

Message from the President and Chief Executive Officer

This is my first message to Brick investors following my recent appointment as President and CEO. I am genuinely excited by the challenge of rejuvenating, reinforcing, and revitalizing a Canadian retail icon.

The results of The Brick's second quarter continue a recent trend of poor performance however, there are a number of positive areas to report.

The May recapitalization provided us with improved liquidity and the elimination of all financial covenants. We are pleased to announce today additional financing provided by Fairfax Financial Holdings Limited ("Fairfax") which will further enhance the Brick's near term liquidity.

Going forward, our priorities will be to fix current shortcomings in our purchasing, marketing and sales functions. It is essential that we get these foundations solid in order to build our sales and profitability.

Our efforts to better satisfy our customers begin with our purchasing and supply chain activities. In particular, we are implementing the processes to improve the in-stock levels of our key items.

Closely related to this is ensuring our marketing and advertising processes reflect our inventories and ability to fulfill sales on the items we promote. As well, we will return to a much greater advertising reach in the fall than we had in the spring.

The remaining immediate priority is to grow our sales force. Until recently, we did not have enough sales associates in place on our floors across Canada to achieve our sales goals. However, this has been corrected.

I am confident these are the right priorities for driving our turnaround. Our short-term progress will also be supported by continuing initiatives to conserve cash and control costs.

From a liquidity perspective we used \$16 million in cash from operations in the first half of the year. I look at this as an absolute positive! We only used \$16 million in cash from operations at a time when we were out of stock too often, when we did not have enough sales associates on the floor, and during the slowest half of the year in what was arguably the worst six month period since the great depression. As we enter the back half of the year, which historically has had a seasonally higher sales pattern, we believe that we can offset the first half and generate positive cash from operations for the year before factoring in the positive effect from all the initiatives we have underway. Our in-stock position has already improved during July and our sales trend in July was significantly improved over June.

From a cost perspective I am encouraged by the fact that our selling and occupancy costs at store level are well managed and under control. We believe that there are additional opportunities for savings within our infrastructure and the costs that are incurred to support the store network. We will continue to look for ways to make sure that we optimize our cost structure given our current business performance.

While the work in front of us is significant, we have some incredible assets to support us - a 38-year history of success as one of the strongest brands in Canada, and a dedicated team of nearly 5,500 people across the country committed to serving our customers.

I look forward to keeping you informed of The Brick's progress in the months and years ahead.

Bill Gregson
August 2009