



Date: March 23, 2010

Management's Discussion and Analysis of Consolidated Financial Position and Results of Operations for the quarter and year ended December 31, 2009.

The information in this Management's Discussion and Analysis ("MD&A") is supplemental to, and should be read in conjunction with the audited consolidated financial statements and the Annual Information Form of The Brick Group Income Fund for the year ended December 31, 2009. These financial statements and the Annual Information Form can be found on SEDAR at www.sedar.com or www.thebrickgroup.ca. The Brick Group Income Fund's financial statements are prepared in accordance with Canadian generally accepted accounting principles ("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. Additional information about The Brick Group Income Fund can also be found on SEDAR at www.sedar.com and at www.thebrickgroup.ca.

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.

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, The Brick Mattress Store, and Urban Brick.

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.

The Brick Group launched 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.

Through its commercial sales division, which operates as both The Brick and Midnorthern Appliance, the Brick Group is a significant supplier in Canada of home appliances to builders, developers, renovators, property management companies, hotel and extended care industries, landlords, insurance companies, schools, and government bodies. The commercial sales division has a dedicated sales team which focuses on specific industry sectors, including the building community, by providing display furniture to builders. This division is serviced from existing Brick locations and, in addition to the builder market, also attracts new home buyers seeking to upgrade builder-supplied products.

The Brick Group's repair service division provides household furniture, electronics and mechanical repair services to its customers. The repair services division also performs work in respect of warranties for products sourced without manufacturer warranties, for products sold with extended warranties and for products sent to the repair services division by manufacturers who need to repair a product under their manufacturer's warranty. The Brick Group's repair services play a key role in its strategy of delivering superior customer service, and enable the Brick Group to differentiate itself from many of its competitors who do not offer repair services. In 2005, the Brick Group rebannered this division to Trans Global Services, and also began to provide repair services to third parties.

The Brick Group has foreign assets or operations in Hong Kong and China, through its wholly owned subsidiaries, First Oceans Trading Corporation and First Oceans Hong Kong Limited (collectively called “First Oceans”). These operations relate to the Brick Group's import program for sourcing products from Asia for resale in Canada through its retail operations. First Oceans also began sourcing products for third

party retailers in the United States in 2005. The sales and operating revenues of First Oceans for the period January 1, 2009 to December 31, 2009 did not exceed 10% of the consolidated sales and operating revenue of the Brick Group, nor did the total assets of First Oceans exceed 10% of the consolidated assets of the Brick Group.

As at December 31, 2009, the Brick Group operated 236 retail stores (including 52 franchise locations) in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Prince Edward Island, Nova Scotia, New Brunswick and Yukon.

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 cash flow.

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 that extends beyond the manufacturer’s warranty period by up to four years. Warranties are sold to customers when they are making their original purchase and take effect upon expiration of the manufacturer’s warranty period, which is typically one year. The warranty contracts provide both repair and replacement service depending upon the nature of the warranty claim.

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

- The broad diversity and number of products, manufacturers, and models being underwritten;
- The fact that no single product model in any one year makes up more than 3.0% of products covered by warranty; and
- Our database, which 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 suppliers 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. TGI and TGLI also commenced providing credit insurance to third parties in the first quarter of 2005.

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.

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 businesses also apply to similarly mitigate our risk exposure.

2. NON-GAAP FINANCIAL MEASURES

Adjusted results, EBITDA, reported EBITDA, adjusted EBITDA, and distributable cash

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, reported EBITDA, adjusted EBITDA, and distributable cash may not be comparable to similar measures presented by other issuers. Investors are cautioned that adjusted results, EBITDA, reported 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.

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.

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.

MD&As prior to the first quarter of 2006 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. The impact of the purchase accounting adjustments diminishes with each passing period subsequent to 2004.

The purchase accounting adjustments are described in detail under the heading Purchase Accounting Adjustments in this 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 adjusted results provide additional useful information. As well, a complete table of results on an adjusted basis is provided as supplementary information under the section heading "Adjusted Results of Operations". The calculation of distributable cash is based on adjusted EBITDA. The adjusted results do not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other issuers.

EBITDA, reported EBITDA, and adjusted EBITDA

References to "EBITDA" or "reported EBITDA" are to earnings before interest, income taxes, amortization and non-cash asset impairment charges. References to "adjusted EBITDA" are to earnings before interest, income taxes, amortization, and non-cash asset impairment charges, adjusted to remove the impact of purchase accounting.

Distributable Cash

Distributable cash is used by income funds as a measure of the cash generated and available for distribution to unitholders. The Brick Group's 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 may calculate this measure using alternative methods.

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

Management 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.

Other Non-GAAP Financial Measures

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. No stores have been excluded due to cannibalization. Accordingly, on this basis, same store sales as discussed in this MD&A reflect 93.3% for the fourth quarter, and 93.4% year to date, of the total sales occurring at all stores.

In MD&As prior to the third quarter 2009, same store sales were calculated to exclude stores where significant cannibalization had occurred. Comparative same store sales figures presented in this MD&A have been adjusted to conform to the new presentation.

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 Yukon. References to corporate same store sales in Eastern Canada include corporate stores located in Ontario and Quebec.

Franchise Sales

In this MD&A, franchise sales figures refer to sales occurring at franchise stores which 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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3. FOURTH QUARTER AND FULL YEAR OPERATING RESULTS

The following table provides consolidated operating results and other financial information for the quarters and the years ended December 31, 2009 and December 31, 2008.

(000's of \$ except % and per unit amounts)	For the three months ended December 31				For the twelve months ended December 31			
	2009	2008*	\$ Increase (Decrease)	% Increase (Decrease)	2009	2008*	\$ Increase (Decrease)	% Increase (Decrease)
Sales and operating revenue	\$ 361,442	\$ 365,213	(3,771)	-1.0%	\$ 1,223,595	\$ 1,427,113	(203,518)	-14.3%
Cost of sales	(207,910)	(220,105)	(12,195)	-5.5%	(718,979)	(846,577)	(127,598)	-15.1%
Gross margin	153,532	145,108	8,424	5.8%	504,616	580,536	(75,920)	-13.1%
<i>Gross margin as a percentage of sales and operating revenue</i>	42.5%	39.7%			41.2%	40.7%		
Selling, general and administrative expenses	(122,984)	(125,987)	(3,003)	-2.4%	(472,550)	(512,459)	(39,909)	-7.8%
Investment and other income	300	(638)	938	147.0%	762	175	587	335.4%
EBITDA	30,848	18,483	12,365	66.9%	32,828	68,252	(35,424)	-51.9%
<i>EBITDA as a percentage of sales and operating revenue</i>	8.5%	5.1%			2.7%	4.8%		
Interest on long-term debt and other interest	(4,391)	(2,425)	1,966	81.1%	(14,959)	(9,353)	5,606	59.9%
Amortization of deferred issuance costs	(2,792)	-	2,792	100.0%	(3,952)	-	3,952	100.0%
Amortization	(9,463)	(7,227)	2,236	30.9%	(31,534)	(26,459)	5,075	19.2%
Net income (loss) before undermoted items	14,202	8,831	5,371	60.8%	(17,617)	32,440	(50,057)	-154.3%
Income tax (expense) recovery	(1,967)	8,513	(10,480)	-123.1%	16,105	9,932	6,173	62.2%
Loss on extinguishment of debt	-	-	-	N/A	(3,046)	-	3,046	100.0%
Goodwill and intangible asset impairment	-	(241,471)	(241,471)	-100.0%	(158,459)	(241,471)	(83,012)	-34.4%
Net income (loss)	\$ 12,235	\$ (224,127)	236,362	105.5%	\$ (163,017)	\$ (199,099)	36,082	18.1%
Basic net income (loss) per unit	\$ 0.22	\$ (4.14)	4.36	105.3%	\$ (2.99)	\$ (3.68)	0.69	18.8%
Diluted net income (loss) per unit	\$ 0.13	\$ (4.14)	4.27	103.1%	\$ (2.99)	\$ (3.68)	0.69	18.8%
<i>Adjusted results (purchase accounting adjustments removed):</i>								
Sales and operating revenue	\$ 361,472	\$ 365,975	(4,503)	-1.2%	\$ 1,224,370	\$ 1,431,677	(207,307)	-14.5%
EBITDA	31,318	19,538	11,779	60.3%	35,122	73,474	(38,352)	-52.2%
<i>Adjusted EBITDA as a percentage of sales and operating revenue</i>	8.7%	5.3%			2.9%	5.1%		
Net income (loss)	\$ 13,779	\$ 19,718	(5,938)	-30.1%	\$ (5,294)	\$ 52,553	(57,847)	-110.1%

* On January 1, 2009, the Brick Group adopted new accounting standards related to the capitalization of pre-opening costs. Under the new standards, store and distribution centre pre-opening costs are no longer deferred and amortized, and must be charged to income as incurred. These new standards require retroactive application and therefore, retail segment net income for 2008 has been restated. For the 2008 fourth quarter, previously recorded amortization of pre-opening costs of \$660 has been reversed and prepaid expenses and deposits of \$1,139 have been charged to SG&A on the 2008 consolidated income statement. As a result, net loss of \$479 has been reclassified to the opening deficit on the 2008 consolidated balance sheet. On a year-to-date basis, previously recorded amortization of pre-opening costs of \$2,643 has been reversed and prepaid expenses and deposits of \$986 have been charged to SG&A on the 2008 consolidated income statement. As a result, net income of \$1,657 has been reclassified to the opening deficit on the 2008 consolidated balance sheet.

The following table provides selected operating results and other financial information by segment for the quarters and the years ended December 31, 2009 and December 31, 2008.

(000's of \$ except %, and store amounts)	For the three months ended December 31				For the twelve months ended December 31			
	2009	2008	\$ Increase (Decrease)	% Increase (Decrease)	2009	2008	\$ Increase (Decrease)	% Increase (Decrease)
Retail Segment - Sales and operating revenue	\$ 342,598	\$ 348,424	(5,826)	-1.7%	\$ 1,150,619	\$ 1,365,203	(214,584)	-15.7%
Financial Services Segment - Sales and operating revenue	18,844	16,789	2,055	12.2%	72,976	61,910	11,066	17.9%
Consolidated - Sales and operating revenue	361,442	365,213	(3,771)	-1.0%	1,223,595	1,427,113	(203,518)	-14.3%
Franchise sales ⁽¹⁾	45,238	48,124	(2,886)	-6.0%	141,612	144,962	(3,350)	-2.3%
Consolidated sales and operating revenue and franchise sales ⁽¹⁾	\$ 406,680	\$ 413,337	(6,657)	-1.6%	\$ 1,365,207	\$ 1,572,075	(206,868)	-13.2%
Same Store Sales Growth (corporate stores)	-7.3%	-13.0%			-20.1%	-4.2%		
Same Store Sales Growth (corporate and franchise stores)	-7.9%	-12.2%			-19.9%	-4.0%		
Retail Segment - EBITDA ⁽²⁾	\$ 21,041	\$ 10,981	10,060	91.6%	\$ (3,366)	\$ 37,978	(41,344)	-108.9%
Financial Services Segment - EBITDA	9,807	7,502	2,305	30.7%	36,194	30,274	5,920	19.6%
Consolidated - EBITDA ⁽²⁾	\$ 30,848	\$ 18,483	12,365	66.9%	\$ 32,828	\$ 68,252	(35,424)	-51.9%
EBITDA as a percentage of sales and operating revenue	8.5%	5.1%			2.7%	4.8%		
Retail Segment - Net income (loss) ⁽²⁾⁽³⁾	\$ 2,801	\$ (231,460)	234,261	101.2%	\$ (198,695)	\$ (229,299)	30,604	13.3%
Financial Services Segment - Net income	9,434	7,333	2,101	28.7%	35,678	30,200	5,478	18.1%
Consolidated - Net income (loss) ⁽²⁾⁽³⁾	\$ 12,235	\$ (224,127)	236,362	105.5%	\$ (163,017)	\$ (199,099)	36,082	18.1%
Cash provided by operating activities before changes in non-cash working capital items	34,212	23,191	11,021		25,690	70,436	(44,746)	
Distributable cash per unit for the period ended December 31	\$ 0.32	\$ 0.30	0.02	6.7%	\$ 0.32	\$ 1.07	(0.75)	-70.1%
Payout Ratio for the period ended December 31	0.0%	65.6%			15.5%	103.1%		
Stores at period end	236	230			236	230		

(1) In this MD&A, franchise sales figures refer to sales occurring at franchise stores which are not included in the sales and operating revenue figures presented in The Brick Group Income Fund's consolidated financial statements, or in the corporate same store sales figures presented in this MD&A.

(2) On January 1, 2009, the Brick Group adopted new accounting standards related to the capitalization of pre-opening costs. Under the new standards, store and distribution centre pre-opening costs are no longer deferred and amortized, and must be charged to income as incurred. These new standards require retroactive application and therefore, retail segment net income for 2008 has been restated. For the 2008 fourth quarter, previously recorded amortization of pre-opening costs of \$660 has been reversed and prepaid expenses and deposits of \$1,139 has been charged to SG&A on the 2008 consolidated income statement. As a result, net loss of \$479 has been reclassified to the opening deficit on the 2008 consolidated balance sheet. On a year-to-date basis, previously recorded amortization of pre-opening costs of \$2,643 has been reversed and prepaid expenses and deposits of \$986 has been charged to SG&A on the 2008 consolidated income statement. As a result, net income of \$1,657 has been reclassified to the opening deficit on the 2008 consolidated balance sheet.

(3) Annual and fourth quarter net income for 2008 includes goodwill and brand intangible asset impairment charges of \$241,471 recorded in the retail segment. Annual net income for 2009 includes goodwill and brand intangible asset impairment charges of \$158,459 recorded in the retail segment.

For the Quarter

Sales and Operating Revenue

For the quarter ended December 31, 2009, consolidated sales and operating revenue of \$361.4 million decreased by \$3.8 million or 1.0% as compared to the same quarter of 2008. Fourth quarter consolidated sales and operating revenue, while falling short of 2008 levels, were supported by positive same store sales growth of 4.9% in the month of December. Fourth quarter same store sales growth improved to negative 7.3% compared to negative 22.0%, 33.0% and 19.0% for the first, second and third quarters of 2009 respectively.

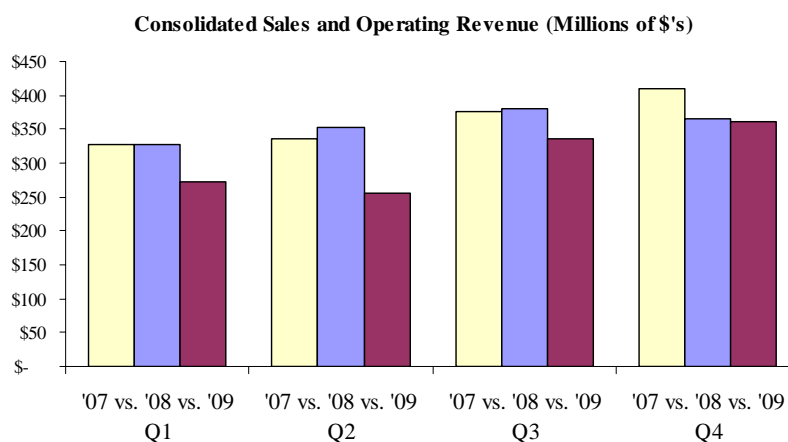
By segment, retail sales and operating revenue of \$342.6 million decreased by \$5.8 million or 1.7%, and financial services sales and operating revenue of \$18.8 million increased by \$2.0 million or 12.2%.

Sales in the retail segment benefited from increased consumer traffic as the recession-related impacts experienced primarily during the first half of 2009 abated. The trend of improving retail sales results

reflects the success of management's prior quarter initiatives to improve inventory levels by selling off slower moving and clearance inventories, and investing the proceeds to increase levels of in-demand inventory.

Increased consumer traffic, together with improved inventory positions, and better alignment of promotions to focus on in-stock inventory, helped to drive the improvement in fourth-quarter sales levels, especially as compared to the first half of 2009. Increases to sales staffing levels which were made during the third quarter have also helped to improve customers' shopping experience.

In the financial services segment, revenue growth was attributable primarily to the warranty business. In the warranty business, warranty sales are recorded as deferred revenue and recognized as earned revenue over the warranty coverage period. The warranty coverage period is generally the four-year period subsequent to expiration of the manufacturer's first-year warranty coverage period. Consequently, earned warranty revenue recognized in the current period relates to warranties sold in the previous two to five years. Over this period, annual warranty sales have generally increased.



Franchise Sales

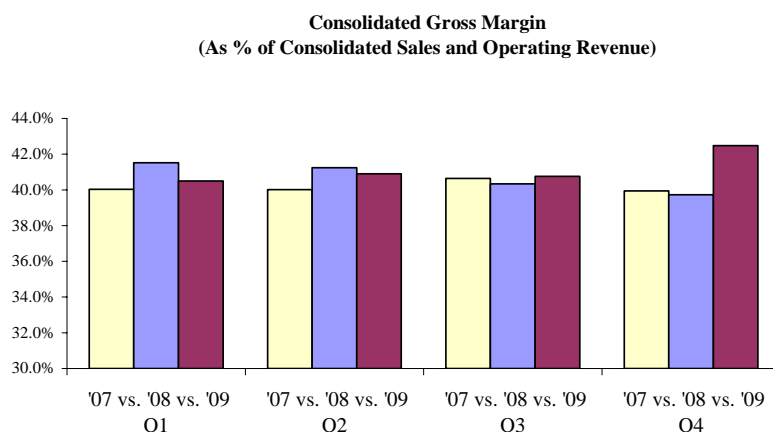
Compared to the same quarter a year ago, sales at franchise stores decreased by 6.0% to \$45.2 million, and same store sales growth was negative 12.9%. We began the quarter with 51 franchise stores and ended with 52, while in 2008, we began the quarter with 38 and ended with 47 franchise stores.

Gross Margin

Consolidated gross margin percentage improved from 39.7% to 42.5%, quarter over quarter. Gross margin improved by \$6.2 million in the retail segment and \$2.2 million in the financial services segment. Fluctuations in our consolidated gross margin are driven primarily by the retail segment.

In the retail segment, the \$6.2 million of gross margin improvement was driven by higher gross margin percentage on sales that were 1.7% lower than in the same quarter of 2008. The improvement in retail gross margin percentage was driven by an increase in the sales mix of the furniture and appliances categories, which generate higher gross margin percentages than the electronics category. Additionally, gross margin percentage was improved for both the furniture and appliances categories. A very competitive holiday sales season contributed to lower gross margin percentage for the electronics category. Retail segment gross

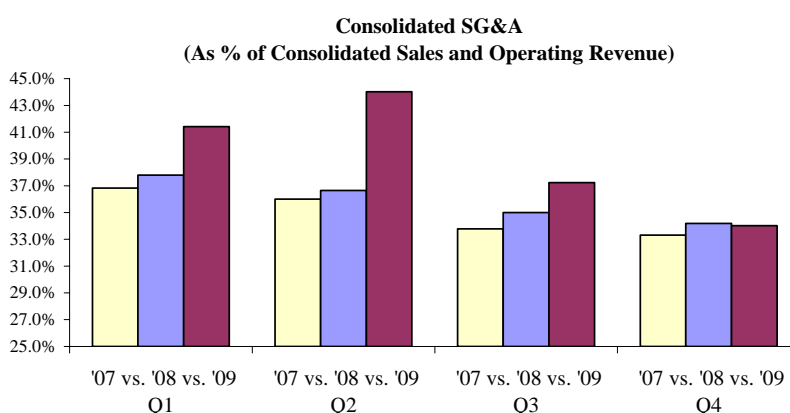
margin and gross margin percentage also benefited from easing in the credit markets which resulted in reduced Brick Card retail financing fees.



In the financial services segment, the insurance and warranty businesses contributed equally to that segment's \$2.2 million gross margin improvement. Increased gross margin in the insurance business was driven by improved gross margin percentage as claims expenses were lower, and in the warranty business, by the continuing growth of that business as gross margin percentage was relatively flat compared to the same quarter of 2008.

Selling, General and Administrative Expenses ("SG&A")

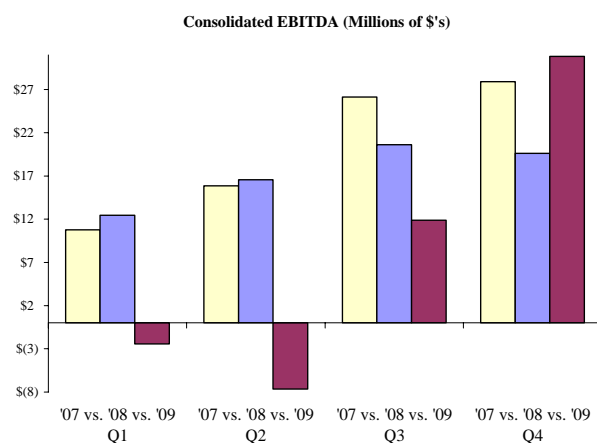
Compared to the same quarter of 2008, SG&A was lower by \$3.0 million or 2.4%. Fourth quarter consolidated SG&A as a percentage of sales improved by 0.5 ppts from 34.5% to 34.0%. The decrease in our fourth quarter SG&A was impacted by our on-going efforts to reduce semi-fixed and variable costs which were lower by \$3.6 million compared to the same quarter of 2008. Fixed occupancy and compensation costs have increased by \$0.6 million compared to the same quarter of 2008, due primarily to 11 new or rebannered Brick and 2 new Brick Mattress stores added over the past year. Essentially all of the SG&A expenses are incurred in the retail segment.



EBITDA

Management is pleased to report strong EBITDA performance and continued improvement in operating results for the quarter ended December 31, 2009. Consolidated EBITDA of \$30.8 million was the highest ever reported for a quarter, reflecting an improvement of \$12.4 million or 66.9% over the \$18.5 million

reported for the same quarter of 2008. By segment and compared to the same quarter of 2008, EBITDA improved by \$10.1 million or 91.6% to \$21.0 million in the retail segment, and by \$2.3 million or 30.7% to \$9.8 million in the financial services segment. In the retail segment, the improvement in fourth quarter EBITDA was driven by strong gross margin performance and reduced SG&A. In the financial services segment, EBITDA as a percentage of sales and operating revenue was 52.0% compared to 44.7% for the same quarter of 2008. The increase in EBITDA as a percentage of sales and operating revenue was driven by improved gross margin percentage in the insurance business, and by higher investment income compared to the same quarter of 2008.



Interest on Long-Term Debt and Other Interest

Interest expense on long-term and other debt was higher by \$2.0 million or 81.1%, due to the Debentures. The effective annual interest rate for the \$120.0 million Debentures issued in conjunction with the May 28, 2009 recapitalization transaction is 14.68%. The Debentures replaced the \$83.0 million Senior Secured Notes which had an annual effective interest rate of 6.98%.

Amortization of Deferred Issuance Costs

Cash costs of \$0.6 million and non-cash costs of \$5.0 million incurred to arrange the Fairfax LC facility on August 24, 2009 were deferred and are being amortized over the initial six-month term of the facility. The non-cash costs relate to warrants issued in conjunction with the Fairfax LC. The Fairfax LC is discussed further in this MD&A under the heading Financing Resources.

Amortization

Amortization includes \$1.1 million of deferred retail financing fees that were no longer providing a continuing financial benefit to the Brick Group and were therefore written off. These fees related to a service agreement with a third party credit provider that was modified during the fourth quarter. The modification of this agreement had no impact on fourth quarter sales and operating revenue.

Income Tax Recovery

The fourth quarter income tax expense was \$2.0 million compared to an income tax recovery of \$8.5 million in the same quarter of 2008. The income tax recovery in the fourth quarter of 2008 related to a

recovery of future income taxes that was driven by impairment charges of \$241.5 million related to the Brick Group's goodwill and brand intangible assets.

Net Income

Fourth quarter consolidated net income was \$12.2 million compared to a net loss of \$224.1 million in the same quarter of 2008. The 2008 fourth quarter consolidated net loss included \$241.5 million of non-cash goodwill and intangible asset impairment charges, and related future income tax recoveries of \$8.5 million. Excluding the non-cash goodwill and intangible asset impairment charges, and related future income tax recoveries, 2008 fourth quarter net income would have been \$8.8 million. Fourth quarter consolidated net income in 2009 benefited from improved margins and reduced SG&A.

Cash Position

The Brick Group's cash and cash equivalents on hand at December 31, 2009 was \$19.5 million compared to \$14.4 million at December 31, 2008. At December 31, 2009, the Brick Group had no borrowings under the GE Asset-Based Lending Agreement ("GE ABL") with margined and undrawn credit of \$69.2 million available to fund operations and working capital requirements.

For the Year

Sales and Operating Revenue

For the year, consolidated sales and operating revenue of \$1.224 billion was \$203.5 million or 14.3% lower than in 2008. The decrease in sales and operating revenue is attributable to the retail segment where same store sales declined by 20.1%. In the retail segment, same store sales declines were most severe in the second and first quarters of the year, respectively, and showed improvement in the third and fourth quarters. Sales and operating revenue from the retail segment of \$1.151 billion was lower by \$214.6 million or 15.7% compared to 2008. On a year-to-date basis, the decline in sales and operating revenue reflects the impact of the recession which was most severe in the first half of 2009, and led to reduced consumer confidence and spending in the Canadian retail sector. In the first half of 2009, the decline in our operating results led some inventory suppliers to restrict credit terms as they worked to address their own credit risk exposures, which negatively impacted inventory levels and the Brick Group's ability to deliver goods and complete sales. Taken together, these factors imposed significant challenges on management's ability to maintain alignment and effectiveness of our purchasing, logistics, marketing and sales functions, which further exacerbated the decline in sales. Improved inventory levels, increased consumer traffic, and better alignment of promotions to focus on in-stock inventory helped to drive the improvement in third quarter and fourth quarter sales levels compared to the first half of 2009.

Sales and operating revenue from the financial services segment of \$73.0 million was higher by \$11.1 million or 17.9% compared to 2008. This increase was attributable to the warranty business.

Franchise Sales

Compared to 2008, sales at franchise stores decreased by 2.3% to \$141.6 million, and same store sales growth was negative 18.0%. We began the year with 47 franchise stores and ended with 52, while in 2008, we began the year with 33 and ended with 47 franchise stores.

Gross Margin

Consolidated gross margin percentage for 2009 improved to 41.2% from 40.7% in 2008. The improvement in consolidated gross margin percentage is attributable to the financial services segment and a shift in the mix of that segment's business from the lower margin insurance business to the higher margin warranty business. The decreased mix of insurance business was driven by the 2009 decrease in retail sales levels. Relative to their impact on the insurance business, the decreased retail sales had a lesser impact on the warranty business as warranty sales are deferred and recognized as earned revenue over the warranty coverage period, which on average is five years. In the retail segment, strong fourth quarter gross margin percentage lifted the segment's annual gross margin percentage to be on par with 2008 levels.

SG&A

For the year, SG&A was lower by \$39.9 million or 7.8% compared to 2008. As a percentage of consolidated sales and operating revenue, SG&A was 38.6% compared to 35.9% in 2008. The decrease in 2009 SG&A includes a decrease in semi-fixed and variable costs of approximately \$47.9 million; offset by an increase of approximately \$8.0 million attributable to fixed costs for new or rebannered Brick stores. The decrease in semi-fixed and variable costs includes costs that decreased due to management initiatives as well as costs that decreased due to the decline in sales levels such, as sales commissions and hourly compensation, which accounted for approximately half of the \$47.9 million decrease. Essentially all of our SG&A expenses are incurred in the retail segment.

EBITDA

For the year, consolidated EBITDA of \$32.8 million was \$35.4 million or 51.9% lower than in 2008. By segment, EBITDA decreased from \$38.0 million in 2008 to negative \$3.4 million in 2009 in the retail segment, and increased by \$5.9 million or 19.6% to \$36.2 million in the financial services segment. The negative EBITDA in the retail segment was driven by a decline in 2009 same store sales of 20.1%. In the financial services segment, EBITDA as a percentage of sales and operating revenue was 49.6% compared to 48.9% for 2008. The increase in EBITDA as a percentage of sales and operating revenue was driven primarily by higher investment income compared to 2008. With respect to our Brick Card insurance business and any potential impact on claims rates from the 2009 recession, claims rates related to unemployment increased inline with our expectations, but did not significantly impact our 2009 EBITDA. 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.

Interest on Long-Term Debt and Other Interest

Net income for 2009 was impacted by higher interest expense. Interest expense on long-term and other debt was higher \$5.6 million or 59.9%, due to the Debentures. The effective annual interest rate for the \$120.0 million Debentures issued in conjunction with the May 28, 2009 recapitalization transaction is 14.68%. The Debentures replaced the prior existing \$83.0 million Senior Secured Notes which had an annual effective interest rate of 6.98%.

Amortization of Deferred Issuance Costs

Cash costs of \$0.6 million and non-cash costs of \$5.0 million incurred to arrange the Fairfax LC facility on August 24, 2009 were deferred and are being amortized over the initial six-month term of the facility. The non-cash costs relate to warrants issued in conjunction with the Fairfax LC. The Fairfax LC is discussed further in this MD&A under the heading Financing Resources.

Amortization

Amortization includes \$1.1 million of deferred retail financing fees that were no longer providing a benefit to the Brick Group and were therefore written off. These fees related to a service agreement with a third party credit provider that was modified during the fourth quarter. The modification of this agreement had no impact on fourth quarter or annual sales and operating revenue. Also included in amortization are impairment charges of \$1.7 million related to leasehold improvements and equipment within the retail segment that were no longer providing economic benefit to the Brick Group and were therefore written off. Impairment charges related to leasehold improvements and equipment in 2008 were \$0.6 million.

Income Tax Recovery

For the year, the Brick Group's income tax recovery was \$16.1 million compared to \$9.9 million in 2008. These income tax recoveries relate to a recovery of future income taxes.

For 2009, the recovery of future income tax resulted primarily from impairment charges recorded during the year for our brand intangible assets. These impairment charges do not provide the Brick Group with an immediate income tax recovery, but are available to reduce the future income tax liability associated with these assets. Secondly, a reduction in the tax rates expected to apply in future years also reduced the Brick Group's future income tax liability.

For 2008, the recovery of future income tax resulted from impairment charges recorded during the year for our brand intangible assets.

Net Loss

For the year ended December 31, 2009, the Brick Group's consolidated net loss was \$163.0 million compared to \$199.1 million in 2008. The Brick Group incurred material non-cash impairment charges related to its goodwill and intangible assets of \$158.5 million in 2009, and \$241.5 million in 2008.

In the first half of 2009, the Brick Group's financial results were negatively impacted by declining sales and operating revenues in the retail segment, as deterioration in the economy led to reduced consumer confidence and spending in the Canadian retail sector. The resulting decline in the Brick Group's operating results, and recession-driven tightening of credit markets, led some inventory suppliers to restrict credit terms as they worked to address their own credit risk exposures. These supplier credit restrictions, combined with limited borrowing capacity under the Brick Group's then existing Credit Facilities, negatively impacted inventory levels and the Brick Group's ability to deliver goods and complete sales. Taken together, these factors imposed significant challenges on management's ability to maintain alignment and effectiveness of the purchasing, logistics, marketing and sales functions, which further exacerbated the decline in sales and resulted in deterioration of the Brick Group's cash flows and liquidity. The Brick Group reduced variable and fixed costs where possible.

While the impacts of the recession were most pronounced for the Brick Group during the first half of 2009, the Brick Group began to be impacted by the sudden and dramatic changes in the economic and financial

outlook, both domestically and internationally, during the second half, and primarily in the fourth quarter, of 2008. To address the downturn in the Brick Group's operating results, management undertook a number of actions.

On March 13, 2009, the Brick Group announced amendments to its then existing Credit Facilities and Senior Notes. These amendments served to mitigate the risk of default with respect to certain financial covenants and were assessed by the Brick Group to be prudent and proactive in light of the economic downturn and its impact on the retail sector.

Due to the continued deterioration in economic conditions impacting the Brick Group's business, the Brick Group would have breached its financial covenants at the end of the second quarter of 2009. This could have caused the Brick Group's Credit Facilities and Senior Notes indebtedness to become immediately due and payable. As well, the Brick Group expected that it would need to fully utilize its \$60.0 million Operating Credit Facility to meet its business and liquidity requirements. To deal with these liquidity and financial covenant risks, the Brick Group completed a recapitalization transaction which closed on May 28, 2009. In conjunction with the recapitalization transaction, the Brick Group recorded a \$3.0 million loss on extinguishment of debt which included the unamortized portion of deferred transaction costs and early settlement fees related to the Brick Group's prior credit facilities. The recapitalization transaction has provided additional operating flexibility as the replacement financing does not have the financial covenants that were present in the Brick Group's prior lending arrangements.

On August 24, 2009, to address limitations to credit terms imposed by some inventory suppliers during the first half of 2009, the Brick Group entered into an agreement with Fairfax Financial Holdings Limited ("Fairfax") pursuant to which Fairfax issued an irrevocable letter of credit (the "Fairfax LC") to GE Capital in the aggregate principal amount of \$25.0 million. The purpose of the Fairfax LC is to support additional letters of credit to be issued under the GE Capital Asset-Based Credit Agreement to the Brick Group's inventory suppliers (the "Supplier LCs") in exchange for additional new credit terms. The Brick Group's 2009 net loss includes amortization of deferred issuance costs related to the Fairfax LC of \$4.0 million. Remaining unamortized deferred issuance costs at December 31, 2009 were \$1.7 million. The Fairfax LC matured on February 24, 2010 and was extended, at the Brick Group's option, for a further six months to August 24, 2010 at a reduced amount of \$4.0 million. Fees related to the extension of \$0.2 million were fully recovered from a supplier of the Brick Group.

As anticipated, the May 28, 2009 recapitalization transaction and the Fairfax LC have provided the Brick Group with improved liquidity. During the second half of 2009, this improved liquidity position allowed us to adjust our inventory positions to the levels required to meet sales demand.

The recapitalization transaction and the Fairfax LC are discussed further in the Liquidity and Capital Resources section of this MD&A.

Distributions

On November 19, 2008, the Fund reduced its monthly distribution from \$0.10 per unit to \$0.05 per unit for all trust units. Then on February 18, 2009, as a result of the continued deterioration in economic conditions and the uncertain outlook for 2009, the Fund announced that it was suspending monthly distribution payments for all trust units. The Fund's payout ratio for the year ended December 31, 2009 was 15.5% compared to 103.1% for the year ended December 31, 2008.

The terms and conditions of the recapitalization transaction restrict the Fund's ability to make distributions.

4. 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)	September 1 to December 31, 2009 Q4	July 1 to September 30, 2009 Q3	April 1 to June 30, 2009 Q2	January 1 to March 31, 2009 Q1
Sales and operating revenue	\$ 361,442	\$ 334,880	\$ 255,674	\$ 271,599
EBITDA	\$ 30,848	\$ 12,064	\$ (7,654)	\$ (2,430)
Net income (loss) ⁽¹⁾				
As previously reported	\$ 12,235	\$ 465	\$ (146,367)	\$ (29,350)
Adoption of new accounting standards ⁽²⁾	N/A	N/A	N/A	N/A
	\$ 12,235	\$ 465	\$ (146,367)	\$ (29,350)
Basic net income (loss) per unit	\$ 0.22	\$ 0.01	\$ (2.70)	\$ (0.54)
Diluted net income (loss) per unit	\$ 0.13	\$ 0.00	\$ (2.70)	\$ (0.54)
Distributable cash ⁽³⁾	\$ 17,769	\$ 3,177	\$ (11,281)	\$ (4,223)
Distributable cash per unit ⁽³⁾	\$ 0.32	\$ 0.06	\$ 0.21	\$ (0.08)
Cash distributions declared ⁽³⁾	\$ -	\$ -	\$ -	\$ 2,710

(000's of \$ except per unit amounts)	September 1 to December 31, 2008 Q4	July 1 to September 30, 2008 Q3	April 1 to June 30, 2008 Q2	January 1 to March 31, 2008 Q1
Sales and operating revenue	\$ 365,213	\$ 380,761	\$ 353,220	\$ 327,919
EBITDA	\$ 18,483	\$ 20,607	\$ 16,683	\$ 12,479
Net income ⁽¹⁾				
As previously reported	\$ (223,649)	\$ 12,442	\$ 6,765	\$ 3,685
Adoption of new accounting standards ⁽²⁾	(479)	660	785	691
	\$ (224,128)	\$ 13,102	\$ 7,550	\$ 4,376
Basic and diluted net income per unit ⁽¹⁾				
As previously reported	\$ (4.13)	\$ 0.23	\$ 0.12	\$ 0.07
Adoption of new accounting standards ⁽²⁾	(0.01)	0.01	0.02	0.01
	\$ (4.14)	\$ 0.24	\$ 0.14	\$ 0.08
Distributable cash	\$ 17,658	\$ 16,961	\$ 13,754	\$ 10,554
Distributable cash per unit	\$ 0.33	\$ 0.31	\$ 0.25	\$ 0.19
Cash distributions declared	\$ 10,834	\$ 16,251	\$ 16,251	\$ 16,251

(1) Second quarter net income for 2009 includes goodwill and brand intangible asset impairment charges of \$133,459 (first quarter 2009: \$25,000; fourth quarter 2008: \$241,471).

(2) On January 1, 2009, the Brick Group adopted new accounting standards related to the capitalization of pre-opening costs. Under the new standards, store and distribution centre pre-opening costs are no longer deferred and amortized, and must be charged to income as incurred. These new standards require retroactive application and therefore, retail segment net income for 2008 has been restated. Previously recorded amortization of pre-opening costs and prepaid expenses and deposits have been reclassified from net income to the opening deficit on the 2008 consolidated balance sheet.

(3) The Debentures and the Asset-Based Credit Facility issued in conjunction with the May 28, 2009 recapitalization transaction include negative covenants that restrict the Fund's ability to make cash distributions.

The following table provides a summary of selected annual information for each of the three most recently completed fiscal years.

(000's of \$, except per unit and store amounts)	For years ended December 31		
	2009	2008	2007
Consolidated sales and operating revenue	\$ 1,223,595	\$ 1,427,113	\$ 1,447,576
Consolidated net (loss) income ^{(1), (2)}	\$ (163,017)	\$ (199,099)	\$ 15,533
Basic and diluted net (loss) income per unit ^{(1), (2)}	\$ (2.99)	\$ (3.68)	\$ 0.29
Consolidated EBITDA	\$ 32,828	\$ 68,252	\$ 80,678
Total assets	\$ 499,532	\$ 700,110	\$ 966,449
Total long-term liabilities	\$ 293,551	\$ 275,481	\$ 255,555
Distributable cash ⁽³⁾	\$ 17,525	\$ 57,821	\$ 73,864
Distributable cash per unit ⁽³⁾	\$ 0.32	\$ 1.07	\$ 1.36
Cash distributions declared ⁽³⁾	\$ 2,710	\$ 59,587	\$ 65,005
Cash distributions declared per unit ⁽³⁾	\$ 0.05	\$ 1.10	\$ 1.20
Payout ratio	15.5%	103.1%	88.0%
Stores at year end	236	230	210

(1) For the year ended December 31, 2009, consolidated net income includes a goodwill impairment charge of \$108,459 (2008: \$196,890) and an impairment charge related to brand intangible assets of \$50,000 (2008: \$44,581).

(2) For the year ended December 31, 2007, net income includes a one-time charge related to the Tax Fairness Plan of \$30,250.

(3) The Debentures and the Asset-Based Credit Facility issued in conjunction with the May 28, 2009 recapitalization transaction include negative covenants that restrict the Fund's ability to make cash distributions.

5. SEGMENTED INFORMATION – RETAIL OPERATIONS

The following table provides selected financial information for the retail segment for the quarters and years ended December 31, 2009 and December 31, 2008.

(000's of \$)	Three months ended December 31				Twelve months ended December 31			
	2009	2008	\$ Increase (Decrease)	% Increase (Decrease)	2009	2008	\$ Increase (Decrease)	% Increase (Decrease)
Sales and operating revenue	\$ 342,598	\$ 348,424	\$ (5,826)	-1.7%	\$ 1,150,619	\$ 1,365,203	\$ (214,584)	-15.7%
EBITDA	21,041	10,981	10,060	91.6%	(3,366)	37,978	(41,344)	-108.9%
<u>Adjusted results (purchase accounting adjustments removed):</u>								
Sales and operating revenue	\$ 342,597	\$ 348,424	\$ (5,827)	-1.7%	\$ 1,150,618	\$ 1,365,203	\$ (214,585)	-15.7%
EBITDA	18,413	11,410	7,003	61.4%	(12,884)	39,713	(52,597)	-132.4%

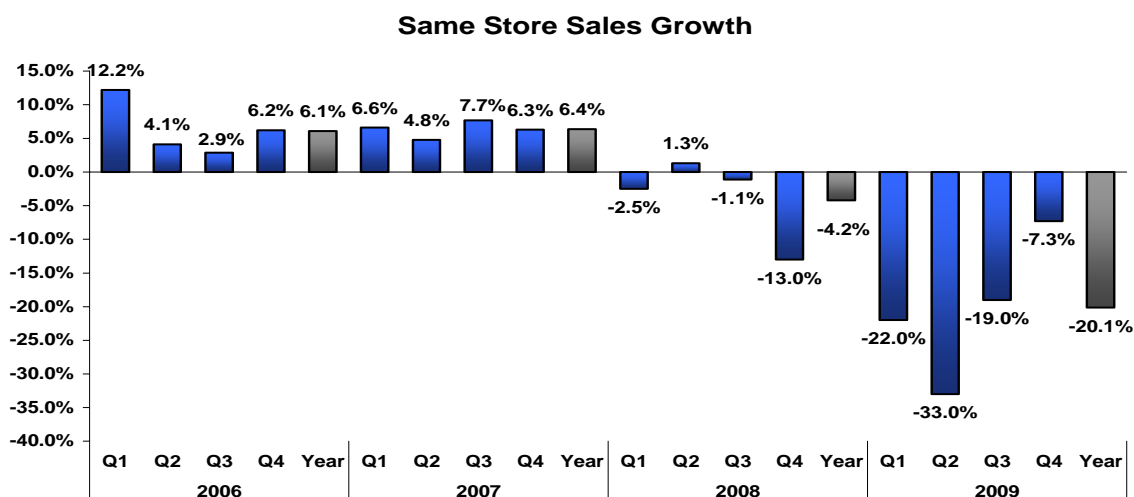
The following table provides figures for same store sales growth for the quarters and years ended December 31, 2009 and December 31, 2008.

Fourth Quarter Same Store Sales Change Versus Prior Year			Year to Date Same Store Sales Change Versus Prior Year		
	2009	2008		2009	2008
Corporate Stores			Corporate Stores		
Western Canada	-11.8%	-18.4%	Western Canada	-23.0%	-7.2%
Eastern Canada	-3.8%	-8.4%	Eastern Canada	-17.8%	-1.6%
Total Corporate Stores	-7.3%	-13.0%	Total Corporate Stores	-20.1%	-4.2%
Franchise Stores	-12.9%	-3.9%	Franchise Stores	-18.0%	-2.1%
Total Corporate Stores & Franchise Stores	-7.9%	-12.2%	Total Corporate Stores & Franchise Stores	-19.9%	-4.0%

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. No stores have been excluded due to cannibalization. Accordingly, on this basis, same store sales as discussed in this MD&A reflect 93.3% for the fourth quarter, and 93.4% for the year, of the total sales occurring at all stores.

Prior to the third quarter 2009 MD&A, same store sales were calculated to exclude stores where significant cannibalization had occurred. Comparative same store sales figures presented in this MD&A have been adjusted to conform to the new presentation.

The following chart provides same store sales growth by quarter for the years 2006 to 2009.



Store Continuity

During the fourth quarter, we closed a Brick Mattress store in Aurora, Ontario, and a United Furniture Warehouse store in Prince George, British Columbia.

In addition, we opened a franchise store in Chicoutimi, Quebec.

The following chart illustrates the Brick Group's store count continuity from September 30, 2009 to December 31, 2009.

Store Count Continuity Q4 2009				
	At Sep 30, 2009	Opening	Closing	At Dec 31, 2009
Corporate Stores				
Brick	110	0	0	110
Urban Brick	2	0	0	2
Brick Clearance Centres	6	0	0	6
Superstore	3	0	0	3
Mattress Store	29	0	1	28
UFW	36	0	1	35
Corporate Subtotal	186	0	2	184
Franchise Stores	51	1	0	52
Total Corporate & Franchise Stores	237	1	2	236

The following chart illustrates the Brick Group's store count continuity from December 31, 2008 to December 31, 2009.

	At Dec 31, 2008	Opening / Closing	At Dec 31, 2009
Corporate Stores			
Brick	104	6	110
Urban Brick	1	1	2
Brick Clearance Centres	7	-1	6
Superstore	3	0	3
Mattress Store	28	0	28
UFW	40	-5	35
Corporate Subtotal	183	1	184
Franchise Stores	47	5	52
Total Corporate & Franchise Stores	230	6	236

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6. SEGMENTED INFORMATION – FINANCIAL SERVICES

The following table provides selected financial information for the financial services segment for the quarters and years ended December 31, 2009 and December 31, 2008. Operating results for the financial services segment are discussed in this MD&A under the heading Fourth Quarter and Full Year Operating Results.

(000's of \$)	Three months ended December 31				Twelve months ended December 31			
	2009	2008	\$ Increase (Decrease)	% Increase (Decrease)	2009	2008	\$ Increase (Decrease)	% Increase (Decrease)
Warranty and insurance premiums written	\$ 21,132	\$ 21,569	\$ (437)	-2.0%	\$ 69,286	\$ 72,838	\$ (3,552)	-4.9%
Sales and operating revenue	18,844	16,789	2,055	12.2%	72,976	61,910	11,066	17.9%
EBITDA	9,807	7,502	2,305	30.7%	36,194	30,274	5,920	19.6%
<u>Adjusted results (purchase accounting adjustments removed):</u>								
Sales and operating revenue	\$ 18,875	\$ 17,551	\$ 1,324	7.5%	\$ 73,752	66,474	7,278	10.9%
EBITDA	12,905	8,128	4,777	58.8%	48,006	33,761	14,245	42.2%

Key Performance Indicators for the Financial Services Segment

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 fourth quarter of 2009 of \$21.1 million decreased by \$0.4 million or 2.0% as compared to the same quarter of 2008. The decrease in written premiums occurred in the warranty business and was impacted by the quarter-over-quarter decline in retail segment sales. For the year, consolidated warranty and insurance premiums written decreased by \$3.6 million or 4.9%. As for the quarter, the decrease in written premiums for the year occurred in the warranty business and was impacted by the decline in retail segment sales. For the quarter and the year, the decrease in consolidated warranty and insurance premiums written has been mitigated by increased written premiums from our third-party insurance business.

For the year ended December 31, 2009, our CSP was higher by 0.16 pts as compared to the twelve months ended December 31, 2008. Management continually works towards optimizing the CSP rate to maximize insurance premiums written and overall profitability.

Financial Services Segment Revenue Recognition

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 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, 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.

7. FINANCIAL POSITION

(000's of \$)	December 31, 2009	December 31, 2008
Total assets	\$ 499,532	\$ 700,110
Total long-term liabilities	\$ 293,551	\$ 275,481

Assets

Total assets as at December 31, 2009 of \$499.5 million were \$200.6 million lower than the \$700.1 million reported at December 31, 2008. The principal components of the year-over-year net decrease of \$200.6 million are the following:

- \$159.6 million representing approximately 80% of the net decrease, attributable to impairment charges for goodwill, brand and other intangible assets.
- \$36.8 million, representing approximately 18% of the net decrease, attributable to inventory, discussed further below.

In 2009 the recession reduced consumer confidence and spending in the Canadian retail sector which in turn led inventory suppliers to reduce inventory supply and restrict credit terms as they addressed their own credit concerns. This reduced inventory supply negatively affected the Brick Group's ability to acquire inventory to deliver and complete sales during the first half of the year. The recapitalization transaction together with the Supplier LCs assisted management in working with inventory suppliers to have a more reliable flow of inventory and remain within inventory supplier credit terms during the last half of the year. Management operated the retail business with a lower inventory investment than prior years by increasing the frequency of replenishment of key products, aligning inventory purchases to sales promotions and targeting sales promotions at in-stock inventory. We were able to generate fourth quarter sales similar to prior year levels with a lower overall inventory investment.

Long-Term Liabilities

Long-term liabilities of \$293.6 million at December 31, 2009, were \$18.1 million more than the \$275.5 million reported at December 31, 2008. The main component of this \$18.1 million year-over-year net increase was a \$29.6 million increase attributable to the May 28, 2009 recapitalization transaction and related issuance of Debentures and the retirement of Senior Notes. This increase was partly offset by a \$16.8 million recovery of the Brick Group's future income tax liability. This reduction in the future tax liability results from the following events:

- The impairment charge recorded during the year for goodwill, brand and other intangible assets. While this impairment charge does not provide the Brick Group with an immediate tax deduction, it does reduce the future tax liability associated with these assets.
- The enactment of legislation during the year reduced the tax rate expected to be in place for the Brick Group in the future and therefore reduced the future tax liability.

The comparative amounts reflect a retrospective correction to reclassify the long-term portion of deferred rent liability of \$17.4 million previously included in accounts payable and accrued liabilities to deferred lease inducements and rent liabilities on the consolidated balance sheet. This correction did not have any effect on net loss, unitholders' equity, cash flows, or externally imposed financial covenants to which the Brick Group was subject to for the year ended December 31, 2008.

8. LIQUIDITY AND CAPITAL RESOURCES

The following table provides a summarized statement of cash flows for the year ended December 31, 2009 and December 31, 2008.

Summary of Cash flows	Twelve months ended December 31	
	2009	2008
(000's of \$)		
Net loss	\$ (163,017)	\$ (199,099)
Amortization	31,671	26,609
Amortization of deferred lease inducements	(2,702)	(1,679)
Amortization of deferred warranty revenue	(49,402)	(38,742)
Amortization of deferred acquisition costs	9,155	6,623
Amortization of financing fee and transaction costs	873	167
Amortization of deferred issuance costs	3,952	-
Accretion expense on debenture	271	-
Future income taxes	(16,736)	(10,257)
Reclassification from other comprehensive loss related to hedging activity	581	111
Amortization of preferred share premiums	73	187
Loss (gain) on sale of capital assets	1,145	(11)
Other-than-temporary impairment of marketable securities	122	846
Loss on sale of marketable securities	375	325
Loss on extinguishment of debt	2,165	-
Goodwill and intangible asset impairment	158,459	241,471
Income taxes related to other comprehensive income	(690)	-
Change in deferred service revenue	19	(169)
Change in deferred rent liabilities	5,148	4,891
Change in lease receivables, long-term portion	378	(517)
Cash received for leasehold inducements	6,522	4,319
Cash paid for deferred acquisition costs	(8,363)	(10,061)
Cash received on warranty and insurance sales	45,692	49,627
Funds flow from operations	25,691	74,641
Changes in non-cash operating working capital items	(22,852)	40,929
Cash provided by operating activities	2,839	115,570
Cash provided (used) by financing activities	24,898	(79,183)
Cash used by investing activities	(22,608)	(30,142)
Net increase in cash and cash equivalents during the period	\$ 5,129	\$ 6,245

Cash Provided by Operating Activities

For the year ended December 31, 2009, operating activities provided positive cash flow of \$2.8 million compared to \$115.6 million in 2009. Excluding the impact of changes in non-cash operating working capital items, year-over-year funds flow from operations declined by \$48.9 million from \$74.6 million to \$25.7 million. 96% of this decline in cash from operating activities is attributable to the retail segment and the remaining 4% is attributable to the financial services segment. The Brick Group's cash flows for the year were negatively affected during the year by the weakened Canadian economy that resulted in lower sales, paying for inventory purchased in 2008 on extended seasonal terms in 2009, and reduced credit terms in 2009 from some inventory suppliers resulting in shorter payment terms and more paid-up inventory at December 31, 2009 than the prior year. The fourth quarter is the first quarter in 2009 that showed improvement in funds flow from operations over the prior year. The decrease in funds flow from operations in the first three quarters of the year was partly offset by the positive funds flow from operations in the fourth quarter of 2009.

Changes in non-cash working capital balances resulted in a use of cash of \$22.9 million compared to a source of cash of \$40.9 million in 2008. This change in cash flow was due principally to a year-over-year reduction of inventory related accounts payable. The reduction in inventory payables was \$57.2 million more than the \$36.8 million reduction in inventory on hand at December 31, 2009 compared to December 31, 2008. A \$9.1 million increase in customer deposits was offset by changes in accounts payable balances related to distributions and capital assets. For periods during the year The Brick Group generated cash flow from reductions to accounts receivables as we offered early payment discounts to franchisees, shortened credit terms for our commercial customers, worked successfully with some inventory suppliers to receive rebates in advance of their due dates, and limited inventory purchases to optimize inventory turn over and working capital management. Throughout 2009, management continued to maintain stringent controls over variable SG&A, including a freeze on hiring and compensation increases, to manage expenses in line with current sales trends.

To address limitations to credit terms imposed by some inventory suppliers, in August 2009 the Brick Group entered into the \$25.0 million Fairfax LC agreement as discussed in the Financing Resources section of this MD&A. The first of the Supplier LCs were issued in September 2009 and had a positive impact on the Brick Group's working capital and liquidity positions during the fourth quarter of 2009. The Fairfax LC facility is adequate to address any supplier credit issues that may arise during its term. The Fairfax LC matured on February 24, 2010 and the Brick Group exercised its option, to extend the Fairfax LC for an additional six-month term. The amount of the Fairfax LC was reduced from \$25.0 million to \$4.0 million in line with the Brick Group's reduced need to provide credit enhancements to its inventory suppliers. Fees related to the extension of \$0.2 million were fully recovered from a supplier of the Brick Group.

In addition to funds flow from operations, the Brick Group will use its Asset-Based Credit Facility to fund business needs including working capital requirements and debt service requirements.

Adequacy of Financial Resources

Historically, the Brick Group's working capital has been subject to seasonal fluctuations, largely driven by changes in inventory, accounts payable and customer deposits. The Brick Group's working capital requirements are typically greatest in the first half of the year. The Brick Group believes the recapitalization transaction, the Fairfax LC and the continuing improvement in the Canadian economy from recession to recovery provides the Brick Group sufficient liquidity to meet its working capital requirements in 2010. At December 31, 2009, the Brick Group's current assets exceeded its current liabilities by \$43.5 million, and \$69.2 million of borrowing capacity was available under the Asset-Based Credit Facility to fund working capital needs.

Financing Activities

Financing Activities Source (Use) of Cash (000's of \$)	Twelve months ended December 31		
	2009	2008	\$ (Increase) Decrease
Decrease in net bank indebtedness	\$ -	\$ (14,637)	14,637
Borrowings under asset-based credit facility	459,035	-	459,035
Repayments under asset-based credit facility	(459,035)	-	(459,035)
Financing fees paid	(665)	-	(665)
Distributions paid	(5,419)	(64,546)	59,127
Repayment of senior secured notes	(83,000)	-	(83,000)
Issuance of debentures and warrants, net of transaction costs	112,892	-	112,892
Proceeds from exercise of warrants	1,090	-	1,090
	\$ 24,898	\$ (79,183)	104,081

The recapitalization transaction and the Fairfax LC facility, described under Financing Resources, and the elimination of distributions were the major financing events for the year.

As part of the recapitalization transaction, we repaid our bank indebtedness, existing at the time of the transaction, and entered into the Asset-Based Credit Facility. During the year the daily borrowings and repayments under the Asset-Based Credit Facility were unusually large due to initial requirements of the asset-based lender and a requirement of our cash management bank to prefund disbursements as operational changes were made to align with requirements under the Asset-Based Credit Facility. Under the Asset-Based Credit Facility, the Brick Group does not have any overdraft banking privileges and maintains net positive balances in its bank accounts daily. Under the Brick Group's prior Credit Facilities, overdraft banking privileges existed, consequently, cash and cash equivalents on the Brick Group's consolidated balance sheet are likely to be higher under the Asset-Based Credit Facility. All borrowings under the asset-based credit facility were repaid prior to the year end.

For the year 2008, \$14.6 million was repaid against the prior credit facility.

In 2009 the net source of cash from Recapitalization Transaction of \$30.3 million was from the Debentures and Warrants issued, net of the financing fees paid, and net of the repayment of the Senior Notes.

Distributions

On February 18, 2009, the Brick Group announced that as a result of continued deterioration in economic conditions and the uncertain outlook for 2009, it suspended its monthly distribution payments. Previously, in November 2008, monthly distributions were reduced from \$0.10 per unit to \$0.05 per unit.

The Brick Group declared \$2.7 million in cash distributions in 2009 and paid \$5.4 million in cash distributions for the year ended December 31, 2009 (three and twelve months ended December 31, 2008: \$13.5 million and \$64.5 million distributions paid respectively, and \$10.8 million and \$59.6 million (\$1.10 per unit) distributions declared, respectively).

Due to the termination in March 2008 of the subordination arrangements relating to the Class B Trust Units, and beginning with the month of April 2008, cash available to make distributions became payable on a monthly basis to the holders of Class A Trust Units and holders of Class B Trust Units pro rata. Prior to April 2008, cash distributions to the holders of Class B Trust Units were paid quarterly. Consequently, for the year ended December 31, 2009, cash distributions paid were \$2.7 million lower than the amount of distributions declared during that period and for the year ended December 31, 2008, cash distributions paid were \$2.7 million higher than the amount of distributions declared during that period.

Investing Activities

The following table summarizes the Brick Group's investing activities for the twelve month periods ended December 31, 2009 and December 31, 2008.

Investing Activities Source (Use) of Cash (000's of \$)	Twelve months ended December 31		
	2009	2008	\$ (Increase) Decrease
Capital assets additions	\$ (9,942)	\$ (35,709)	25,767
Intangible asset and deferred charge additions	(9,823)	(556)	(9,267)
Changes in payables related to capital assets	(6,574)	4,517	(11,091)
Proceeds from disposal of capital assets	110	126	(16)
Marketable securities additions	(3,280)	(1,707)	(1,573)
Proceeds from sale of marketable securities	7,522	3,187	4,335
Additions to deferred issuance costs	(621)	-	(621)
	\$ (22,608)	\$ (30,142)	7,534

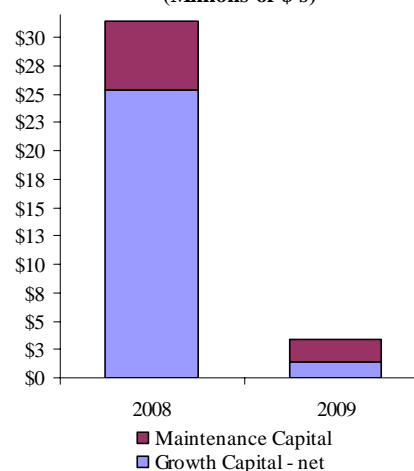
Capital Expenditures

Capital asset additions for fiscal 2009 were \$9.9 million, \$25.8 million lower than in 2008. As the 2009 economic conditions deteriorated, the Brick Group reduced capital expenditures to preserve cash. Fewer corporate stores were added in 2009 as compared to 2008. In 2009, one corporate store was added while in 2008, six corporate stores were added.

The Brick Group categorizes capital expenditures as either maintenance capital expenditures or as growth capital expenditures. The Brick Group incurred maintenance capital expenditures of \$2.0 million for 2009 compared to \$6.0 million for 2008.

Maintenance capital expenditures relate to maintaining and upgrading existing facilities, major roof replacements, information systems hardware and devices, existing distribution infrastructure and

Capital Expenditures Net of Tenant Inducements
Twelve Months ended December 31
(Millions of \$'s)



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 building and equipment.

Growth capital expenditures for the year were approximately \$7.9 million, mainly for new and relocated stores and upgrades to information systems and equipment. We received tenant inducements of \$6.5 million, bringing our net capital expenditures for growth capital to \$1.4 million for the year. In 2008, growth capital expenditures were \$29.7 million and we received tenant inducements of \$4.3 million making the net expenditure on growth capital \$25.4 million.

Intangible Asset and Deferred Charge Additions

Intangible asset additions for 2009 of \$9.8 million include \$7.1 million of transaction fees capitalized in conjunction with the GE Asset-Based Credit Facility. The remaining \$2.7 million of intangible asset additions relate primarily to information systems replacements or enhancements.

Financing Resources

Recapitalization Transaction

On May 28, 2009, the Brick Group's long-term debt, comprised of senior secured notes ("Senior Notes"), was refinanced on a long-term basis through a recapitalization transaction which included the following:

- A \$120 million financing (the "Offering") comprised of the sale of debt units (the "Debt Units"), each Debt Unit consisting of \$1,000 principal amount of 12% senior secured debentures (the "Debentures") and 1,000 Class A Unit purchase warrants (the "Debenture Warrants");
- A new \$130 million asset-based credit facility (the "Asset-Based Credit Facility") with initial margined availability on May 28, 2009, based on the level of the Brick Group's eligible inventory and accounts receivable, of \$66.5 million (December 31, 2009: margined availability of \$80.0 million). The Asset-Based Credit Facility has a term of 36 months, and bears interest at the Canadian chartered bank prime rate plus 3.0%.
- The repayment of all of the Brick Group's outstanding Senior Notes, together with accrued interest and an early settlement penalty, totalling approximately \$85.2 million, and bank indebtedness totalling approximately \$55.1 million; and
- The elimination of all financial covenants. Customary non-financial negative covenants are discussed below.

Debentures and Debenture Warrants

The Offering was comprised of a public offering of \$30 million pursuant to a short form prospectus (the "Public Offering"), and a \$90 million private placement to accredited investors under an exemption from the prospectus requirements of applicable securities laws (the "Private Placement").

Fairfax Financial Holdings Limited ("Fairfax") and William Comrie ("Comrie"), the Brick Group's two largest existing unitholders, invested \$45 million and \$18 million under the Private Placement, respectively, and other institutional and private investors invested an additional \$27 million under the Private Placement.

Prior to the closing, Fairfax and Comrie owned 8,380,200 and 21,561,983 class A trust units (“Class A Units”), respectively, representing approximately 15% and 40% of the outstanding Class A Units, respectively, on a fully diluted basis. Following the closing of the Offering, Fairfax and Comrie now own \$45 million and \$18 million principal amount of Debentures, respectively, representing approximately 38% and 15% of the outstanding principal amount of Debentures, respectively, and assuming the exercise of all Debenture Warrants, would own 53,380,200 and 39,561,983 Class A Units, respectively, representing approximately 31% and 23% of the outstanding Class A Units, respectively, on a fully diluted basis. Accordingly, assuming the exercise of all Debenture Warrants, Fairfax and Comrie acting together, or Fairfax acting alone, may be in a position to materially impact control of the Brick Group.

The Debentures mature on May 30, 2014 and bear interest at a rate of 12% per annum, payable in cash semi-annually in arrears on December 31st and June 30th of each year commencing on December 31, 2009. The Debentures are not redeemable by the Brick Group prior to the maturity date. However, upon a change of control of the Brick Group (which is deemed to occur upon a change in ownership of 66 2/3% of the Brick Group’s Class A Units), the Brick Group will be required to make an offer to purchase the Debentures, in whole or in part, at a price equal to 110% of the principal amount of the Debentures plus accrued and unpaid interest. The Debentures are secured by a first charge on all of the real estate and equipment owned indirectly by the Brick, and a security interest, ranking subordinate to the security for the Asset-Based Credit Facility, which covers all other assets, including inventory and accounts receivable.

Each Debenture Warrant entitles the holder to purchase one Class A Unit, at any time prior to 5:00 p.m. (Eastern time) on May 27, 2014 at a price of \$1.00 per Class A Unit, subject to certain anti-dilution adjustments including, without limitation, in the event of: (i) a rights offering completed at a price that is less than 95% of the market price of the Class A Units at the time of the rights offering; (ii) if the Brick conducts an issuer bid that is not conducted pursuant to an exemption from the issuer bid requirements of applicable securities legislation and the fair market value of the consideration offered for a Class A Unit under such issuer bid exceeds the closing price of a Class A Unit on the next trading day following the last date deposits could have been made pursuant to such issuer bid; or (iii) if the Brick issues Class A Units (or securities convertible into or exchangeable for Class A Units) pursuant to a non-public offering at a price that is less than 95% of the market price of the Class A Units at the time of such offering.

The Debentures have no financial covenants. Customary negative covenants include restrictions on the Brick Group’s ability to undertake business combinations, other than a business combination undertaken in conjunction with a conversion of the Brick Group to a corporation, make investments and loans, incur certain forms of additional debt, extend security interests in the Brick Group’s assets, enter into related party transactions, other than permitted related party transactions, engage in any business other than the businesses currently engaged in, sell capital assets, make distributions, or purchase real estate.

Asset-Based Credit Facility

The Asset-Based Credit Facility provides for maximum borrowings of up to \$130 million. The amount available to be drawn under the Asset-Based Credit Facility will vary from time to time based on the level of the Brick Group’s eligible inventory and accounts receivable.

Under the Asset-Based Credit Facility at December 31, 2009, the borrowing base was margined at \$80.0 million. At December 31, 2009, there were no cash borrowings outstanding and \$10.8 million was drawn by way of standby letters of credit leaving \$69.2 million of undrawn credit available to fund operations and working capital requirements. The Asset-Based Credit Facility has a term of 36 months and is secured by the Brick Group’s inventory and accounts receivable.

The transaction costs incurred in 2009 related to the debentures and the warrants net of future income taxes is \$7.1 million. The effective interest rate for the Debentures is 14.68% and includes accretion expense, amortization of transaction costs, and semi annual coupon payments. The transaction costs related to the Asset-Based Credit Facility were \$6.5 million. In addition in 2009, there was a \$3.0 million loss on extinguishment of the Senior Notes and the Credit Facilities.

The Asset-Based Credit Facility has no financial covenants. Customary negative covenants include restrictions on the Brick Group's ability to undertake business combinations, other than a business combination undertaken in conjunction with a conversion of the Brick Group to a corporation, make investments and loans, incur certain forms of additional debt or modify the terms of the existing Debenture agreement, enter into related party transactions, other than permitted related party transactions, engage in any business other than the businesses currently engaged in, provide guarantees, extend security interests, sell capital assets, make distributions, or purchase real estate.

Fairfax Standby Letter of Credit Facility

On August 24, 2009, the Brick Group entered into an agreement with Fairfax pursuant to which Fairfax issued an irrevocable letter of credit in the aggregate principal amount of \$25.0 million (the "Fairfax LC") to GE Capital, as agent on behalf of itself and the Lenders under the May 28, 2009 Asset-Based Credit Facility agreement.

The purpose of the Fairfax LC is to backstop additional letters of credit to be issued under the Asset-Based Credit Agreement to certain of the Brick Group's inventory suppliers (the "Supplier LCs"); provided such inventory suppliers extend additional new credit to the Brick Group for inventory of not less than 150% of the Supplier LCs issued to such inventory suppliers. The Asset-Based Credit Agreement continues to provide for maximum borrowings of up to \$130.0 million, and will continue to vary from time to time based on the level of the Brick Group's eligible inventory and accounts receivable. In connection with Fairfax providing the Fairfax LC, the borrowing base under the Asset-Based Credit Agreement was amended to provide that Supplier LCs may be margined against 100% of the available amount of the Fairfax LC plus existing availability, if any, based on the level of the Brick Group's eligible inventory and accounts receivable.

The Fairfax LC had an initial term of six months and at the option of the Brick Group \$4.0 million was extended for an additional six months at no cost to the Brick Group. The Fairfax LC bears interest at 15% per annum on amounts drawn. On the closing date for the initial term of six months, the Brick Group paid a fee of \$0.3 million to Fairfax and issued to Fairfax 5,317,100 warrants ("Fairfax LC Warrants") exercisable at \$0.82 per warrant. The fair value of the Fairfax LC Warrants of \$0.94 per warrant was determined at the date of closing of August 24, 2009, using the binomial option pricing model assuming no expected dividends, a risk-free interest rate of 2.56%, an expected stock price volatility of 52.7%, an expected life of five years, and the Class A Trust Unit closing quoted market price of \$1.50. The resulting total fair value of the Fairfax LC Warrants initially recognized as a component of deferred issuance cost on the Brick Group's consolidated balance sheet was \$5.0 million. The strike price of \$0.82 per warrant was set on August 7, 2009, the date at which an agreement in principle for the Fairfax LC agreement was reached, and was based on the volume weighted average of the trading price of the Class A Trust Units on the TSX for the five trading days immediately prior to August 7, 2009. In addition to the \$0.3 million fee paid to Fairfax, the Brick Group incurred closing costs of \$0.3 million.

At December 31, 2009, remaining deferred issuance costs of \$1.65 million associated with the Fairfax LC include remaining unamortized cash costs of \$0.19 million and non-cash costs of \$1.47 million. The remaining unamortized non-cash costs relate to the fair value of the Fairfax LC Warrants. These deferred

issuance costs are being charged to income on a straight-line basis over the initial term of the Fairfax LC facility.

Each full Fairfax LC Warrant entitles the holder to purchase one Unit and is exercisable at the holder's option at any time, in whole or in part, prior to 5:00 p.m. (Eastern time) on August 24, 2014. The Fairfax LC warrants include customary anti-dilution provisions, consistent with the terms of the Debenture Warrants previously issued to Fairfax in connection with the public debt offering on May 28, 2009.

After giving effect to the Public Offering, the Private Placement, and the Fairfax LC, and assuming the exercise of all warrants, 179.5 million Class A Units would be outstanding on a fully diluted basis, representing a 225% increase over the 55.3 million Class A Units outstanding. Please refer to the Brick Group's final short form prospectus filed on www.sedar.com for further information on the recapitalization transaction.

The Brick Group exercised its option to extend the Fairfax LC for an additional six-month term. The amount of the Fairfax LC was reduced from \$25.0 million to \$4.0 million in line with the fund's reduced need to provide credit enhancements to its inventory suppliers. The Brick Group received full reimbursement from a supplier of the Brick Group for costs incurred in conjunction with the extension of the Fairfax LC.

Credit Facilities and Long-term Debt Prior to the Recapitalization Transaction

Prior to the recapitalization transaction, the Brick Group's credit facilities included the Operating Credit Facility, the Acquisition Credit Facility, and the Commercial Letter of Credit Facility (the "Credit Facilities"), and its long-term debt was comprised of the senior secured notes (the "Senior Notes").

In response to the sudden and dramatic changes in the economic and financial outlook that arose in the latter half of 2008, we reduced our monthly distribution from \$0.10 per unit to \$0.05 per unit for all trust units on November 19, 2008. Subsequently, as a result of continued deterioration in economic conditions and the uncertain outlook for 2009, we announced on February 18, 2009 that we were suspending our monthly distribution payments for all trust units. While these actions helped to preserve liquidity and working capital, earnings results continued to decrease and this posed a risk that financial covenants would be breached.

To address this concern, we announced, on March 13, 2009, amendments to our Credit Facilities and Senior Notes. These amendments served to mitigate the risk of default with respect to financial covenants and were assessed by the Brick Group to be prudent and proactive in light of the economic downturn and its impact on the retail sector. The amendments included an increase in the maximum ratio of adjusted total debt to EBITDAR (defined as EBITDA plus rent), from 4.5 times to 5.0 times for the first three quarters of 2009, after which time the ratio will return to 4.5 times for the remainder of the term. The amendments also included other modifications that included a restriction on the amount available under the \$40 million Acquisition Credit Facility, an increase, ranging from 175 bps to 200 bps, in the pricing of the Credit Facilities, a preclusion on cash distributions until after December 31, 2009, and a restriction on cash distribution subsequent to December 31, 2009 at any time that amounts drawn on the Operating Credit Facility exceed \$30.0 million.

As well, on March 13, 2009, in conjunction with the amendment to the Credit Facilities discussed above, the Trust Indenture providing for the issuance of the Senior Notes was amended to maintain alignment on the financial covenants and other amendments with those contained in the First Amendment. The amendment also included an increase in pricing with the coupon increased from 6.43% per annum to 8.00%

per annum until December 14, 2009, and decreased thereafter to 7.25% per annum for the remainder of the term.

Through the amendments to our Credit Facilities and Senior Notes agreements, the suspension of distributions, and strategies to further reduce operating costs, and improve operating results and cash flows, management worked to manage its operations in order to have sufficient liquidity to meet all of the Brick Group's working capital, and capital expenditure needs, and to ensure compliance with its financial covenants.

Unfortunately, despite taking these proactive measures, due to the continued deterioration in economic conditions impacting the Brick Group's business, the Brick Group expected that it would breach its revised financial covenants at the end of the second quarter of 2009. A failure to meet these financial covenants would constitute a default under the Brick Group's Credit Facilities agreement and Senior Notes agreement and could have caused the Brick Group's Credit Facilities and Senior Notes indebtedness to become immediately due and payable.

To deal with the liquidity and financial covenant risks it faced, the Brick Group proceeded to complete the recapitalization transaction.

Readers are urged to refer to the final short form prospectus dated May 21, 2009, for discussions of risks related to the recapitalization transaction.

Contractual Commitments

The following table provides an overview of the Brick Group's contractual commitments as at December 31, 2009.

As as December 31, 2009				
(000's of \$)	Total	1 - 3 years	4 - 5 years	After 5 years
Long-term debt	\$ 120,000	\$ -	\$ -	\$ 120,000
Purchase obligations				
Commercial letters of credit	27,986	27,986	-	-
Outstanding purchase orders	99,780	99,780	-	-
Operating leases	717,826	230,441	128,605	358,780
Total contractual obligations	\$ 965,592	\$ 358,207	\$ 128,605	\$ 478,780

Restriction on the Distribution of Capital from TGI and TGLI

For purposes of regulatory requirements for TGI and TGLI, capital is considered to be equivalent to their balance sheet equity. Regulatory requirements stipulate that the TGI must maintain minimum capital of at least \$3.0 million, and TGLI must maintain minimum capital of at least \$5.0 million. Further, regulators also expect that capital will not fall below the initial capital of each company at its inception, which was \$5.0 million for TGI and \$6.0 million for TGLI. Should the companies' capital fall below the initial capital amount, the regulator may impose additional reporting requirements and may subject the companies to regulatory review. TGI and TGLI had capital in excess of their regulatory minimum capital requirements, and their initial capital amounts at December 31, 2009 and December 31, 2008.

9. OUTLOOK

We are encouraged by the operating results of the fourth quarter as we embark on a new fiscal year. While sales and operating revenue were down 1% quarter over quarter, consolidated EBITDA was up over 50% on the same basis. This contributed to the Brick Group ending the fiscal year with no borrowings under the GE credit facility and \$19.5 million in cash, a significant and critical achievement that positions the Brick Group well for 2010.

Recent economic reports forecast a sustained recovery and modest growth for the Canadian economy for 2010. As well, there are projections for a double digit increase in home sales on a national basis. These are encouraging forecasts for the Brick Group. However, we believe it is prudent to remain cautious on the economic outlook for 2010 given the current unemployment rate and forecasted increases in interest rates, both of which can impact consumer demand as we go forward. We experienced improved operating results in the last half of 2009 by focusing on four key initiatives.

- Increased sales force on the retail floor
- Improved inventory and supply chain management
- Aligned initiatives between advertising and inventory management
- Improved liquidity

We will continue to stay focused on these as well as the following new initiatives in 2010:

- Building the core business – Organic growth through same store sales
- Enhanced customer service model
- Efficiencies through investment in information systems
- Moderate expansion of our franchise business

We believe these initiatives will position us well to capitalize on improvements in the Canadian economy and consumer demand.

The first two quarters of our fiscal year traditionally experience lower sales levels than the last two quarters and we are not expecting any material change to the seasonality of our business. However, we are benefitting from and will continue to benefit from prudent management of our cost structure.

We will continue to build our management strength in 2010. Recently, we announced that Vi Konkle, an experienced executive in the retail industry, has joined the Brick Group as President of Business Support. Vi will lead the Brick Group's customer service initiatives, as well as supply chain, distribution, information systems and financial services, all critical areas to the continuing success of The Brick.

Also recently announced was the appointment of Jim Caldwell as Senior Vice President, Operations. Jim has over 25 years of retail leadership experience holding positions such as Store Manager, Regional Manager, VP Store Operations and Chief Operating Officer with many national retailers. Jim will lead the Brick Group's retail, commercial and franchise sales teams.

Store Count Continuity

The following chart illustrates our store count projections to the end of the 2009 fiscal year:

Store Count Continuity 2010				
	At Dec 31, 2009	Opening	Closing	At Dec 31, 2010
Corporate Stores				
Brick	110	1	1	110
Urban Brick	2	0	0	2
Brick Clearance Centres	6	0	0	6
Superstore	3	0	0	3
Mattress Store	28	0	0	28
UFW	35	0	0	35
Corporate Subtotal	184	1	1	184
Franchise Stores	52	4	0	56
Total Corporate & Franchise Stores	236	5	1	240

At this time, we are projecting to open one corporate store in Ontario, while closing another Ontario store upon its lease expiration. Four franchise stores are also expected to open across the country in 2010.

Capital Expenditures

Management is projecting a \$6.0 million investment on capital expenditures in 2010. The majority of the 2010 investments are earmarked for maintenance projects to ensure that the Brick Group's infrastructure remains sufficient to support on-going operations. Management will regularly review and manage its 2010 capital investment projection and may increase the 2010 level of infrastructure investment.

Tax Status and Conversion to a Corporation

The tax rules that were in place for 2009 (and are expected to be in place for 2010) allow the Brick Group Income Fund to deduct from its taxable income amounts that are distributed to unitholders. This deduction is not available for those subsidiaries of the Brick Group that are corporations. Therefore, for 2009 the current tax liability for the Brick Group relates entirely to the tax for its corporate subsidiaries.

On January 1, 2011 new tax rules will take effect for income trusts and other flow through entities that meet the definition of a Specified Investment Flow-Through Entity ("SIFT"). Under these rules the income of, and distributions by, a SIFT will be subject to tax on a basis that is similar to the tax rules that apply to a Canadian corporation. Certain SIFTs will be subject to these new rules prior to January 1, 2011 but only if those entities exceed the normal growth guidelines established by the Department of Finance. The Brick Group meets the definition of a SIFT and does not expect to exceed the normal growth guidelines mentioned above; therefore, the Brick Group will be subject to these new rules effective January 1, 2011.

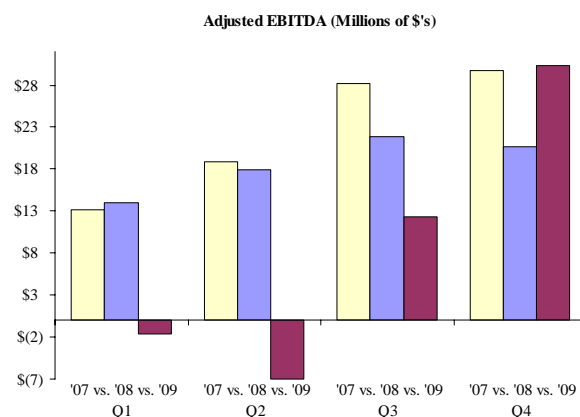
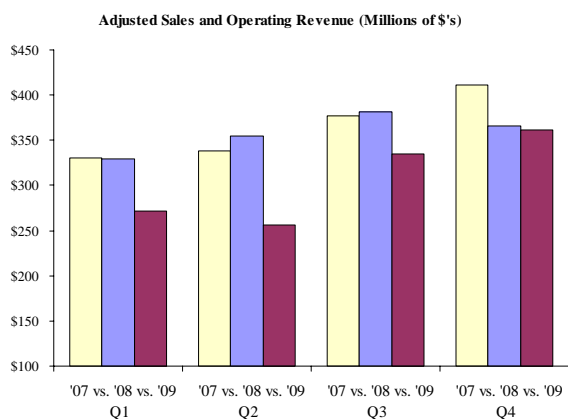
Tax rules enacted during 2009 allow an income trust to convert to a corporation without triggering adverse tax consequences to the income fund and its unitholders. The Brick Group expects to take advantage of these rules by converting into corporate form during the 2010 fiscal year.

10. ADJUSTED RESULTS OF OPERATIONS

The following table provides the results of operation on an adjusted basis. Readers are referred to the discussion on adjusted results under the heading Non-GAAP Financial Measures in this MD&A.

Adjusted Results: (000's of \$ except %, per unit and store amounts)	For the three months ended December 31				For the twelve months ended December 31			
	2009	2008	\$ Increase	% Increase	2009	2008	\$ Increase	% Increase
	Adjusted	Adjusted*	(Decrease)	(Decrease)	Adjusted	Adjusted*	(Decrease)	(Decrease)
Sales and operating revenue	\$ 361,472	\$ 365,975	(4,503)	-1.2%	\$ 1,224,370	\$ 1,431,677	(207,307)	-14.5%
Cost of sales	(207,918)	(220,295)	(12,377)	-5.6%	(719,173)	(847,716)	(128,543)	-15.2%
Gross margin	153,555	145,680	7,875	5.4%	505,198	583,961	(78,763)	-13.5%
<i>Gross margin as a percentage of sales and operating revenue</i>	42.5%	39.8%			41.3%	40.8%		
Selling, general and administrative expenses	(122,583)	(125,557)	(2,974)	-2.4%	(470,928)	(510,723)	(39,796)	-7.8%
Investment and other income	346	(585)	931	159.1%	852	236	616	261.0%
EBITDA	31,318	19,538	11,780	60.3%	35,122	73,474	(38,352)	-52.2%
<i>EBITDA as a percentage of sales and operating revenue</i>	8.7%	5.3%			2.9%	5.1%		
Interest expense on long-term and other debt	(4,390)	(2,425)	1,965	81.0%	(14,959)	(9,353)	5,606	59.9%
Amortization of deferred issuance costs	(2,792)	-	2,792	100.0%	(3,952)	-	3,952	100.0%
Amortization	(8,381)	(5,731)	2,650	46.2%	(26,376)	(20,317)	6,060	29.8%
Net income (loss) before undernoted items	15,754	11,382	4,372	38.4%	(10,165)	43,804	(53,969)	-123.2%
Income tax recovery	(1,975)	8,336	(10,311)	-123.7%	15,926	8,749	7,177	82.0%
Loss on extinguishment of debt	-	-	-	N/A	(3,046)	-	3,046	100.0%
Goodwill impairment	-	-	-	100.0%	(8,009)	-	8,009	100.0%
Net income (loss)	\$ 13,779	\$ 19,718	(5,939)	-30.1%	\$ (5,294)	\$ 52,553	(57,846)	-110.1%
Basic net income (loss) per unit	\$ 0.25	\$ 0.36	(0.11)	30.6%	\$ (0.10)	\$ 0.97	(1.07)	-110.3%
Diluted net income (loss) per unit	\$ 0.15	\$ 0.36	(0.21)	-58.3%	\$ (0.10)	\$ 0.97	(1.07)	-110.3%
Stores at period end	236	215			236	215		

* On January 1, 2009, the Brick Group adopted new accounting standards related to the capitalization of pre-opening costs. Under the new standards, store and distribution centre pre-opening costs are no longer deferred and amortized, and must be charged to income as incurred. These new standards require retroactive application and therefore, retail segment net income for 2008 has been restated. For the 2008 fourth quarter, previously recorded amortization of pre-opening costs of \$660 has been reversed and prepaid expenses and deposits of \$1,139 have been charged to SG&A on the 2008 consolidated income statement. As a result, net loss of \$479 has been reclassified to the opening deficit on the 2008 consolidated balance sheet. On a year-to-date basis, previously recorded amortization of pre-opening costs of \$2,643 has been reversed and prepaid expenses and deposits of \$986 have been charged to SG&A on the 2008 consolidated income statement. As a result, net income of \$1,657 has been reclassified to the opening deficit on the 2008 consolidated balance sheet.



11. DISTRIBUTABLE CASH AND DISTRIBUTABLE CASH PER UNIT

Pursuant to the Declaration of Trust for The Brick Group Income Fund (the “Fund”), as amended pursuant to the May 12, 2009 Management Information Circular, the determination to declare and make payable distributions from the Fund is at the sole discretion of the Board of Trustees of the Fund and, until declared payable by the Board of Trustees of the Fund, the Fund has no contractual requirement to pay cash distributions to unitholders of the Fund.

Prior to March 2009, the Fund’s Distribution Committee held regular monthly meetings to review distributions in light of actual and forecast results. Subsequent to the suspension of distributions announced on February 18, 2009, the Distribution Committee was dissolved.

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”). For entities remaining within normal growth limits announced by the Department of Finance (Canada) on December 15, 2006, the SIFT tax will take effect on January 1, 2011. The Brick Group meets the definition of a SIFT and does not expect to exceed the normal growth guidelines mentioned above; therefore, the Brick Group will become subject to these new rules effective January 1, 2011. Tax rules enacted during 2009 allow an income trust to convert to a corporation without triggering adverse tax consequences to the income fund and its unitholders. The Brick Group expects to take advantage of these rules by converting into corporate form during the 2010 fiscal year.

The payout ratio for the twelve months ended December 31, 2009 was 15.5%, including the suspension of distributions announced on February 18, 2009, compared to 103.1% reflecting full monthly distributions of \$0.10 per unit for the period January to October 2008, and a 50% reduction to distributions announced on November 19, 2008, for the months of November and December 2008.

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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 December 31		Twelve months ended December 31	
		2009	2008*	2009	2008*
Cash flow from operating activities	1	\$ 30,340	\$ 37,581	\$ 2,839	\$ 115,570
Changes in non-cash operating working capital items	1, 2	3,873	(14,390)	22,852	(40,929)
Items not affecting cash	3	(9,434)	(232,077)	(144,857)	(229,855)
Cash items	4	(12,541)	(15,241)	(43,851)	(43,885)
Net income (loss)		12,238	(224,127)	(163,017)	(199,099)
Interest		4,391	2,425	14,959	9,353
Income tax recovery		1,967	(8,513)	(16,105)	(9,932)
Amortization		9,463	7,227	31,534	26,459
Deferred Issuance costs		2,792	-	3,952	-
Loss on extinguishment of debt		-	-	3,046	-
Goodwill and intangible asset impairment		-	241,471	158,459	241,471
Reported EBITDA		30,851	18,483	32,828	68,252
Elimination of Purchase Accounting Impact	5	467	1,055	2,294	5,222
Adjusted EBITDA		31,318	19,538	35,122	73,474
Debt service obligation	6	(12,727)	(2,305)	(14,959)	(9,353)
Maintenance capital expenditures	7	(1,143)	(830)	(2,007)	(5,975)
Corporate income taxes - current	8	322	116	(631)	(325)
Cash available for distribution		\$ 17,770	\$ 16,519	\$ 17,525	\$ 57,821
Cash available for distribution per unit		\$ 0.32	\$ 0.30	\$ 0.32	\$ 1.07
Cash distributions declared		\$ -	\$ 10,834	\$ 2,710	\$ 59,587
Cash distributions declared per unit		\$ -	\$ 0.20	\$ 0.05	\$ 1.10
Weighted average units outstanding during the period		55,150,893	54,171,133	54,433,478	54,171,133
Payout ratio for the periods ended December 31		0.0%	65.6%	15.5%	103.1%

1 Cash flow from operating activities and changes in non-cash working capital items are as per the Brick Group's consolidated financial statements.

2 Periodic fluctuations in non-cash working capital are not considered a use or source of funds available for distribution to unitholders. 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.

3 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.

4 Cash items includes cash received for leasehold inducements and from warranty and insurance sales and cash paid for deferred acquisition costs.

5 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 unitholders of the Brick Group. Consequently, purchase accounting adjustments are excluded from cash available for distribution.

6 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.

7 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.

8 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.

* On January 1, 2009, the Brick Group adopted new accounting standards related to the capitalization of pre-opening costs. Under the new standards, store and distribution centre pre-opening costs are no longer deferred and amortized, and must be charged to income as incurred. These new standards require retroactive application and therefore, retail segment net income for 2008 has been restated. For the 2008 fourth quarter, previously recorded amortization of pre-opening costs of \$660 has been reversed and prepaid expenses and deposits of \$1,139 has been charged to SG&A on the 2008 consolidated income statement. As a result, net loss of \$479 has been reclassified to the opening deficit on the 2008 consolidated balance sheet. On a year-to-date basis, previously recorded amortization of pre-opening costs of \$2,643 has been reversed and prepaid expenses and deposits of \$986 has been charged to SG&A on the 2008 consolidated income statement. As a result, net income of \$1,657 has been reclassified to the opening deficit on the 2008 consolidated balance sheet.

An Alternative View of Distributable Cash

Because the distributable cash calculation is not prescribed by GAAP, different income funds may calculate this measure using alternative methods.

Management has not changed its calculation of reported distributable cash and associated payout ratio. However, since our 2005 Annual MD&A, through an alternative view, we have provided our unitholders a parallel view of our distributable cash that management believed to be better aligned with the cash flows generated by the underlying business.

In light of the suspension of distributions, and the Brick Group's planned conversion to a corporation, management believes that the alternative view of distributable cash no longer provides relevant information. It is therefore no longer provided.

Distributions for the Year

For the year ended December 31, 2009, cash distributions declared and paid are detailed in the table below, in 000's of \$, except for per unit amounts:

Period	Record Date	Payment Date	Per Unit	Declared Amount	Paid Amount
Class A units					
December 2008	December 31, 2008	January 15, 2009	\$ 0.0500	\$ -	\$ 2,709
January 2009	January 31, 2009	February 15, 2009	0.0500	2,710	2,710
				\$ 2,710	\$ 5,419

12. OUTSTANDING UNIT DATA

At March 23, 2010:

The Brick Group had 55,471,333 Class A Trust Units outstanding.

- William H. Comrie, a resident of the United States, holds a 38.87% interest in the Brick Group through 21,561,983 Class A Trust Units.
- Fairfax Financial Holdings Limited holds 15.11% of all units outstanding, or 8,380,200 Class A Trust Units.

The Brick Group had 124,016,900 Class A Trust Unit purchase warrants outstanding.

- Fairfax Financial Holdings Limited holds 40.57% or 50,317,100 of the outstanding Warrants.
- William H. Comrie, a resident of the United States, holds 14.51% or 18,000,000 of the outstanding warrants.

The recapitalization transaction will result in significant dilution to the holdings of minority unitholders if the warrants issued under the recapitalization transaction and Fairfax LC are exercised. As at December 31, 2009 and March 23, 2010, no warrants held by either Fairfax Financial Holdings Limited or by William H. Comrie have been exercised. The potential dilutive effects of the recapitalization transaction are discussed in the final short form prospectus dated May 21, 2009 which can be found on-line at www.sedar.com.

The Brick Group had 120,000 senior secured debentures, each with a face value of one thousand dollars, (“Debentures”) outstanding.

- Fairfax Financial Holdings Limited holds 37.50% or 45,000 of the outstanding Debentures.
- William H. Comrie, a resident of the United States, holds 15.00% or 18,000 of the outstanding Debentures.

Pursuant to the employment terms under which Bill Gregson was appointed President and Chief Executive Officer of the Brick Group effective July 10, 2009, the Brick Group entered into an option agreement dated November 3, 2009, where it issued options to purchase 6 million units of The Brick Group Income Fund to Mr. Gregson (the “Options”). Each Option is exercisable to acquire one Class A unit of the Brick Group until December 1, 2013. The exercise price of the Options, which was determined at the time of Mr. Gregson’s hiring, is \$1.00 per unit for 3 million of the Options and for the remaining 3 million Options, is equal to the ten day volume weighted average trading price of the units on the TSX ending on the day prior to the public announcement of Mr. Gregson’s appointment, being a price of \$0.68 per unit. All of the Options vest and become exercisable on December 1, 2011 and expire on December 1, 2013. The issuance of the Options is subject to the approval of the TSX and of the Brick’s Group’s unitholders at the Brick Group’s next annual meeting of unitholders expected to be held in the Spring of 2010. As the Options are subject to unitholder approval, there has been no impact on the financial statements for the year ended December 31, 2009.

13. CRITICAL ASSUMPTIONS

Off-Balance Sheet Arrangements

For information on off-balance sheet arrangements, see notes 19 and 20 of the audited consolidated financial statements of The Brick Group Income Fund for the year ended December 31, 2009.

Related Party Transactions

Included in selling, general and administrative expenses is rent expense of \$1.0 million for the year ended December 31, 2009 (2008: \$1.0 million), paid to a joint venture partially owned by an officer of the Brick Group.

In May 2008, certain employees of the Brick Group became owners of a Brick franchise. During the year ended December 31, 2009, the Brick Group sold inventory of \$2.4 million (2008: \$2.1 million) to this franchise.

During 2008, 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 year ended December 31, 2009, the Brick Group sold inventory of \$5.7 million (2008: \$2.5 million) to these franchises. This director resigned from the boards of Trans Global Insurance Company and Trans Global Life Insurance Company effective May 5, 2009.

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

Included in accounts receivable at December 31, 2009 is \$0.1 million (December 31, 2008: \$0.4 million) for loans made to employees. These loans relate to employee relocation.

In conjunction with the May 28, 2009 recapitalization transaction, the Brick Group issued Debentures and warrants to William H. Comrie (“Comrie”), a resident of the United States, who holds a 39.02% interest in the Brick Group through 21,561,983 Class A Trust Units, and to Fairfax Financial Holdings Limited (“Fairfax”), which holds 15.16% of all units outstanding, or 8,380,200 Class A Trust Units. Comrie purchased \$18.0 million of Debentures and Fairfax purchased \$45.0 million of Debentures. Interest on long-term debt for the year ended December 31, 2009 related to the Debentures and paid to Comrie and Fairfax was \$1.2 million and \$3.0 million respectively. Further, as a result of the recapitalization transaction, Comrie and Fairfax hold 18,000,000 and 45,000,000 warrants respectively.

On August 24, 2009, the Brick Group entered into an agreement with Fairfax pursuant to which Fairfax issued an irrevocable letter of credit in the aggregate principal amount of \$25.0 million (the "Fairfax LC") to GE Capital, as agent on behalf of itself and the Lenders under the May 28, 2009 Asset-Based Credit Facility agreement. In conjunction with this transaction, the Brick Group paid a fee of \$0.3 million to Fairfax and issued to Fairfax 5,317,100 warrants.

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.

Allowance for Doubtful Accounts

The Brick Group expects that a certain portion of required customer payments will not be made and maintains an allowance for these doubtful accounts. This requires an assessment and estimation of the credit worthiness of customers, the timing of collections, and the amounts that will be received. This allowance is based on management’s estimation of the likelihood of recovering the accounts receivable. Management’s process of determining allowances includes identification of collection risk relative to the age of accounts receivables, as well as identification of collection risk on a specific account basis.

Unpaid Claims Reserve

The unpaid claims reserve consists of a reserve for unpaid warranty and unpaid insurance claims as at the balance sheet date.

For warranty claims, the unpaid claims reserve includes an estimate of all reported claims that remain unsettled as at the balance sheet date. The unpaid claims reserve for warranty claims is based on assumptions and estimates of the cost of repairs and expected expenses associated with the payment of such claims.

For insurance claims, the unpaid claims reserve includes an estimate of both reported and unreported claims that remain unsettled as at the balance sheet date. The unpaid claims reserve for insurance claims is based on assumptions and estimates of loss emergence, payment rates, interest and expected expenses associated with the payment of such claims.

Management believes that the unpaid claims reserve includes appropriate provisions for risk that arises from the uncertainty inherent in the aforementioned assumptions and estimates.

Sales Revenue

The Brick Group records a provision for sales returns and price guarantees based on historical experience and actual experience subsequent to year-end.

Vendor Rebates

Certain vendor rebates and other supplier discounts are included in income as a reduction in cost of goods sold. Volume rebates are recorded based on annualized expected purchase volumes where applicable. All other rebates and discounts are recorded when the related expense is incurred.

Fair Value of Financial Instruments

All financial instruments are initially recognized on the consolidated balance sheet at their fair value. Subsequent to their initial recognition, held for trading, available for sale, and derivative financial instruments are measured at fair value, and all other financial instruments including held to maturity investments, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method.

Changes in the fair value of financial assets and liabilities that are classified as held for trading are recorded in net income. The only financial instruments the Brick Group has classified as held for trading are its cash and cash equivalents. For cash and cash equivalents, fair value is assumed to equal book value due to their short term nature. Gains, losses, and transaction costs related to held for trading assets and liabilities are recognized immediately in consolidated income.

The fair value of available for sale securities is determined from quoted market prices. Available for sale securities are subject to a regular review for losses that are other than temporary. Available for sale securities are written down to fair value through income whenever it is necessary to reflect an other-than-temporary impairment. Whether a particular decline in value is other than temporary is an estimate requiring the use of judgment. In determining whether unrealized losses are other than temporary, the Brick Group considers whether there has been a prolonged decline in the fair value of these marketable securities below their amortized cost.

All derivatives, including embedded derivatives that must be separately accounted for, are recorded at fair value in the consolidated balance sheet with realized and unrealized gains recorded in net income unless the derivative is part of a designated effective hedging relationship in which case gains or losses from the derivative are offset against gains or losses on the hedged item. The fair value of derivative financial instruments is determined from quoted market prices.

Fair Value of Debenture Warrants

The Brick Group allocated the gross proceeds from the financing between the Debentures and Debenture Warrants using the residual value method, whereby gross proceeds from the financing are allocated to the Debentures based on their fair value. Fair value for the Debentures was determined using the quoted closing market price of the Debentures on their date of issue, May 28, 2009. The residual amount of gross financing proceeds was then allocated to the Debenture Warrants. Transaction costs related to the financing have been allocated pro rata to the Debentures and Debenture Warrants based on the allocation of gross financing proceeds. After initial recognition, the Debenture Warrants are not remeasured.

Fair Value of Fairfax LC Warrants

Each Fairfax LC Warrant entitles the holder to purchase one Class A Trust Unit, at any time prior to 5:00 p.m. (Eastern time) on August 24, 2014 at a price of \$0.82 per Class A Trust Unit, subject to certain anti-dilution adjustments. The fair value of the Fairfax LC Warrants of \$0.94 per warrant was determined at the date of closing of August 24, 2009, using the binomial option pricing model assuming no expected dividends, a risk-free interest rate of 2.56%, an expected stock price volatility of 52.4% for an expected life of five years, an expected stock price volatility of 83.8% for an expected life of 4 months hold period, and the Class A Trust Unit closing quoted market price of \$1.50. The strike price of \$0.82 per warrant was set on August 7, 2009, the date at which an agreement in principle for the Fairfax LC agreement was reached, and was based on the volume weighted average of the trading price of the Class A Trust Units on the TSX for the five trading days immediately prior to August 7, 2009. After initial recognition, the Fairfax LC Warrants are not remeasured.

Inventory Obsolescence

Inventory is valued at the lower of cost, determined using the first-in, first-out method, and net realizable value. Whether net realizable value will exceed cost requires the use of estimation and judgment about future sales.

Capital Assets

Capital assets are recorded at cost. Capital assets are amortized using the straight-line method over their estimated useful lives. Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate their carrying amount may not be recoverable. An impairment loss is recognized when carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of impairment loss is the excess of the carrying value of the asset over its fair value.

In conjunction with a review of its long-lived assets for potential impairment, the Brick Group determined that leasehold improvements and equipment relating to certain stores within the retail segment were no longer providing an economic benefit to the Brick Group and consequently were written off. Accordingly, an impairment charge amounting to \$1.7 million (2008: \$0.6 million) for these write offs is included in amortization expense in the consolidated statements of loss.

Goodwill and Indefinite Life Intangible Assets

The Brick Group's operating results for the first and second quarters of 2009 were below management expectations. As well, the Brick Group's market capitalization decreased significantly during the second quarter. These events triggered interim reviews of the carrying values of the Brick Group's brand indefinite life intangible assets and goodwill to determine whether impairment charges were required. These interim reviews were performed for the first and second quarters of 2009.

As a result, total impairment charges of \$158.5 million (2008: \$241.5 million), including an impairment charge of \$108.5 million related to the entire remaining balance of the Brick Group's goodwill (2008: \$196.9 million), and a \$50.0 million (2008: \$44.6 million) impairment charge related to the Brick Group's brands (the "Brick" and "United Furniture Warehouse"), and related future income tax recoveries of \$14.8 million (2008: \$9.4 million) have been recognized in the Brick Group's consolidated statements of loss. These impairment charges have been recognized in the retail segment.

The Brick Group has performed its annual review for impairment of its brand indefinite life intangible assets and determined that as at December 31, 2009, no further impairment in carrying value exists.

The assessment of fair value for purposes of the goodwill and indefinite life intangible assets impairment test involves assumptions about future conditions for the economy, capital markets, and specifically, the retail sector. As such, the assessment is subject to a significant degree of measurement uncertainty.

Finite Life Intangible Assets

Intangible assets with finite lives are recorded at cost and are amortized over their estimated useful lives using the straight-line method. Finite life intangible assets are tested for recoverability whenever events or changes in circumstances indicate that a carrying amount may not be recoverable. An impairment loss is recognized when carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition.

Retail financing fees of \$1.1 million were no longer providing a benefit to the Brick Group and were written off. Accordingly, an impairment charge of \$1.1 million is included in amortization expense on the Brick Group's consolidated statement of loss for year ended December 31, 2009. This impairment charge was recognized in the retail segment.

Information systems of \$1.1 million were no longer providing a benefit to the Brick Group and were written off. Accordingly, an impairment charge of \$1.1 million is included in amortization expense on the Brick Group's consolidated statement of loss for year ended December 31, 2009. This impairment charge was recognized in the retail segment.

Retail financing fees of \$0.7 million related to the Brick Group's Credit Facilities, which were repaid in conjunction with the recapitalization transaction, were written off and are included in loss on extinguishment of debt on the Brick Group's consolidated statement of loss for year ended December 31, 2009.

Income Tax

Income tax provisions, including current and future income tax assets and liabilities, may require estimates and interpretations of federal and provincial income tax rules and regulations, and judgments as to their interpretation and application to the Brick Group's specific situation.

Current and future income taxes are provided for the taxable entities owned by the Brick Group. Any changes in future income tax assets and liabilities are charged to income in the period.

Within The Brick Group, The Brick Group Income Fund is a mutual fund trust as defined under the Income Tax Act (Canada) and, as such, is permitted to deduct from its taxable income certain amounts distributed to its unitholders. This deduction is not available to those subsidiaries of the Brick Group which are corporations and are therefore subject to income tax.

On June 22, 2007, Bill C-52, which significantly modifies the income tax rules applicable to certain publicly traded or listed trusts and partnerships, received Royal Assent. In particular, certain income of (and distributions made by) these entities will be taxed in a manner similar to income earned (and distributions made by) a corporation. For the Brick Group, the application of these rules is expected to be delayed until the 2011 taxation year under the transitional relief rules introduced as part of this legislation.

Valuation on Acquisition Date

Valuation of acquired assets and liabilities on the acquisition date required the use of estimates to determine the purchase price allocation. Estimates were made of the fair values of capital assets, intangible assets, goodwill and other assets and liabilities acquired. In certain circumstances, such as the valuation of intangible assets and capital assets, management also relied on independent third party estimates.

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 may enter 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 December 31, 2009 and December 31, 2008.

Accounting Standards Adopted in the Current Year

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. This new standard was adopted by the Brick Group for its fiscal year starting on 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, no amortization in respect of pre-opening costs will be recorded during the year ending December 31, 2009, or thereafter. The change in policy has been applied retroactively. As a result, the Brick Group has charged certain amounts to deficit as at January 1, 2008, as if the pre-opening costs had not been deferred. These adjustments as at January 1, 2008 resulted in a decrease in intangible assets and deferred charges of \$5.7 million, a decrease in prepaid expenses and deposits of \$0.4 million, and an increase in opening deficit as at January 1, 2008 of \$6.1 million. In addition, the Brick Group has restated its 2008 results of operations in order to reflect this change in policy. For the year ended December 31, 2008, these adjustments resulted in a decrease in amortization expense of \$2.7 million, an increase in selling, general and administrative expenses of \$1.0 million, and a corresponding decrease in the net loss of \$1.7 million. The impact on basic and diluted net loss per unit was an increase of \$0.03 per unit. There was no impact to the consolidated statement of cash flow. These pre-opening costs related 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.

As well, the new Section provides guidance for the classification of software costs and requires that when the software is not an integral part of the related hardware, software should be classified as an intangible asset. This change in policy has been applied retrospectively. As a result, the Brick Group has reclassified the carrying value of software and development costs of \$5.9 million from capital assets to intangible assets and deferred charges as at January 1, 2008. For the year ended December 31, 2008, this adjustment resulted in a reclassification of \$2.2 million of amortization of capital assets to amortization of intangibles assets and deferred charges. There was no impact to the consolidated statement of loss and comprehensive loss, consolidated statement of cash flow, or to basic and diluted net loss per unit.

Section 3500 – Earnings per Unit

The warrants issued in conjunction with the recapitalization transaction and the Fairfax LC are potentially dilutive equity instruments. The Brick Group has adopted the treasury stock method to compute the dilutive effect of the warrants on earnings per unit. Under this method, the dilutive effect is calculated assuming that the Brick Group would use proceeds received upon the exercise of warrants to purchase Class A units of the Brick Group at the average market price during the period. No such calculation is made where a loss is incurred because the effect would be anti-dilutive. In this latter case, the diluted loss per unit is considered to be equal to the basic loss per unit. Basic earnings per unit are calculated using the weighted-average number of Trust units outstanding during the period.

Section 3862 - Financial Instruments – Disclosures

In June 2009, CICA Handbook Section 3862, Financial Instruments – Disclosures, was amended to include additional disclosure requirements about fair value measurements of financial instruments, including the relative reliability of the inputs used in those measurements, and enhance liquidity risk disclosure requirements. This amendment introduced a three-level hierarchy for classifying and disclosing fair value measurements of financial instruments recognized in the balance sheet at fair value. The classification of financial assets and financial liabilities within the hierarchy is based on whether the inputs to the fair value measurement methodology are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources, while unobservable inputs reflect our estimates about market data.

In the first year of application, an entity need not provide comparative information for the disclosures required by the amendments. The amended section was adopted by the Brick Group for its fiscal year ending December 31, 2009 and had no impact on its financial position or results of operations.

Section 3855 - Financial Instruments – Recognition and Measurement

In July 2009, CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement, was amended to change the categories into which a debt instrument is required or permitted to be classified, to change the impairment model for held-to-maturity financial assets to the incurred credit loss model of Section 3025 – Impaired Loans, and to require reversal of previously recognized impairment losses on available-for sale financial assets in specified circumstances. These amendments apply to annual financial statements relating to fiscal years beginning on or after November 1, 2008. The amended section was adopted by the Brick Group for its fiscal year ended December 31, 2009 and had no impact on its financial position or results of operations.

Section 3025 - Impaired Loans

In August 2009, CICA Handbook Section 3025, Impaired Loans, was amended to include held to maturity investments and to conform the definition of a loan to that in amended Section 3855. These amendments apply to annual financial statements relating to fiscal years beginning on or after November 1, 2008. The amended section was adopted by the Brick Group for its fiscal year ending December 31, 2009 and had no impact on its financial position or results of operations.

EIC – 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the Emerging Issues Committee of the CICA issued EIC-173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, which applies to interim and annual financial statements for periods ending on or after January 20, 2009. EIC-173 requires that entities take into account their own credit risk and the credit risk of the counterparty in determining the fair value of financial assets and liabilities, including derivative instruments. The adoption of EIC-173 during the year has had no impact on the Brick Group's results of operations, financial position or disclosures.

Pending Changes to Accounting Policy

Section 1582 – Business Combinations

In January 2009, the CICA issued new Handbook Section 1582, Business Combinations, replacing the existing Handbook Section 1581, Business Combinations. It provides the Canadian equivalent to International Financial Reporting Standards IFRS 3, "Business Combinations" (January 2008). The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier application is permitted. If an entity applies this Section before January 1, 2011, it shall disclose that fact and apply Section 1601, Consolidated Financial Statements, and Section 1602, Non-Controlling Interests, at the same time. The Brick Group does not expect the new Section to have any impact on its financial position or results of operations. The Brick Group plans to adopt this new Section for its fiscal year beginning January 1, 2011.

Section 1601 – Consolidated Financial Statements,

In January 2009, the CICA issued new Handbook Section 1601, Consolidated Financial Statements. This Section, together with new Handbook Section 1602, Non-controlling interests, replaces existing Section 1600, Consolidated Financial Statements, and establishes standards for the preparation of consolidated financial statements. The Section applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. An entity adopting this Section for a fiscal year beginning before January 1, 2011 also adopts Section 1582, Business Combinations, and Section 1602, Non-Controlling Interests. The Brick Group does not expect the new Section to have any impact on its financial position or results of operations. The Brick Group plans to adopt this new Section for its fiscal year beginning January 1, 2011.

Section 1602 – Non-controlling interests

In January 2009, the CICA issued new Handbook Section 1602, Non-Controlling Interests. This new Section establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, "Consolidated and Separate Financial Statements"

(January 2008). This Section applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. An entity adopting this Section for a fiscal year beginning before January 1, 2011 also adopts Section 1582, Business Combinations, and Section 1601, Consolidated Financial Statements. The Brick Group does not expect the new Section to have any impact on its financial position or results of operations. The Brick Group plans to adopt this new Section for its fiscal year beginning January 1, 2011.

Section 1625 - Comprehensive Revaluation of Assets and Liabilities

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

Section 3855 - Financial Instruments – Recognition and Measurement

In June 2009, CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement was amended to clarify when an embedded prepayment option is separated from its host debt instrument for accounting purposes and the application of the effective interest method after a debt instrument has been impaired. These amendments apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

The Brick Group does not expect the amended Section to have any impact on its financial position or results of operations. The Brick Group plans to adopt the amended Section for its fiscal year beginning January 1, 2011.

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. Although IFRS employs a conceptual framework that is similar to Canadian GAAP, there are significant differences in recognition, measurement and disclosure.

During the year ended December 31, 2008, the Brick Group commenced its IFRS implementation project to assess the potential impacts of the transition to IFRS and developed a detailed project plan to ensure compliance with the new standards. The Brick Group has completed the initial phase of the implementation project including a detailed diagnostic analysis which includes a high-level impact assessment to identify key areas that may be impacted by the adoption of IFRS. Areas identified which may have the most significant impact on the Brick Group include, development of opening balances in the consolidated balance sheet, measurement of capital assets, asset impairment measurements, and leases. The initial phase of the analysis resulted in the prioritization of areas to be evaluated in the next phase of the project plan, component evaluation. This phase, which is currently in progress, includes the analysis of accounting policy alternatives available under IFRS as well as the determination of changes required to existing information systems and business processes. In this phase the Brick Group will continue to assess the impact of the adoption of IFRS on our results of operations, financial position and financial statement disclosures.

As well, the Brick Group continues to assess the impact of the conversion on internal controls over financial reporting and disclosure controls and procedures, investor relations, human resources, contractual relations, and other areas that could potentially be impacted.

14. PURCHASE ACCOUNTING ADJUSTMENTS

Deferred Warranty Plan Revenue

Warranty contract revenues are recorded as unearned revenues at the time of sale and are recognized into income over the term of the warranty contract which commences upon the expiration of the manufacturer's warranty period. Unamortized proceeds from contracts in force at the acquisition date would normally have been recognized into income over the remaining term of the contract life. At the acquisition date, the fair value of the liability associated with those existing warranty contracts was \$49.9 million less than the book value of deferred warranty revenue.

The approach used to determine the fair value of the liability was to assess the amount a third party would require as consideration in exchange for assuming the existing warranty liabilities at the acquisition date. This involved estimating the anticipated cost of future claims associated with the existing book of business at the acquisition date and allowing for a reasonable profit for the third party in addition to those claims costs the third party would expect to incur. The difference between the two values is deferred profit that would have been recognized over the remaining life of the warranty contracts.

The application of purchase accounting at July 20, 2004 results in a \$49.9 million reduction of deferred warranty contract revenue on the balance sheet. The reduced amount is not reflective of the on-going warranty operations as the terms of the contracts in force at July 20, 2004 did not change due to the application of purchase price accounting. The purchase accounting adjustment will decrease sales and operating revenue over the terms of the contracts to which the deferred warranty contract revenue on the balance sheet at July 20, 2004 relates. It is estimated this adjustment will no longer have a significant impact after 2009.

In order to present comparative and informative information for the warranty operations, the effect of this purchase accounting adjustment has been presented and an adjusted sales and operating revenue number calculated. This allows the current period to be compared to the prior period, in which there was no purchase accounting adjustment impact.

Deferred Acquisition Costs

Deferred acquisition costs are direct costs associated with the sale of a warranty contract, such as commissions paid to sales staff. GAAP requires that costs directly related to the acquisition of a contract and that would have not been incurred but for the acquisition of that contract be deferred and charged to expense in proportion to the revenue recognized. The deferral of such acquisition costs allows for the matching of expenses with the associated revenues. Deferred acquisition costs are amortized over the term of the warranty period on the same basis as the associated revenues are recognized.

As purchase accounting requires all items to be measured at fair value, the deferred acquisition costs on the balance sheet had to be reduced by \$12.5 million on the acquisition date. This purchase accounting adjustment will decrease cost of sales over the terms of the contracts to which the deferred acquisition costs on the balance sheet at July 20, 2004 were associated. The decrease in cost of sales due to this purchase price adjustment will affect net income until approximately 2009.

Deferred Lease Inducements

Lease inducements applicable to real estate leases are recorded initially as deferred liabilities on the balance sheet of the Brick Group. The benefits of these lease inducements are recognized as a reduction of SG&A expense over the term of the lease. At acquisition date, purchase accounting adjustments reduced the carrying value of these deferred lease inducements by \$17.8 million.

The effect of reducing this deferred liability balance is that SG&A expense recognized in post-acquisition periods will be higher over the life of these lease agreements by the amount of this purchase accounting adjustment. Thus, it becomes difficult to compare SG&A expense from the current period with periods prior to acquisition that are not affected by this purchase accounting adjustment. To facilitate a comparison between periods, an adjusted amount has been calculated to exclude the effects of purchase accounting from post-acquisition periods.

Marketable Securities

Purchase accounting required that the carrying values of marketable securities on hand at July 20, 2004 be adjusted to their fair values. This resulted in a net increase in the carrying value of these marketable securities of \$0.4 million. As the marketable securities held at July 20, 2004 are sold, this purchase accounting adjustment is decreased. The decrease in this purchase accounting adjustment is recognized as a reduction (increase) in the gain (loss) recognized on disposal of these marketable securities and is included as part of other income on the income statement.

Long-Term Debt

The carrying value of long-term debt also had to be adjusted to fair value at the acquisition date. This resulted in an increase of \$0.7 million in the carrying value of the debt. As the term of the debt decreases, the purchase accounting adjustment diminishes. This is reflected through a reduction of interest expense on long-term debt on the income statement.

Future Income Taxes

The organizational structure of the Brick Group includes various legal entities including partnerships, trusts and corporations. Partnerships are not considered to be taxpayers in Canada, therefore, partnerships do not record a tax expense in their financial statements. The trusts within the organizational structure of the Brick Group are mandated to distribute all of their taxable income to their beneficiaries and, as a result, will also not record a tax expense in their financial statements. Therefore, differences between the book value of assets and liabilities of the partnerships and trusts and their underlying tax basis do not give rise to future income tax assets and liabilities in the consolidated financial statements of the Brick Group. Only such differences related to assets and liabilities of the corporations within the structure give rise to future income tax assets, liabilities and expenses. The significant operations of the Brick Group that are carried on through corporate structures are the warranty and insurance businesses.

At the acquisition date, the assets and liabilities owned by the warranty and insurance businesses were adjusted to their fair value. Deferred acquisition costs and customer contracts were the assets, and deferred warranty revenue was the liability, which were revalued at amounts that were different than their carrying values. The re-valuation of these items had the effect of creating an additional future tax liability of \$15.7 million, to be recognized as a recovery of future income tax in the income statement over the five years following the acquisition date.

Capital and Intangible Assets

The carrying value of capital assets was increased by \$46.8 million at the acquisition date to reflect the fair value of those assets, and intangible assets subject to amortization, were increased by \$39.1 million. These increases in value cause amortization expense to be significantly higher in the current and future periods as compared to periods prior to the acquisition.

15. RISK FACTORS

Careful consideration should be given to the following risk factors. These descriptions of risks are not the only ones facing the Brick Group. Additional risks and uncertainties not presently known to the Brick Group, or that the Brick Group deems immaterial, may also impair the operations of the Brick Group. If any of such risks actually occur, the business, financial condition, liquidity, and results of operations of the Brick Group could be materially adversely affected.

Readers of this MD&A are also encouraged to refer to the Brick Group's Annual Information Form dated March 23, 2010 which provides further information on the risk factors facing the Brick Group.

Sensitivity to General Economic Conditions

During 2009, the Brick Group reported, in its interim consolidated financial statements, risks to its ability to continue as a going concern. These risks stemmed from declining retail sales as the recession negatively impacted consumer confidence and spending in the Canadian retail sector. The resulting decline in the Brick Groups operating results, and recession-driven tightening of credit markets, led some inventory suppliers to restrict credit terms as they worked to address their own credit risk exposures. These supplier credit restrictions, combined with limited borrowing capacity under the Brick Group's Credit Facilities, negatively impacted inventory levels and the Brick Group's ability to deliver goods and complete sales. Together, these recession-related factors imposed significant challenges on the Brick Group's ability to maintain alignment and effectiveness of the purchasing, logistics, marketing and sales functions, which further exacerbated the decline in sales and resulted in deterioration of the Brick Group's cash flows and liquidity. The Brick Group reduced variable and fixed costs where possible.

During the first half of 2009, the Brick Group suspended its monthly distribution payments, undertook a \$130.0 million recapitalization transaction, and entered into the \$25.0 million Fairfax LC agreement. The recapitalization transaction and the Fairfax LC agreement are discussed further in the Financing Resources section of this MD&A.

The negative impacts of the recession on the Brick Group were most severe in the first half of 2009. In the third quarter, additional liquidity provided by the recapitalization transaction allowed the Brick Group to stabilize its business and return to profitable operating results. In the fourth quarter, in line with the Canadian economy's transition from recession to recovery, the Brick Group continued to improve its operating results and liquidity position. At December 31, 2009, the Brick Group had no borrowings under its GE Capital Asset-Based Credit Facility and available borrowing capacity of \$69.2 million. Further, the Brick Group believes that it has sufficient borrowing capacity to meet its expected working capital requirements for 2010. On this basis, the Brick Group believes that the liquidity and recession-related factors experienced, primarily in the first half of the 2009 have abated and pose reduced risks to the Brick Group's operations. Remaining risks to the Brick Group's operations and liquidity relate generally to the risk of a reversal in the current trend of improvement in the economy.

Third-Party Credit Providers

The success of the Brick Group depends, in part, on its relationships with its third party credit providers. The Brick Group relies on two third party credit suppliers in supplying financing alternatives to its customers. There can be no assurance that the Brick Group will be able to continue to secure financing products for its customers on terms similar to current terms or at all, especially in light of the current global economic crisis. Significant changes in the financing terms offered to the Brick Group's customers, the unavailability of such products, the deterioration in the Brick Group's relationships with either of its two third party credit providers, or the loss of one or both of these providers could have a material adverse effect on the Brick Group's business, financial condition, liquidity and results of operations.

Premium Tax Contingency

As a result of legislative amendments to the Alberta Corporate Tax Act effective May 24, 2006, Trans Global Warranty Corp. commenced remitting premium taxes in Alberta. Prior to this date, Trans Global Warranty Corp. was not required to remit provincial premium tax related to the sale of protection plans in any province other than Ontario. The Alberta tax authorities have assessed Trans Global Warranty Corp. for premium taxes related to sales from 1987 to 2004. As at December 31, 2009 the estimated potential liability related to these assessments is \$8,870 (\$7,973 net of income taxes) (2008: \$7,357 (\$6,911 net of income taxes)). Trans Global Warranty Corp. has disputed these assessments and defended its position with the Alberta tax authorities. No provision has been made in the Brick Group's consolidated financial statements for this potential liability as management believes the outcome of this contingency is unlikely to result in a liability to the Brick Group. On December 17, 2009, Trans Global Warranty Corp. received a judgment in its favour from the Alberta Court of Queen's Bench. The Brick Group is currently waiting to be advised of the Alberta tax authorities' decision regarding an appeal of this judgement. The Brick Group has a deposit of \$851 on account with the Alberta tax authorities with respect to this dispute. Any interest earned on this deposit will be recognized as income in the period in which the appeal period expires.

Reliance on Key Personnel

The success of the Brick Group depends, in part, on the retention of senior management. The loss of services of one or more members of the senior management team could result in a loss of specialized knowledge of the business and reduced team effectiveness that could adversely affect the Brick Group's business, results of operations and the it's ability to effectively pursue its business strategies. The Brick Group's ability to find qualified replacements for individuals who make up its senior management team, should their services no longer be available, is subject to certain risks related to the ability to attract, recruit and train qualified candidates on a timely basis. The Brick Group mitigates the risk associated with turn over of senior management through a variety of practices such as employee development plans and training resources, tracking of employee moral, regular performance appraisals, and short-term and long-term incentive plans.

Commodity and Capital Taxes

Entities within the Brick Group, and their predecessor entities, may be subject to audits from federal and provincial tax authorities regarding commodity and capital taxes. These audits may give rise to assessments related to tax filing positions the Brick Group or its predecessors have taken. While management of the Brick Group believes that the filing positions are appropriate and supportable, the possibility exists that certain matters may be reviewed and challenged by the tax authorities. Management of the Brick Group regularly reviews the potential for adverse outcomes and the adequacy of provisions relating to these matters.

16. CONTROLS AND PROCEDURES

Overview

The Brick Group's disclosure controls and procedures ("DC&P") are designed to provide reasonable assurance that material information relating to the Brick Group is made known to management in a timely manner and that information required to be disclosed by the Brick Group under securities legislation is recorded, processed, summarized and reported within the time periods specified in applicable securities legislation.

Management of the Brick Group, under the direction and supervision of its President and Chief Executive Officer and Interim Chief Financial Officer, also are responsible for establishing and maintaining internal control over financial reporting ("ICFR"). These controls are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

The impact and resulting response to the recession and the Brick Group's significant and complex refinancing transactions placed substantial demands on key financial personnel. As a result of these demands on the Brick Group's financial personnel certain key ICFR which the Brick Group had designed did not operate as intended.

In conjunction with the annual audit process, management implemented several remediation actions that we believe significantly improve the Fund's ICFR and are intended to address the operation deficiency of the Brick Group's ICFR. Despite the ICFR deficiency identified, management has concluded that the consolidated financial statements of the Brick Group for the fiscal years ended December 31, 2009 and December 31, 2008 fairly present the financial position of the Brick Group, the results of its operations and its cash flows in accordance with GAAP.

Evaluation of Disclosure Controls and Procedures

The evaluation of the effectiveness of DC&P as required by National Instrument 52-109 was performed under the supervision of the President and Chief Executive Officer and the Interim Chief Financial Officer. Based on the evaluation, the President and Chief Executive Officer and the Interim Chief Financial Officer concluded that, because of the material weakness identified in the operation of ICFR as discussed below, the Brick Group's DC&P were not operating effectively as at December 31, 2009.

Evaluation of Internal Controls over Financial Reporting

Management has designed ICFR to provide reasonable assurance that the Brick Group financial reporting is reliable and that the consolidated financial statements are prepared in accordance with GAAP. The control framework used to design ICFR is the COSO framework published by *The Committee of Sponsoring Organizations of the Treadway Commission*.

The evaluation of the design and effectiveness of the Brick Group's ICFR was performed under the supervision of the President and Chief Executive Officer and the Interim Chief Financial Officer. During this process, which included control activities occurring during the period subsequent to December 31, 2009 when the consolidated financial statements were being prepared and audited, management identified a material weakness in the operation of the Fund's ICFR. A material weakness is a deficiency, or a combination of deficiencies, in ICFR, such that there is a reasonable possibility that a material misstatement of an entity's annual or interim financial statements will not be prevented or detected on a timely basis.

Given the exceptional circumstances and events faced by the Brick Group, the ICFR did not function as intended. Specifically, the Brick Group did not perform sufficient management and supervisory review of account reconciliations and the analyses of accounts and transactions. Because of the identified material weakness in the operation of ICFR over account reconciliations and analyses, there was a reasonable possibility that a material misstatement of the Brick Group's consolidated financial statements may not have been prevented or detected on a timely basis.

Management is focused on improving ICFR and remedying the identified material weakness. As a direct result of the weakness noted, the President and Chief Executive Officer and the and Interim Chief Financial Officer immediately carried out or supervised detailed reviews of the analysis and reconciliations of accounts supporting the consolidated financial statements as at December 31, 2009 and December 31, 2008 to remediate the weakness related to the lack of management and supervisory review. Management will be closely monitoring monthly performance of key ICFR and will be reorganizing various financial reporting responsibilities in order to address the areas of identified weakness.

The resolution of the identified weakness resulted in certain adjustments to the amounts and disclosure in the consolidated financial statements of the following items: capital assets, amortization expense, prepaid expenses, accounts payable and accrued liabilities, intangible assets, deferred lease inducements and rent liabilities and future income taxes. Material adjustments identified in the preparation of the Brick Group's audited consolidated financial statements for December 31, 2009 and December 31, 2008 were made prior to issuance.

Notwithstanding the matters described above, management has concluded that the consolidated financial statements of the Brick Group for the fiscal year ended December 31, 2009 and December 31, 2008 present fairly the financial position and results of its operations and its cash flows in accordance with GAAP. Our independent public accounting firm has issued an unqualified auditors' report on these consolidated financial statements.

Limitations of Controls and Procedures

Management of the Brick Group, including the President and Chief Executive Officer and Interim Chief Financial Officer, believes that any DC&P or ICFR, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. As a result of inherent limitations of any control system, ICFR may not prevent or detect all control issues, including material financial reporting errors or misstatements.

17. 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.