Nine months ended September 30			
	2008	2007	\$ Increase (Decrease)	% Increase (Decrease)	2008	2007	\$ Increase (Decrease)	% Increase (Decrease)
Sales and operating revenue	\$ 15,753	\$ 12,513	\$ 3,240	25.9%	45,120	35,631	9,489	26.6%
EBITDA	7,854	7,165	689	9.6%	22,772	19,948	2,824	14.2%
<u>Adjusted results (purchase accounting adjustments removed):</u>								
Sales and operating revenue	\$ 16,781	\$ 14,563	\$ 2,218	15.2%	48,923	42,594	6,329	14.9%
EBITDA	8,632	8,728	(96)	-1.1%	25,633	25,209	424	1.7%

Sales and Operating Revenue

For the Quarter:

For the quarter, sales and operating revenue from the financial services segment increased by \$3.2 million or 25.9% compared to the same quarter a year ago.

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

Year to Date:

On a year-to-date basis, sales and operating revenue from the financial services segment increased by \$9.5 million or 26.6% compared to the same period a year ago. This growth in sales and operating revenue is due primarily to the warranty business, and is also supported by growth in sales of payment protection plans to Brick card holders in our insurance business. The contribution from our third party insurance business to growth in sales and operating revenue was not significant.

EBITDA

For the Quarter:

The financial services segment EBITDA was \$7.9 million in the quarter compared to \$7.2 million in the same quarter last year, an increase of 9.6%. EBITDA as a percentage of sales and operating revenue was 49.9% compared to 57.3% for the same quarter of 2007.

In our credit insurance business, EBITDA as a percentage of sales and operating revenue was impacted primarily by the amendment of a third party business agreement which occurred in the fourth quarter of 2007. Under the amended terms of this agreement, the amount and variability of Brick Group's underwriting income with respect to this third party client is reduced.

With respect to our Brick Card insurance business and any potential impact on claims rates from the current uncertainty and volatility in the economic environment, we have not observed any significant increase in claims rates to date. Our Brick Card insurance business provides credit insurance to Brick Card holders with coverage that includes life, dismemberment, disability, critical illness, involuntary unemployment, property, and family leave of absence. Accordingly, the economic environment may potentially impact claims under certain types of coverage, but not others.

In our warranty business, claims expense as a percentage of revenue was relatively flat compared to the same quarter a year ago.

EBITDA in the financial services segment was impacted by the current uncertainty in the economic environment, and specifically, the decrease in the equity markets. During the quarter, we earned investment income of \$0.2 million compared to \$0.9 million in the same quarter of 2007.

Year to Date:

On a year-to-date basis, the financial services segment EBITDA was \$22.8 million compared to \$19.9 million in the same period last year, an increase of 14.2%. EBITDA as a percentage of sales and operating revenue was 50.5% compared to 56.0% for the same period of 2007.

As for the quarter, EBITDA as a percentage of sales and operating revenue was impacted on a year-to-date basis primarily by the amendment of a third party business agreement, which has impacted our credit insurance business. This amendment occurred in the fourth quarter of 2007.

EBITDA in the financial services segment has also been impacted by the current uncertainty in the economic environment, and specifically, the decrease in the equity markets. On a year-to-date basis we have earned investment income of \$0.6 million compared to \$1.8 million in the same period of 2007.

Operations

Key performance indicators for the financial services segment include the amount of premiums written for both the insurance and warranty business, and for the insurance business, the level of credit sales penetration ("CSP"). CSP is the percentage of all retail customer sales financed using the Brick Card.

Consolidated warranty and insurance premiums written by the financial services segment in the third quarter of 2008 of \$18.2 million were relatively flat as compared the same quarter of 2007. On a year to

date basis, consolidated warranty and insurance premiums written have increased by \$0.3 million, or 0.5 ppts, to \$51.3 million.

For the nine month period ended September 30, 2008, written premiums have been impacted by the termination of TGI's business agreement to provide property insurance to a third party client. This agreement matured on December 31, 2007 and was not renewed. This third party accounted for less than 5% of premiums written in the financial services segment in 2007. As 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), the impact of not renewing this business agreement on future consolidated net income for the Brick Group will not be significant.

For the twelve months ended September 30, 2008, our CSP was down 1.0 ppts as compared to the twelve months ended December 31, 2007. Credit approval rates for the Brick Card are discussed further in section 15, RISK FACTORS, under the heading Credit Markets and Liquidity. Management continually works towards optimizing the CSP rate to maximize insurance premiums written and overall profitability.

8. FINANCIAL POSITION

(000's of \$)	September 30, 2008	December 31, 2007
Total assets	\$ 932,966	\$ 966,371
Total long-term liabilities	259,471	255,555

Assets

Total assets as at September 30, 2008 of \$933.0 million were \$33.4 million lower than the \$966.4 million reported at December 31, 2007. The majority of this change related to decreases in current assets. Cash and cash equivalents decreased by \$4.3 million, and inventory decreased by \$36.0 million partially offset by increases in accounts receivable of \$5.7 million. Other current and long-term asset balances increased by a net of \$1.2 million.

As a result of management's focus on supply chain improvement, we are pleased our inventory levels are on target as at September 30, 2008.

With respect to its long-term assets, capital assets increased by \$5.9 million and an increase in deferred acquisition costs was more than offset by a reduction in the intangible assets and deferred charges balance. The increase in deferred acquisition costs is in direct proportion to the increase in warranty premiums written for the period. The costs incurred in selling warranty contracts and insurance policies are deferred and expensed when the related revenue is recognized in net income. Normal amortization decreased the value of intangible assets and deferred charges on the balance sheet at September 30, 2008.

Long-Term Liabilities

Long-term liabilities increased \$3.9 million to \$259.5 million at September 30, 2008 compared to \$255.6 million at December 31, 2007.

One component of the change in long-term liabilities was an increase in deferred warranty and insurance revenue of \$6.2 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, the balance of deferred warranty plan revenue continues to increase. Warranty premiums are recognized initially as deferred revenue, and recognized as earned revenue over the life of the warranty period.

This increase was partially offset by a decrease in future income taxes of \$2.4 million.

9. LIQUIDITY AND CAPITAL RESOURCES

The following table provides a summarized statement of cash flows for the three and nine month periods ended September 30, 2008 and September 30, 2007.

Source (Use) of Cash (000's of \$)	Three months ended September 30			Nine months ended September 30		
	2008	2007	\$ Increase (Decrease)	2008	2007	\$ Increase (Decrease)
Operating activities						
Retail	\$ 10,349	\$ 18,608	(8,259)	\$ 16,072	\$ 25,505	(9,433)
Financial	10,320	10,668	(348)	31,020	30,218	802
Funds Flow from operations	20,669	29,276	(8,607)	47,092	55,723	(8,631)
Change in non-cash working capital	22,505	18,817	3,688	30,898	18,961	11,937
	43,174	48,093	(4,919)	77,990	74,684	3,306
Financing activities						
Distributions	(16,251)	(16,251)	(0)	(51,004)	(48,753)	(2,251)
Other (Note 1)	(15,424)	(10,442)	(4,982)	(10,323)	(7,470)	(2,853)
Investing activities	(10,460)	(7,846)	(2,614)	(20,946)	(13,667)	(7,279)
Increase (decrease) in cash and cash equivalents	\$ 1,039	\$ 13,554	(12,515)	\$ (4,283)	\$ 4,794	(9,077)

Note 1: Other includes changes in bank indebtedness and long-term debt.

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

For the quarter ended September 30, 2008, funds flow from operations decreased by \$8.6 million compared to the third quarter in 2007. While consolidated sales and operating revenue increased in the third quarter of 2008, consolidated gross margin was 0.3% lower than in 2007. Increased fixed occupancy and compensation costs included in SG&A for the quarter ended September 30, 2008 as compared to the quarter ended September 30, 2007 reduced the funds flow from operations.

Year to date, funds flow from operations also decreased by \$8.6 million compared to the same period in 2007.

For the quarter ended September 30, 2008, changes in non-cash working capital generated cash of \$22.5 million as compared to generating \$18.8 million during the same quarter in 2007. The majority of this \$3.7 million increase relates to higher accounts payables related to inventory in the third quarter of 2008 as compared to the same quarter of 2007.

On a year to date basis, changes in non-cash working capital generated \$30.9 million compared to \$19.0 million in 2007. The majority of this improvement relates to customers' deposits, as the reduction in this balance during the first half of 2007 was much greater than in the first half of 2008.

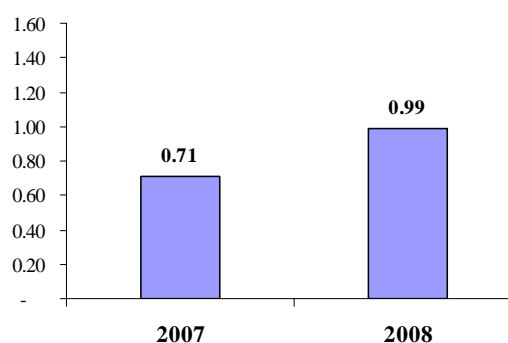
As well, due to the termination of the subordination arrangements relating to the Class B Trust Units which occurred in March 2008, and beginning with the month of April 2008, cash available to make distributions is now paid monthly to the holders of Class B Trust Units. Prior to April, cash distributions to the holders of Class B Trust Unit were paid quarterly. Consequently, on a year to date basis, cash distributions paid were \$2.2 million higher than in the same period in 2007, and the amount of accrued cash distributions payable at September 30, 2008 was \$2.2 million lower than at the end of previous year.

Management continues to monitor cash and working capital efficiency given current sales and seasonal variability. The financial services segment continues to contribute a steady cash flow and provides a balance to the seasonal nature of the retail operations.

Adjusted EBITDA for the twelve months ended September 30, 2008 was \$83.5 million and net debt was \$82.5 million. Net debt includes long-term debt of \$82.0 million and bank indebtedness of \$4.4 million, offset by cash and cash equivalents of \$3.9 million.

Adjusted EBITDA for the twelve months ended September 30, 2007 was \$85.5 million and net debt was \$60.7 million. Net debt included long-term debt of \$81.9 million and offset by cash and cash equivalents of \$21.2 million.

Net Debt to Adjusted EBITDA
(Twelve months ended September 30)



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, 2008 to \$51.0 million (three and nine months ended September 30, 2007: \$16.3 million and \$48.8 million respectively).

Due to the termination of the subordination arrangements relating to the Class B Trust Units which occurred in March 2008, and beginning with the month of April 2008, cash available to make distributions is now paid monthly to the holders of Class A Trust Units and holders of Class B Trust Units pro rata. Prior to April, cash distributions to the holders of Class B Trust Unit were paid quarterly. Consequently, on a year to date basis, cash distributions paid were \$2.2 million higher than in the same period in 2007 and the amount of accrued cash distributions payable at September 30, 2008 was \$2.2 million lower than at previous period ends.

Other

For the third quarter of 2008, other uses of cash for financing activities were driven by a decrease in bank indebtedness of \$15.3 million, plus \$0.1 million of financing fees paid in relation to the April 22, 2008 credit agreement renewal.

For the same period of 2007, other uses of cash for financing activities were driven by a decrease in bank indebtedness of \$10.5 million.

On a year to date basis in 2008, other uses of cash from financing activities were driven by an decrease in bank indebtedness of \$10.0 million, plus \$0.3 million of financing fees paid in relation to the April 22, 2008 credit agreement renewal.

On a year to date basis in 2007, 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 \$2.5 million. During this same period, our bank indebtedness decreased by \$10.0 million.

Investing Activities

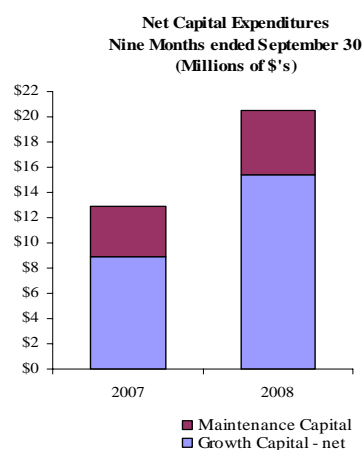
The following table summarizes the Brick Group's investing activities for the three and nine month periods ended September 30, 2008 and September 30, 2007.

Investing Activities Source (Use) of Cash (000's of \$)	Three months ended September 30			Nine months ended September 30		
	2008	2007	\$ (Increase) Decrease	2008	2007	\$ (Increase) Decrease
Capital assets additions	\$ (10,924)	\$ (8,475)	(2,449)	\$ (21,925)	\$ (15,802)	(6,123)
Intangible asset additions	-	-	-	-	(1,508)	1,508
Changes in payables related to capital assets	202	1,782	(1,580)	451	(1,451)	1,902
Proceeds from disposal of capital assets	2	1	1	109	2,924	(2,815)
Marketable securities additions	(319)	(1,770)	1,451	(1,586)	(4,781)	3,195
Proceeds from sale of marketable securities	579	2,398	(1,819)	2,005	5,500	(3,495)
	\$ (10,460)	\$ (6,064)	(4,396)	\$ (20,946)	\$ (15,118)	(5,828)

Capital Expenditures

The Brick Group incurred maintenance capital expenditures for the three and nine month periods ended September 30, 2008 of \$2.5 million and \$5.1 million respectively (Three and nine month periods ended September 30, 2007: \$1.8 million and \$4.0 million respectively).

Maintenance capital expenditures include those required to maintain and upgrade existing facilities, major roof replacements, information systems, existing distribution infrastructure and equipment. In general, maintenance capital expenditures are undertaken to maintain existing levels of EBITDA. Maintenance capital expenditures may fluctuate year to year based on the rolling life cycle of buildings and equipment.



For 2008, management expects to invest approximately \$6 million in maintenance capital expenditures.

Growth capital expenditures for the third quarter were \$8.4 million, mainly for new and relocated stores. We received tenant inducements of \$0.8 million, bringing our net expenditures on growth capital to \$7.6 million for the quarter.

On a year to date basis, we have spent \$16.8 million on growth capital expenditures, mainly for new and relocated stores, and received tenant inducements of \$1.4 million, for a net investment of \$15.4 million.

In 2007, growth capital expenditures net of tenant inducements for the quarter, and on a year to date basis, were \$4.4 million and \$8.9 million respectively.

Management expects to invest approximately \$25 million in growth capital expenditures, net of tenant inducements in 2008.

Financing Resources

On April 22, 2008, the credit agreement governing the Brick Group's credit facilities was renewed with the existing syndicate of lenders for a three-year term. This Amended and Restated Credit Agreement can be found on the SEDAR web site for Canadian regulatory filings at www.sedar.com. The terms of the credit agreement, including financial covenants, remain substantially unchanged, and the pricing of the credit facilities did not materially increase. To better align the credit facilities with the needs of the Brick Group, the Operating Credit Facility was increased to \$60 million (previously \$50 million), and the Acquisition Credit Facility was reduced to \$40 million (previously \$50 million). The new credit agreement also provides for an additional \$25 million in financing, subject to certain conditions being met.

The \$5 million Commercial Letter of Credit Facility was also renewed for a three-year term.

At September 30, 2008, \$ 6.9 million was drawn under the \$60 million Operating Credit Facility and no amounts were drawn under the \$40 million Acquisition Credit Facility or the \$5 million Commercial Letter of Credit Facility.

The Operating Credit Facility is available to fund unitholder distributions, seasonal fluctuations in working capital requirements, debt service requirements, and to fund growth capital expenditures. The Acquisition Credit Facility is available to fund acquisitions and growth capital expenditures.

On March 14, 2007, the Brick Group issued through a private placement, senior secured notes with an aggregate principal amount of \$83.0 million and a seven year term (the "Senior Notes"). Proceeds of \$81.8 million, net of transaction costs of \$1.2 million, were used to repay the \$70.0 million Term Credit Facility, the two remaining outstanding mortgages, and to fund general operations. The Trust Indenture providing for the Issuance of Senior Secured Notes can be found on the SEDAR web site for Canadian regulatory filings at www.sedar.com.

Interest payments on the Senior Notes are required semi-annually, in March and September.

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, 2008, The Brick Group was in compliance with all covenants.

In addition to its credit facilities, the Brick Group holds a portfolio of marketable securities with a fair value at September 30, 2008 of \$21.8 million. These marketable securities are held in part to satisfy regulatory requirements for minimum capital of \$11.0 million applicable to the insurance companies as discussed below. The excess of marketable securities over this amount is not restricted by regulatory requirements.

As discussed in the Outlook section of this MD&A, the Brick Group believes a reduction in distributions is prudent at this time, and anticipates that, beginning with the November 2008 distribution, its monthly distribution will be reduced from \$0.10 per unit to \$0.05 per unit.

Through this measure, and with the financial resources and long-term financing agreements in place as discussed above, management anticipates it will be able to effectively manage its financial resources in order to have sufficient liquidity to meet all of the Brick Group's working capital, and capital expenditure needs for the next twelve months.

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 \$11.0 million at September 30, 2008.

10. NON-GAAP FINANCIAL MEASURES

Adjusted results, EBITDA, reported EBITDA, adjusted EBITDA, and distributable cash are not earnings measures recognized by GAAP and do not have standardized meanings prescribed by GAAP. Therefore, adjusted results, EBITDA, adjusted EBITDA, and distributable cash may not be comparable to similar measures presented by other issuers. Investors are cautioned that adjusted results, EBITDA, adjusted EBITDA, and distributable cash should not be construed as alternatives to net income as determined in accordance with GAAP, as indicators of performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows.

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

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

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

EBITDA

References to “EBITDA” or “reported EBITDA” are to earnings before interest, income taxes and amortization. References to "adjusted EBITDA" are to earnings before interest, income taxes and amortization, adjusted to remove the impact of purchase accounting.

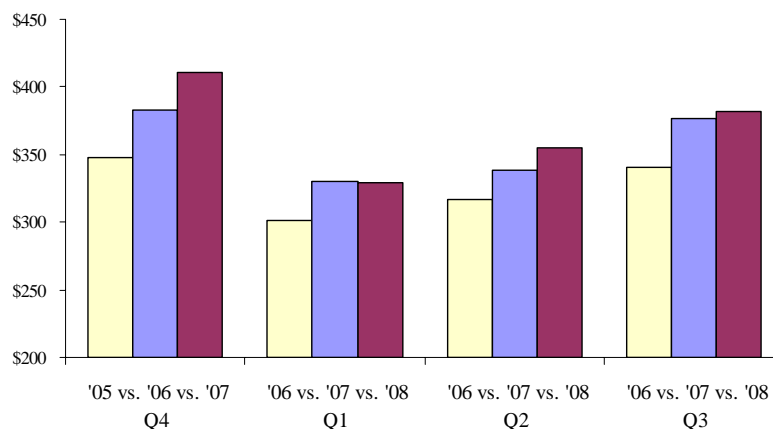
Management of the Brick Group believes that adjusted EBITDA is a useful financial measure as it represents a starting point in the determination of cash available for distribution to unitholders.

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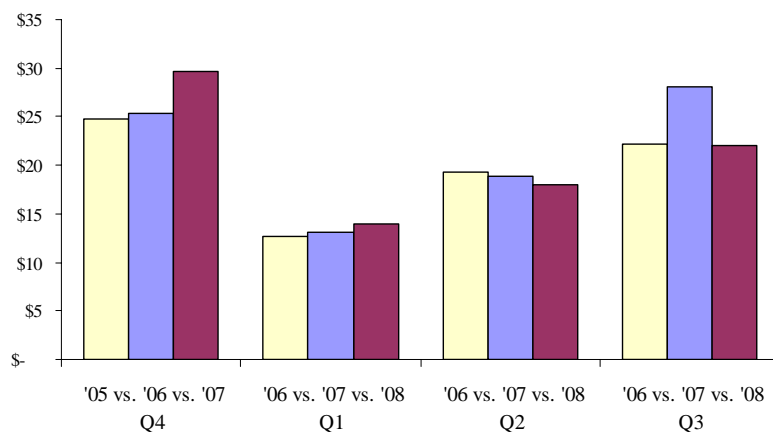
Adjusted Results of Operations

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			
	2008 Adjusted	2007 Adjusted	\$ Increase (Decrease)	% Increase (Decrease)	2008 Adjusted	2007 Adjusted	\$ Increase (Decrease)	% Increase (Decrease)
Sales and operating revenue	\$ 381,790	\$ 377,153	4,637	1.2%	\$ 1,065,710	\$ 1,045,407	20,303	1.9%
Cost of sales	(227,401)	(223,176)	4,225	1.9%	(627,429)	(622,383)	5,046	0.8%
Gross margin	154,389	153,977	412	0.3%	438,281	423,024	15,257	3.6%
<i>Gross margin as a percentage of sales and operating revenue</i>	40.4%	40.8%			41.1%	40.5%		
Selling, general and administrative expenses (SG&A)	(132,816)	(126,284)	6,532	5.2%	(385,320)	(366,903)	18,417	5.0%
Investment and other income	250	463	(213)	-45.9%	821	4,045	(3,224)	-79.7%
EBITDA	21,823	28,156	(6,333)	-22.5%	53,782	60,165	(6,383)	-10.6%
<i>EBITDA as a percentage of sales and operating revenue</i>	5.7%	7.5%			5.0%	5.8%		
Interest expense on long-term and other debt	(2,357)	(2,260)	97	4.3%	(7,048)	(6,942)	106	1.5%
Income tax recovery (expense)	921	(711)	(1,632)	-229.5%	413	(35,711)	(36,124)	-101.2%
Amortization	(5,464)	(4,850)	614	12.7%	(16,447)	(14,556)	1,891	13.0%
Net income (loss)	\$ 14,924	\$ 20,335	(5,411)	-26.6%	\$ 30,698	\$ 2,956	27,742	938.5%
Basic and diluted net income (loss) per unit	\$ 0.28	\$ 0.38	(0.10)	-26.3%	\$ 0.57	\$ 0.05	0.52	1040.0%
Stores at period end	215	206			215	206		

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



Adjusted EBITDA (Millions of \$'s)



11. DISTRIBUTABLE CASH AND DISTRIBUTABLE CASH PER UNIT

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

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

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

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

Distributions for the twelve months ended September 30, 2008 resulted in a payout ratio of 97.2% (twelve months ended September 30, 2007: 92.8%).

Together with Board of Trustees, management has targeted a distributable cash payout ratio in the mid-80s on an annualized basis (based on its EBITDA based calculation of distributable cash) before the Brick Group would consider an increase in monthly distributions.

The subordination arrangements relating to the Class B Trust Units were entitled to be terminated effective December 31, 2007 if the Brick Group earned adjusted EBITDA for fiscal 2007 of at least

\$82.848 million, and paid average monthly distributions of at least \$0.10 per Class A Trust Unit and Class B Trust Unit for fiscal 2007. For the year ended December 31, 2007, the Brick Group earned adjusted EBITDA of \$89.9 million, and paid average monthly distributions of at least \$0.10 per Class A Trust Unit and Class B Trust Unit.

Accordingly, effective upon the Board of Trustees' approval of the Brick Group's 2007 annual audited consolidated financial statements on March 18, 2008, the subordination in respect of the Class B Trust Units was terminated. As a result, beginning with the month of April 2008, cash available to make distributions is now paid monthly to the holders of Class A Trust Units and holders of Class B Trust Units pro rata. The Class B Trust Units have become exchangeable for Class A Trust Units of the Brick Group on a one-for-one basis at the option of the holder. As of September 30, 2008, none of the Class B Trust Units have been exchanged for Class A Trust Units.

Readers of this MD&A are encouraged to refer to the March 2008 AIF which provides further information on the Distribution Policy of the Brick Group.

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Distributable Cash

Reconciliation of Cash Flow from Operating Activities to Distributable Cash

(000's of \$ except per unit amounts)	Notes	Three months ended September 30		Twelve months ended September 30	
		2008	2007	2008	2007
Cash flow from operating activities	1	\$ 43,174	\$ 48,093	\$ 73,560	\$ 103,768
Changes in non-cash operating working capital items	1, 2	(22,505)	(18,817)	7,422	(19,612)
Items not affecting cash	3	2,534	492	9,559	(33,899)
Cash items	4	(10,761)	(12,623)	(44,295)	(43,450)
Income before extra ordinary item		12,442	17,145	46,246	6,807
Interest		2,357	2,260	9,100	8,531
Income tax (recovery) expense		(1,157)	187	(5,722)	33,230
Amortization		6,966	6,542	27,909	26,733
Reported EBITDA		20,608	26,134	77,533	75,301
Elimination of Purchase Accounting Impact	5	1,215	2,022	5,980	10,212
Adjusted EBITDA		21,823	28,156	83,513	85,513
Debt service obligation	6	(2,328)	(2,218)	(8,889)	(8,846)
Maintenance capital expenditures	7	(2,522)	(1,754)	(7,416)	(5,276)
Corporate income taxes - current	8	(13)	(615)	(328)	(1,303)
Cash available for distribution		\$ 16,961	\$ 23,569	\$ 66,880	\$ 70,088
Cash available for distribution per unit		\$ 0.31	\$ 0.44	\$ 1.23	\$ 1.29
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		95.8%	69.0%	97.2%	92.8%

- 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 unit holders. The amount of the monthly distributions are based on an 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 this MD&A, purchase accounting adjustments relate to the July 20, 2004 indirect acquisition of the Brick LP by The Brick Group Income Fund. These purchase accounting adjustments have no impact on the cash position or cash flow generated by the Brick Group and therefore, have no impact on the ability of the Brick Group to distribute cash to unit holders 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, since our 2005 Annual MD&A, through this alternative view, we have provided our unitholders a parallel view of our distributable cash that management believes is better aligned with the cash flows generated by the underlying business. As discussed above, our reported EBITDA based calculation of distributable cash is a primary measure the Board of Trustees must consider with respect to the declaration of distributions. However, the Brick Group is entitled to distribute an amount greater than the Brick Group's current reported distributable cash, utilizing the cash flows generated by our financial services segment as discussed above, if the Board of Trustees of the Brick Group considers such distribution to be prudent and in the best interests of The Brick Group Income Fund.

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

The impact of applying this alternative view results in a third quarter payout ratio of 94.5% compared to our reported third quarter payout ratio of 95.8%. For the twelve months ended September 30, 2008, the payout ratio under this alternative view was 96.9%, as compared to our reported payout ratio of 97.2% for the same period.

Alternative View (000's of \$)	Three months ended September 30		Twelve months ended September 30	
	2008	2007	2008	2007
Cash flow from operating activities	\$ 43,174	\$ 48,093	\$ 73,560	\$ 103,768
Changes in non-cash working capital	(22,505)	(18,817)	7,422	(19,612)
Funds flow from operations	20,669	29,276	80,983	84,156
Cash received for leasehold inducements	(801)	(2,290)	(4,973)	(4,436)
Increase in claims exposure	(149)	(931)	(1,517)	(4,327)
Scheduled principal repayments	-	-	-	(406)
Maintenance capital expenditures	(2,522)	(1,754)	(7,416)	(5,276)
Distributable Cash	17,197	24,301	67,076	69,711
Distributions	(16,251)	(16,251)	(65,005)	(65,006)
(Shortfall) excess	\$ 946	\$ 8,050	\$ 2,071	\$ 4,705
Payout ratio	94.5%	66.9%	96.9%	93.3%

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 declared remained unchanged in the second quarter of 2008. For the quarter ended September 30, 2008, the Brick Group met all distribution targets of \$0.10 per unit per month for Class A Trust Units and Class B Trust Units. Total cash distributions declared were \$16.3 million for the quarter as detailed in the table below:

Period	Record Date	Payment Date	Per Unit	Amount
Class A units				
July 2008	July 31, 2008	August 15, 2008	\$ 0.1000	\$ 4,292
August 2008	August 29, 2008	September 15, 2008	0.1000	4,292
September 2008	September 30, 2008	October 15, 2008	0.1000	4,292
				12,876
Class B units				
July 2008	July 31, 2008	August 15, 2008	0.1000	1,125
August 2008	August 29, 2008	September 15, 2008	0.1000	1,125
September 2008	September 30, 2008	October 15, 2008	0.1000	1,125
				3,375
				\$ 16,251

Upon the Board of Trustees' approval of the Brick Group's 2007 annual audited consolidated financial statements, the subordination in respect of the Class B Trust Units was terminated. As a result, beginning with the month of April 2008, cash available to make distributions is now paid monthly to the holders of Class A Trust Units and holders of Class B Trust Units pro rata. The Class B Trust Units have become exchangeable for Class A Trust Units of the Brick Group on a one-for-one basis at the option of the holder. As of September 30, 2008, none of the Class B Trust Units have been exchanged for Class A Trust Units.

12. OUTSTANDING UNIT DATA

At September 30, 2008 and November 3, 2008, the Brick Group had 42,924,016 Class A Trust Units and 11,247,117 Class B Trust 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 Trust Units (20.76%). As at November 4, 2008, Fairfax Financial Holdings Limited holds 10.96% of all units outstanding, or 5,938,800 Class A Trust Units.

13. CRITICAL ASSUMPTIONS

Off-Balance Sheet Arrangements

For information on off-balance sheet arrangements, see notes 17 and 18 of the audited consolidated financial statements of The Brick Group Income Fund for the year ended December 31, 2007.

Related Party Transactions

Included in SG&A expense is rent expense of \$0.3 million and \$0.7 million for the three and nine month periods ended September 30, 2008 respectively, paid to a joint venture partially owned by an officer of the Brick Group (three and nine months ended September 30, 2007: \$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.

Included in accounts receivable at September 30, 2008 is \$0.5 million (December 31, 2007: \$0.4 million) for loans made to employees. These loans relate to employee relocation.

In May 2008, certain employees of the Brick Group became owners of a Brick franchise. During the three month and nine month periods ended September 30, 2008, the Fund sold inventory of \$0.8 million and \$1.2 million respectively to this franchise.

During the quarter, the Brick Group entered into franchise agreements for six Brick stores with a director serving on the boards of Trans Global Insurance Company, and Trans Global Life Insurance Company. During the three month period ended September 30, 2008, no significant transactions were recorded with respect to these franchise agreements.

Critical Accounting Estimates

The preparation of financial statements, in conformity with Canadian GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

The critical accounting estimates are substantially the same as those disclosed in the 2007 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 to minimize a portion of the risk associated with future purchases of U.S. dollar denominated goods and services with an emphasis on those purchases that are expected to be completed the following month. These derivative contracts, not accounted for as hedges, are marked to market and any change in the market value is recorded in income or expense when the change occurs. The fair values of these instruments are recorded in accounts payable and accrued liabilities or accounts receivable. There were no foreign exchange contracts outstanding at September 30, 2008, and December 31, 2007.

Accounting Standards Adopted in the Current Year

Commencing January 1, 2008, the Brick Group adopted the following new Canadian Institute of Chartered Accountants (“CICA”) accounting standards:

Section 3031 – Inventories

In June 2007, the CICA issued Section 3031 - Inventories, which replaced existing Section 3030 with the same title. The new Section establishes that inventories should be measured at the lower of cost and net realizable value, and also provides guidance on the issues of cost determination and inventory related disclosures. This new standard was adopted by the Brick Group for its fiscal year starting on January 1, 2008 and had no impact on its financial position or results of operations.

Section 1535 – Capital Disclosures

In December 2006, the Canadian Accounting Standards Board (“AcSB”) issued a new accounting standard on disclosures about capital, to converge with recent amendments to International Financial Reporting Standard IAS 1, Presentation of Financial Statements. Section 1535 requires an entity to disclose information about its objectives, policies and processes for managing capital, as well as its compliance with any externally imposed capital requirements. Rather than providing a definition for capital, the Section requires entities to describe and provide quantitative data about what they manage as capital. This new standard was adopted by the Brick Group for its fiscal year beginning on January 1, 2008 and had no impact on its financial position or results of operations.

Section 3862 – Financial Instruments - Disclosures

Section 3863 – Financial Instruments - Presentation

In December 2006, the AcSB issued a new accounting standard on disclosures about financial instruments. Section 3862, Financial Instruments — Disclosures, improves upon the disclosure requirements in Section 3861, Financial Instruments — Disclosure and Presentation, and converges with International Financial Reporting Standard IFRS 7, Financial Instruments: Disclosures.

Section 3862, like Section 3861, is based on the fundamental principle that entities should provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments to the entity's financial position and performance. Section 3862 places an increased emphasis on disclosures about the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. Concurrent with the release of Section 3862, the AcSB also issued Section 3863, Financial Instruments — Presentation, which carries forward unchanged the presentation requirements of Section 3861. Section 3863 provides a companion standard to Section 3862 for entities subject to the latter. These new standards were adopted by the Brick Group for its fiscal year beginning on January 1, 2008 and had no impact on its financial position or results of operations.

Pending Changes to Accounting Policy

Section 3064 – Goodwill and Intangible Assets

In February 2008, the CICA issued new Handbook Section 3064, Goodwill and Intangible Assets, replacing Handbook Section 3062, Goodwill and Other Intangible Assets. The new section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Brick Group will adopt the new standards for its fiscal year beginning January 1, 2009. Standards concerning goodwill are unchanged from the standards included in the previous Handbook Section 3062. The new section provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. Accordingly, for its fiscal year beginning January 1, 2009, the Brick Group will adjust the opening balance of each affected component of equity for the earliest prior period presented, and the other comparative amounts disclosed for each prior period presented, as if the pre-opening costs had not been deferred. As at September 30, 2008, the Brick Group had deferred pre-opening costs of \$3.8 million (December 31, 2007: \$5.7 million). These pre-opening costs relate mainly to the expansion of the Brick Group's operations into Quebec in 2004, and to the expansion of its distribution centre infrastructure in 2006.

International Financial Reporting Standards

In March 2007, the CICA announced that Canadian publicly accountable enterprises will adopt International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) effective January 1, 2011. IFRS will require increased financial statement disclosure. Although IFRS uses a conceptual framework similar to Canadian GAAP, differences in accounting policies will need to be addressed. The Brick Group is currently assessing the impact IFRS will have on its financial statements, as well as its information technology systems, internal control over financial reporting, disclosure controls, investor relations, human resources, and other areas that could potentially be impacted. Management plans to have identified the key elements and timing of its IFRS changeover plan by the end of the current fiscal year.

14. RISK FACTORS

The Brick Group's risk factors are substantially the same as those disclosed in the 2007 Annual MD&A and the March 2008 AIF, other than as follows:

PayDay Loan Industry

In early April, 2008 the Public Utilities Board of Manitoba ("PUB") released its decision after a lengthy hearing, with respect to establishing the maximum charges payday lenders in Manitoba may charge their customers. The implications of the order, which sets a sliding scale of charges based on the size of the loan, significantly reduces the maximum charges payday lenders can charge their customers in Manitoba. The PUB also is making a recommendation to the provincial government in Manitoba to amend the existing legislation for payday loans to include the cost of credit insurance premiums in the cost of credit calculations for payday loans. This decision is currently being appealed.

If the appeal is unsuccessful, and the Manitoba government implements the PUB's recommendation regarding the inclusion of credit insurance premiums in cost of credit calculations for payday loans, or if all or some other provinces follow this recommendation, this could negatively impact the ability of TGI and TGLI to maintain or grow its third party business with payday lenders. There is no certainty that either Manitoba or any other province will follow the PUB's recommendation. Management will continue to monitor the legislation regulating the payday loan industry, in order to assess the impact on the Brick Group.

Credit Markets and Liquidity

In our 2007 Annual MD&A, we identified a potential risk to credit approval rates that could arise due to credit and liquidity issues related to the U.S. subprime mortgage market and asset backed commercial paper. During the third quarter, we observed some downward trending in credit approval rates for the Brick Card, while usage of other credit cards increased. Management does not believe there has been any negative impact on sales. The Brick Group relies on two third party credit suppliers in supplying financing alternatives to its customers and believes this mitigates the risk potentially associated with any single credit supplier.

As well, to further mitigate the potential risk of a reduction in our credit approval rates, management initiated a retail installment financing program during the fourth quarter of fiscal 2007. More discussion regarding this program is provided in the Outlook section of this MD&A, and also in our 2007 Annual MD&A.

Foreign Exchange Fluctuations on Imports

In our 2007 AIF, we identified a potential risk related to the foreign currency exchange rate as approximately 18 – 20% of our inventory purchases are paid for in U.S. dollars. The recent weakening of the Canadian dollar against the U.S. dollar is increasing the cost of the majority of our furniture goods, which are sourced off-shore and paid for in U.S. dollars. To the extent this increased cost can not be addressed through pricing adjustments, there could be a negative effect on the profitability of the Brick Group. As well, increases in the price of these products offered to customers could result in a reduction in the volume of product sales.

Economic Environment and Consumer Confidence

As concern over the slowing Canadian economy continues, and in light of the current uncertainty in the global economic environment, there has been a decline in consumer confidence in Canada, which is causing a general reduction in sales in the retail sector. To the extent uncertainty about the economy persists, or increases its impact on consumer confidence, our ability to estimate sales and to plan and execute accordingly against our initiatives may be negatively impacted.

15. CONTROLS AND PROCEDURES

There were no changes in the Brick Group's disclosure controls and procedures, or internal controls over financial reporting, that occurred during the three month period ended September 30, 2008, 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.