



parkland income fund

2010 third quarter report

for the nine months ended September 30, 2010

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2010.

The information in this document is current as of November 12, 2010.

INTRODUCTION

This MD&A provides a comparison of Parkland Income Fund's ("Parkland" or "The Fund") performance for its three and nine month periods ended September 30, 2010 with the three and nine month periods ended September 30, 2009 and it reviews Parkland's unaudited financial position as at September 30, 2010. It also includes discussion of Parkland's affairs up to November 12, 2010. This discussion should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2009, the Fund's Annual Information Form dated March 31, 2010 and the unaudited interim financial statements and accompanying notes for the period ended September 30, 2010. All amounts disclosed are in Canadian dollars.

Prospective data, comments and analysis are also provided wherever appropriate to assist existing and new investors to see the business from a corporate management point of view. Such disclosure is subject to reasonable constraints of maintaining the confidentiality of certain information that, if published, would potentially have an adverse impact on the competitive position of Parkland.

Additional information relating to Parkland can be found at www.parkland.ca. The Fund's continuous disclosure materials, including its annual and quarterly MD&A, audited annual and unaudited interim financial statements, its 2009 Annual Report, Annual Information Form, Management Information Circular and Proxy, Material Change Reports and the various news releases issued by the Fund are also available on its website or directly through the SEDAR system at www.sedar.com.

FORWARD-LOOKING STATEMENTS

Certain information included herein is forward-looking. Forward-looking statements include, without limitation, statements regarding the future financial position, business strategy, budgets, projected costs, capital expenditures, financial results, taxes, effectiveness of internal controls, sources of funding of growth capital expenditures, conversion of Parkland to a corporate structure, anticipated dividends and the amount thereof, if any, to be declared by Parkland Fuel Corporation, expectations regarding the implementation of Parkland's new ERP system and plans and objectives of or involving Parkland. Many of these statements can be identified by looking for words such as "believe", "expects", "expected", "will", "intends", "projects", "projected", "anticipates", "estimates", "continues", or similar words and include, but are not limited to, statements regarding the accretive effects of acquisitions and the anticipated benefits of acquisitions. Parkland believes the expectations reflected in such forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon. Forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties some of which are described in Parkland's annual report, annual information form and other continuous disclosure documents. Such forward-looking statements necessarily involve known and unknown risks and uncertainties and other factors, which may cause Parkland's actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Such factors include, but are not limited to: general economic, market and business conditions; industry capacity; competitive action by other companies; refining and marketing margins; the ability of suppliers to meet commitments; actions by governmental authorities including increases in taxes; changes in environmental and other regulations; and other factors, many of which are beyond the control of Parkland. Any forward-looking statements are made as of the date hereof and Parkland does not undertake any obligation, except as required under applicable law, to publicly update or revise such statements to reflect new information, subsequent or otherwise.

Parkland wishes to caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date made. Readers should also refer to the section **Business Risks** at the end of this MD&A and in the 2009 Annual Information Form for additional information on risk factors and other events that are not within Parkland's control. Parkland's future financial and operating results may fluctuate as a result of these and other risk factors.

OUR BUSINESS

Our Vision

Parkland's vision is to be the market leader in customer loyalty, employee engagement and investor confidence.

Our Mission

Parkland's mission is to be the most trusted source of convenience for fuel and related products focused outside of urban markets.

Our Values

Integrity: We will always do the right thing

People: Respect the needs of customers, employees and others

Teamwork: Achieve greater results by working together

Success: Set and achieve challenging goals

Headquartered in Red Deer, Alberta, Parkland is Canada's largest independent fuel distribution and marketing company, selling transportation and commercial fuels and related products and services coast-to-coast. It transports fuel to its service station and commercial network through its own distribution division and it owns an industrial site in Bowden, Alberta, where it formerly operated a refinery.

Parkland's value proposition targets four main groups: Customers, Investors, Employees and Business Partners.

Customers

Parkland strives to offer consistent, reliable, friendly service to its customers at competitive prices.

Investors

Parkland strives to offer investors reliable and sustainable distributions and a superior return on capital by continuing to develop its core competencies of operational excellence and efficient, streamlined supply chain management.

Employees

Parkland has a values-based culture that is employee friendly. It is investing significantly in recruitment of top talent and professional development and its growth strategy aims to create opportunity and challenge. Employees are unitholders and share in the financial success of the business.

Business Partners

Parkland strives to be a company that is easy to do business with. It is values driven, financially sound and growing.

RETAIL

Parkland operates service stations under three primary business models and various brands which focus on differing customer segments in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, the Northwest Territories, Yukon, Nova Scotia and Prince Edward Island. The sites are a mix of company owned and operated, commission operated and dealer sites. Our portfolio of brands, Fas Gas Plus, Fas Gas and Race Trac, allows Parkland to target different customer segments generally in non-urban areas. Parkland is a Retail Branded Distributor for Imperial Oil Limited with locations in Saskatchewan, Alberta, British Columbia and Ontario operating under the Esso brand. Parkland has rebranded all former Sunoco sites to either Esso, Race Trac, or Fas Gas as a result of the 2009 Suncor /Petro-Canada merger.

The Retail Business Unit serves the motoring public through 620 retail stations in its marketing network, with 12 in the Yukon Territory, 3 in the Northwest Territories, 98 in BC, 277 in Alberta, 131 in Saskatchewan, 23 in Manitoba, 74 in Ontario, 1 in Nova Scotia and 1 in Prince Edward Island.

The three primary business models under which stations are operated include: Parkland operated or corporate stations, which are managed and staffed by Parkland; commission operated stations, which are managed by independent operators who provide staff in exchange for a commission on fuel volumes sold and pay rent to Parkland based on a percentage of non-fuel sales revenue; and independent dealer sites, which are owned or controlled by a third party who contracts with Parkland for fuel supply for the site.

The following table sets out the number of service stations by brand in the Parkland network as of September 30, 2010.

	Fas Gas plus	Fas Gas	Race Trac	Esso	Total
Parkland operated and commission operated locations	95	18	3	29	145
Independent dealer operated	48	22	141	264	475
Total	143	40	144	293	620

Fuel products sold through the network of service stations include gasoline and diesel fuel as well as propane at selected sites. Parkland strives to increase overall sales volumes and average volumes per site within its current marketing area. The actual number of stations may increase or decrease as new sites are added and under-performing sites are closed or sold or as dealer contracts expire.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The retail fuel business is highly competitive, with margins ultimately dependent on the spread between crude oil, wholesale fuel costs and retail fuel prices. Due to its focus on non-urban markets, Parkland has limited exposure to the more competitive, larger urban markets where the retail fuel sales are dominated by major oil companies and by more recent entrants such as grocery store chains and large retailers. This non-urban focus means Parkland operates in markets where average sales volumes are lower but earnings are enhanced by typically more stable pricing and margins, lower overhead costs and less expensive real estate. Parkland will continue to target growth by leveraging its unique brands within its existing network and through the acquisition of new sites.

Fas Gas Plus

In 2010, Parkland's strategy has been to continue to maximize penetration of its Fas Gas Plus brand throughout its traditional non-urban markets by investing in the Fas Gas Plus station upgrade and conversion program. During 2010, Parkland will continue to expand its new store design, and has plans to continue to retrofit existing locations as part of its growth capital plan and to incorporate the new site design into all new locations. The Fas Gas Plus brand brings consumers an urban offering to non-urban markets through upgraded locations.

Short Stop

Parkland operates its convenience store business under the brand Short Stop Food Stores. As at September 30, 2010, there were 47 Short Stop and 27 Short Stop Express convenience stores at sites that have Fas Gas Plus fuel stations with an additional 21 convenience stores under the Fas Gas Plus brand. These convenience stores offer a variety of food, beverage, snack and convenience products as well as lottery terminals and automated teller machines. Many of the stores are open 24 hours per day and, in many of these locations, offer customers the only 24-hour service in the area. Store layouts meet urban standards for quality product offering, lighting, cleanliness, a proprietary coffee program and modern facilities.

Esso

The Retail Branded Distributorship agreement provides Parkland with the opportunity to offer the Esso brand to independent operators or within its company operated network in Alberta, Saskatchewan, British Columbia, Ontario and the Northwest Territories.

Race Trac

In the independent dealer business, Parkland has focused on increasing its brand value to the operators. The Race Trac brand is positioned for locations where the Fas Gas Plus or Esso brands are not suited and is an important part of Parkland's brand portfolio.

COMMERCIAL

Parkland operates a multi-branded commercial, industrial business serving customers with bulk fuel, propane, heating oil, lubricants, agricultural inputs, oilfield fluids and other related products and services. With the acquisition of Bluewave Energy (Bluewave) in January 2010, Parkland's commercial industrial fuels and home heating oil businesses have achieved national coverage with significant market presence in Alberta, British Columbia, Ontario, and the Maritime provinces.

On January 31, 2010, Parkland completed the business purchase of Bluewave based in Dartmouth, Nova Scotia. Bluewave is a national petroleum distribution company and Shell's largest branded distributor in Canada. Bluewave delivers a full slate of petroleum products including diesel fuel, gasoline, heating oil and lubricants to a broad range of commercial, industrial and residential customers across Canada. Parkland's acquisition of Bluewave adds a fleet of 185 fuel delivery trucks and 48 new branch locations across Canada.

On September 30, 2010 Parkland had 77 commercial branch locations across Canada.

Parkland markets under the following commercial brands:

Bluewave Energy (Bluewave)

Bluewave markets heating oil, bulk fuels and lubricants plus related products and services, featuring Shell products in Atlantic, Central and Western Canada.

Neufeld Petroleum and Propane (NPP)

NPP markets bulk fuels, propane, lubricants, agricultural inputs and oilfield fluids in Alberta and Northern British Columbia. It is a branded Petro-Canada distributor in the Grande Prairie and High Level, Alberta areas.

United Petroleum Products (UPP)

UPP markets bulk fuels and lubricants across British Columbia. It is a distributor of Conoco/Phillips lubricants and operates Esso branded cardlocks.

Columbia Fuels

Columbia Fuels markets heating oil, bulk fuels and lubricants plus related products and services on Vancouver Island and the Sunshine Coast of British Columbia.

Great Northern Oil (GNO)

GNO markets heating oil and bulk fuels in the Yukon Territory and facilitates supply to Parkland's retail business in the Yukon.

Parkland has a diverse commercial customer base operating across a broad cross-section of industries with no single customer accounting for more than 5% of consolidated revenue. Because of its customer diversity, as well as the wide geographic scope of Parkland's service offering and the range of segments in which it operates, a downturn in the activities of individual customers or customers in a particular industry is not expected to have a material adverse impact on the operations of Parkland. The oilfield exploration outlook appears to be recovering from 2009 cutbacks and operational oilfield production remains relatively stable.

Parkland is a supplier to a number of service providers in the forestry industry. The forestry industry is a relatively small portion of the overall portfolio of the Commercial segment.

Parkland also supplies fuels and lubricants to a select group of mines in northern Alberta, British Columbia and the Yukon Territory. Parkland has participated in this market segment for a number of years and regularly monitors and reviews the financial stability of its customers.

Cardlock

Parkland markets fuel through 71 cardlock facilities. These cardlock facilities are operated under various brands, including Bluewave, UPP, Esso, Race Trac, Columbia Fuels, Petro-Canada and NPP. The acquisition of Bluewave added 26 additional cardlock facilities.

SUPPLY AND DISTRIBUTION

Parkland's Supply and Distribution division is responsible for managing the purchasing, wholesale/reseller sales and distribution of fuel for Parkland's retail and commercial business. Fuel contracts and pricing are maintained with eight oil refiners including minimum volume requirements for certain agreements. This portfolio of contracts allows Parkland to obtain fuel supplies at highly competitive prices and to enhance the security of the Fund's fuel supply by diversifying away the supply risk associated with any one supplier.

Supply and Distribution staff schedule and coordinate the pick-up of fuel from the refineries and terminals by either Parkland carriers or by third party wholesale customers. Parkland maintains an internal trucking business to distribute fuel, propane, anhydrous ammonia and other products to Parkland customer service or customer locations. The trucking business offers superior service to Parkland sites. Distribution of fuel is scheduled to each Parkland retail and commercial location based on consumption and demand requirements. Supply and Distribution also manages the use of the Bowden refinery and fuel storage facility.

HUMAN RESOURCES

Parkland had approximately 1,600 employees at September 30, 2010, including 400 from the acquisition of Bluewave, 200 retail convenience store personnel stationed throughout western Canada and 200 employees in its Red Deer, Alberta head office.

Parkland's employees are also owners of the Fund, investing in Parkland regularly through its unit purchase plan. A profit sharing plan further contributes to the entrepreneurial spirit of Parkland's employees, fostering a sense of ownership and pride throughout Parkland. Parkland continued its aggressive recruitment and professional development program in the third quarter of 2010 to attract and retain top talent in order to carry out its strategic objective of continued growth by acquisition. Key positions have been filled despite the competitive labor market in western Canada and Parkland will continue to focus on talent development and performance management in 2010.

ACCRETIVE ACQUISITIONS

Corporate acquisitions are an effective means of consolidating assets, improving efficiencies in existing core areas or adding new core areas. Parkland intends to continue to be proactive, focused and disciplined in its approach to such acquisitions.

Generally, Parkland seeks to make acquisitions that:

- are immediately accretive to cash from operating activities;
- increase fuel sales volumes to increase market presence;
- build non-fuel profits to enhance the long-term stability of the enterprise;
- optimize supply contracts; and
- diversify the customer base.

MANAGEMENT'S DISCUSSION AND ANALYSIS

NON-GAAP MEASURES

Parkland's financial results are prepared under Canadian Generally Accepted Accounting Principles (GAAP). However, in this document there are references to non-GAAP measures such as EBITDA and Distributable Cash Flow.

EBITDA refers to Earnings Before Interest on Long-Term Debt, Income Tax Expense, Depreciation and Amortization, Refinery Remediation Accretion Expense on Asset Retirement Obligations, Interest and Accretion on Convertible Debentures and Loss (Gain) on Disposal of Property, Plant and Equipment. It can be calculated from the GAAP amounts included in Parkland's financial statements. Parkland believes that EBITDA is a relevant measure to users of its financial information as it provides an indication of pre-tax earnings available to distribute to debt and equity holders. Parkland's definition of EBITDA may not be consistent with other providers of financial information and therefore may not be comparable.

Standardized distributable cash flow is a measure defined by the Canadian Institute of Chartered Accountants (CICA). Parkland's adjusted standardized distributable cash flow is referred to as distributable cash flow and contains certain adjustments to standardized distributable cash flow required to better reflect the cash flow available for distribution to unitholders.

RECONCILIATION OF DISTRIBUTABLE CASH FLOW

(in thousands of Canadian dollars except per Unit amounts)	**Three months ended Sept 30, 2010**	Three months ended Sept 30, 2009
Cash flow from operating activities	**11,958**	14,784
Less: Total capital expenditures and intangibles	**(7,981)**	(12,812)
Standardized distributable cash flow (1)	**3,977**	1,972
Add back (deduct):		
Growth capital expenditures and intangibles	**5,515**	9,375
Proceeds on disposal of capital items	**1,213**	136
Change in non-cash working capital	**153**	6,997
Distributable cash flow	**10,858**	18,480
Distributions	**16,263**	15,807
Distribution payout ratio	**150%**	86%

(in thousands of Canadian dollars except per Unit amounts)	**Nine months ended Sept 30, 2010**	Nine months ended Sept 30, 2009
Cash flow from operating activities	**50,291**	108,416
Less: Total capital expenditures and intangibles	**(27,301)**	(26,950)
Standardized distributable cash flow (1)	**22,990**	81,466
Add back (deduct):		
Growth capital expenditures and intangibles	**18,737**	17,527
Proceeds on disposal of capital items	**3,974**	2,404
Change in non-cash working capital	**1,383**	(34,482)
Distributable cash flow	**47,084**	66,915
Distributions	**48,912**	47,225
Distribution payout ratio	**104%**	71%

(1) Standardized distributable cash flow is a measure defined by the Canadian Institute of Chartered Accountants (CICA). See discussion below.

DISTRIBUTABLE CASH FLOW

Distributions exceeded distributable cash flow in the third quarter by 50% and by 4% for the first nine months of 2010. The distribution payout ratio for the third quarter of 2010 was 150% compared with 86% in 2009. For the nine month period ended September 30, 2010 the distribution payout ratio was 104% compared with 71% in the prior year.

The increase in the distribution payout ratio for the third quarter and the first nine months of 2010 was the combined result of maintaining constant distributions during a period of lower earnings. Earnings for the third quarter were negatively impacted by low refiners' margins, increased interest costs as a result of the Bluewave acquisition, margin compression in the fuel marketing segment, and an increase in marketing, general and administration expenses without the benefit of Bluewave's strongest earnings cycle being included.

Despite this quarter's high payout ratio, management believes Parkland can sustain a monthly distribution rate of $0.105 per unit on an annual basis due to Parkland's new seasonality. With the acquisition of Bluewave and Columbia, the seasonality of Parkland's results is expected to change. Peak earnings in the past have been driven by retail and refiners' margins during the second and third quarter. However, the commercial and heating fuel businesses of Columbia and Bluewave peak in the fourth and first quarters, which are now expected to be the strongest earning quarters for Parkland as a whole going forward.

It is worthwhile noting that while the cost of Bluewave has been borne throughout 2010 in the form of higher marketing, general and administration expenses and acquisition related finance costs, Parkland has not yet participated in this business unit's most profitable months. Historically, approximately 50% of Bluewave's EBITDA is booked between the fourth quarter, and the month of January, periods that have not yet been captured by Parkland.

Parkland's current distribution policy as a publically traded income trust is based on distributable cash flow on an annualized basis. Accordingly, the seasonality of Parkland's individual quarterly results must be assessed in the context of annualized distributable cash flow.

Adjustments recorded by Parkland as part of its calculation of distributable cash flow include, but are not limited to, the impact of the seasonality of Parkland's businesses by adjusting for non-cash working capital items thereby eliminating the impact of the timing between the recognition and collection/payment of Parkland's revenues and expenses, which can from quarter to quarter differ significantly. Parkland's calculation also distinguishes between capital expenditures that are maintenance related and those that are growth related including intangible assets, in addition to allowing for the proceeds received from the sale of capital items.

Maintenance capital is the amount of capital funds required in a period for an enterprise to maintain its future cash flow from operating activities at a constant level of productive capacity. Parkland defines its productive capacity as volume of fuel and propane sold, volume of convenience store sales, volume of lubricants sales, agricultural inputs and delivery capacity. The adjustment for maintenance capital in the calculation of standardized distributable cash is capital expenditures during the period excluding the cost of any growth asset acquisitions or proceeds of any asset dispositions. Parkland believes that the current capital programs, based on the current view of its assets and opportunities and the outlook for fuel supply and demand and industry conditions, should be sufficient to maintain productive capacity in the medium term. Due to the risks inherent in the industry, particularly the reliance on external parties for supply of fuel and propane and general economic conditions and weather that affects customer demand, there can be no assurance that capital programs, whether limited to the excess of cash flow over distributions or not, will be sufficient to maintain or increase production levels or cash flow from operating activities. As Parkland strives to maintain sufficient credit facilities and appropriate levels of debt, the seasonality of the business is not currently expected to influence distribution policies.

Parkland's calculation of standardized distributable cash has no adjustment for long-term unfunded contractual obligations. Parkland believes the only significant long-term unfunded contractual obligation at this time is for asset retirement obligations and refinery remediation, both of which are expected to be deferred for an extended period of time.

Although it is typical for Parkland's cash flow to have seasonal fluctuations, the current intention of Parkland's Directors is to pay consistent regular monthly distributions throughout the year based on estimated annual cash flow. Parkland's Directors review distributions quarterly giving consideration to current performance, historical and future trends in the business, expected sustainability of those trends, as well as capital betterment requirements to sustain performance.

Parkland will announce its 2011 dividend plan as a corporation by the end of November 2010, following the conclusion of its strategic planning process.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CASH FLOW, NET EARNINGS AND EBITDA COMPARED TO DISTRIBUTIONS

(in thousands of Canadian dollars except per unit amounts)	**Three months ended Sept 30, 2010**	Three months ended Sept 30, 2009
Cash flow from operating activities	**11,958**	14,784
Net earnings	**448**	10,053
EBITDA (1)	**18,135**	21,443
Distributions	**16,263**	15,807
Excess (shortage) of cash flow from operating activities relative to distributions	**(4,305)**	(1,023)
Excess (shortage) of cash flow from net earnings relative to distributions	**(15,815)**	(5,754)
Excess (shortage) of cash flow from EBITDA relative to distributions	**1,872**	5,636

(in thousands of Canadian dollars except per unit amounts)	**Nine months ended Sept 30, 2010**	Nine months ended Sept 30, 2009
Cash flow from operating activities	**50,291**	108,416
Net earnings	**19,396**	44,126
EBITDA (1)	**67,928**	77,142
Distributions	**48,912**	47,225
Excess (shortage) of cash flow from operating activities relative to distributions	**1,379**	61,191
Excess (shortage) of cash flow from net earnings relative to distributions	**(29,516)**	(3,099)
Excess (shortage) of cash flow from EBITDA relative to distributions	**19,016**	29,917

(1) Please refer to the Non-GAAP Measures section in the MD&A for a definition of EBITDA.

Net earnings include significant non-cash charges including amortization and accretion expense. These non-cash charges do not impact Parkland's ability to meet its cash distribution payments. Please refer to the 'Distributable Cash Flow' section for more information on why distributions exceeded distributable cash flow for the three and nine month periods ending September 30, 2010, and management's outlook for the year.

CONSOLIDATED HIGHLIGHTS

(in millions of Canadian dollars except volume and per Unit amounts)	**Three months ended Sept 30, 2010**	Three months ended Sept 30, 2009	% Change
Fuel volume (millions of litres)	**901**	712	27
Net sales and operating revenues	**796.5**	543.1	47
Gross profit	**78.3**	60.6	29
Gross margin	**10%**	11%	
Operating and direct costs	**39.2**	25.8	52
Marketing, general and administrative	**20.9**	13.4	56
(Loss) earnings before income taxes	**(4.3)**	8.6	(150)
Income tax (recovery) expense	**(4.7)**	(1.5)	
Net earnings	**0.4**	10.1	(96)
EBITDA (1)	**18.1**	21.4	(15)
Earnings per Unit - basic	**$0.01**	$0.20	
Earnings per Unit - diluted	**$0.01**	$0.20	
Distributable cash flow (2)	**10.9**	18.5	(41)
Distributions	**16.3**	15.8	3
Distribution payout ratio	**150%**	86%	

(in millions of Canadian dollars except volume and per Unit amounts)	**Nine months ended Sept 30, 2010**	Nine months ended Sept 30, 2009	% Change
Fuel volume (millions of litres)	**2,520**	2,015	25
Net sales and operating revenues	**2,082.6**	1,477.6	41
Gross profit	**236.9**	192.6	23
Gross margin	**11.4%**	13.0%	
Operating and direct costs	**112.8**	78.0	45
Marketing, general and administrative	**56.1**	37.5	50
Earnings before income taxes	**5.0**	45.3	(89)
Income tax (recovery) expense	**(14.4)**	1.2	
Net earnings	**19.4**	44.1	(56)
EBITDA (1)	**67.9**	77.1	(12)
Earnings per Unit - basic	**$0.37**	$0.88	
Earnings per Unit - diluted	**$0.37**	$0.88	
Distributable cash flow (2)	**47.1**	66.9	(30)
Distributions	**48.9**	47.2	4
Distribution payout ratio	**104%**	71%	

(1) Please refer to the Non-GAAP Measures section in the MD&A for a definition of EBITDA.

(2) Please see Distributable Cash Flow reconciliation table in the MD&A.

MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE MONTHS ENDED SEPTEMBER 30, 2010

The highlights for the third quarter of 2010 are as follows:

- Fuel sales volumes increased 27% to 901 million litres compared with 712 million litres in Q3 2009;
- Fuel marketing segment gross profit increased 24% to $57.3 million compared with $46.2 million in Q3 2009;
- Supply and Wholesale gross profit, which includes Parkland's share of refiners' margins, decreased by $1.2 million for the quarter compared to the same period in 2009;
- EBITDA decreased 15% to $18.1 million compared with $21.4 million in Q3 2009;
- Net earnings decreased by 96% to $0.4 million compared with $10.1 million in Q3 2009;
- Bluewave Energy integration with Parkland's Commercial Business Group remains on target with synergies to exceed 2010 plan;
- The Enterprise Resource Planning (ERP) system's primary transaction streams successfully moved into the "sustainment" phase; and
- On September 30, 2010, Parkland entered into agreement with Shell to be a primary distributer of Shell, Pennzoil, and Quaker State lubricants under Shell's Alliance Distributorship model that is immediately accretive and increases Parkland's annual direct sales of lubricants by 92%.

FUEL VOLUMES, REVENUE AND GROSS PROFIT

Gasoline, diesel and propane volumes increased 27% to 901 million litres in the third quarter of 2010 from 712 million litres in the prior year. The increase in volumes is primarily driven from the acquisition of Bluewave effective February 1, 2010. Supply and Wholesale fuel volumes decreased 18% to 160 million litres from 195 million litres last year as sales were minimized due to unduly low margins. Retail fuel volumes for the third quarter of 2010 increased 5% or 18 million litres due primarily to new retail sites. Propane volumes declined by 5% for the third quarter of 2010 to 20 million litres from 21 million litres for the same period in 2009 due to the December 2009 divestment of an underperforming branch.

Net sales and operating revenue for the three month period ended September 30, 2010 was $796.5 million, up 47% from $543.1 million during the third quarter of last year. Fuel marketing revenue increased 48% and commercial sales increased 77% compared to the same three month period in 2009. The increase in fuel marketing and commercial revenues is primarily due to the Bluewave acquisition. In the third quarter of 2010 fuel marketing revenue per litre increased 17% while the cost of fuel increased 19% compared with the third quarter in 2009.

Included in the Supplementary Information, Supply and Wholesale fuel gross profit includes Parkland's share of refiners' margins and modest profits from wholesale fuel sales. While Parkland participates in refiners' profit margins for a significant portion of its supply volumes, refiners' margins are driven by supply and demand, over which Parkland has little control. Parkland continues to execute its strategy to build fuel marketing profits to offset fluctuations in refinery margins.

Gross profit in Supply and Wholesale decreased 14% to $7.1 million for the three months ended September 30, compared with $8.3 million for the same period in 2009 as refiners' margins remained at the low end of seasonal norms.

Refiners' margins have remained low throughout 2010. A historical analysis of Parkland's participation in refiners' margins for gasoline and diesel back to 2005 demonstrates that combined margins for the nine month period ending September 30, 2010 are at the lowest they have been since 2005.

Product supplies appear to be adequate to meet forecasted commitments.

SALES, COST OF SALES AND GROSS PROFIT (THIRD QUARTER)

The following table details net sales, cost of sales and gross profit for Parkland's four business segments:

(in millions of Canadian dollars)	**Three months ended Sept 30, 2010**	Three months ended Sept 30, 2009	% Change
Fuel Marketing Segment			
Net sales	**748.2**	506.7	48
Cost of sales	**690.9**	460.5	50
Gross profit	**57.3**	46.2	24
Gross margin	**7.7%**	9.1%	
Convenience Store Merchandise Segment			
Net sales	**6.9**	12.8	(46)
Cost of sales	**5.1**	9.4	(46)
Gross profit	**1.8**	3.4	(47)
Gross margin	**26.1%**	26.6%	
Commercial Segment			
Net sales	**32**	18.1	77
Cost of sales	**22.2**	12.6	76
Gross profit	**9.8**	5.5	78
Gross margin	**30.6%**	30.4%	
Other Segment			
Net sales	**9.4**	5.5	71
Cost of sales	**-**	-	-
Gross profit	**9.4**	5.5	71
Gross margin	**100.0%**	100.0%	
Gross Profit Sources			
Total consolidated gross profit	**78.3**	60.6	29
Less:			
Convenience store gross profit	**1.8**	3.4	(47)
Gross profit on commercial sales	**9.8**	5.5	78
Other revenue included in gross profit	**9.4**	5.5	71
Fuel marketing gross profit	**57.3**	46.2	24
Cents per litre	**$0.064**	$0.065	-

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fuel marketing sales increased 48% to $748.2 million in the quarter ended September 30, 2010 from $506.7 million in the third quarter of 2009. The increase in fuel marketing sales is primarily driven by the January 2010 acquisition of Bluewave, which contributed $116.8 million in sales in the third quarter. Convenience store merchandise sales decreased 46% to $6.9 million for the quarter ended September 30, 2010 compared to the prior year due to the conversion of corporate operated sites to commission operated sites.

Parkland's operating revenues and cost of sales fluctuate with the price paid for refined product, which in turn fluctuates with the cost of crude oil. Profit margins on a cents per litre (cpl) basis are a more relevant indicator of the Fund's ability to generate value.

For the three month period ended September 30, 2010, profit margins in the retail segment decreased by 11% to 6.7 cpl compared with 7.5 cpl for the same period in 2009 due to increased competition in certain markets. Profit margins in the commercial segment increased 28% to 6.9 cpl in the third quarter of 2010 compared with 5.4 cpl for the same period in 2009 due to an increase in the proportion of higher margin delivered fuel and heating oil products.

Consolidated gross profit increased 29% to $78.3 million in the third quarter of 2010 from $60.6 million in the third quarter of 2009, primarily due to the acquisition of Bluewave. Third quarter fuel gross profit increased 24% to $57.3 million this year from $46.2 million last year.

Other revenue included in gross profit increased to $9.4 million in the third quarter of 2010 from $5.5 million in the third quarter of 2009 due in large part to the conversion of corporate operated sites to commission or dealer operated sites. The other revenue category includes lottery, externally charged freight revenue, retail commissions and vendor rebates.

The impact of price fluctuations on gasoline inventories held by Parkland results in a fuel inventory market valuation adjustment. In the past this was referred to as a FIFO inventory adjustment. Parkland's fuel inventory includes 30 million litres of gasoline that is held by a major supplier in storage in Edmonton plus inventory on hand at Parkland locations or in transit. With the decrease of gasoline costs in the third quarter, the change in valuation of this inventory in the third quarter of 2010 resulted in a decrease in fuel gross profit of $1.2 million compared to a decrease of $0.3 million in the third quarter of 2009.

OPERATING EXPENSES

Operating and direct costs increased by 52% to $39.2 million (4.4 cpl)) for the three months ended September 30, 2010, compared with $25.8 million (3.6 cpl) for the same quarter in 2009. The $13.4 million increase in operating and direct costs for the three month period resulted principally from $9.4 million in additional operating costs directly related to the acquired business of Bluewave Energy. The increase in operating costs on a cpl basis also reflects the change in business mix following the Bluewave acquisition that increased Parkland's proportion of delivered fuel products which involves higher operating costs (due to delivery) offset by higher fuel margins for delivered fuel and heating oil.

Marketing, general and administrative expenses increased by 56% to $20.9 million (2.3 cpl) for the three months ended September 30, 2010, compared with $13.4 million (1.9 cpl) for the same quarter in 2009. Of the $7.5 million increase in marketing, general and administrative expenses during the three month period, $3.5 million was related to Bluewave Energy and $1.9 million was due to information technology expenses related to ERP implementation and sustainment. The remaining increase was the result of year-over-year cost increases.

INTEREST ON LONG-TERM DEBT

Interest on long-term debt was $5.2 million in the third quarter compared to $1.6 million for the same period in 2009. This increase is as a result of increased borrowings to complete the Bluewave acquisition.

INTEREST AND ACCRETION ON CONVERTIBLE DEBENTURES

Interest and accretion on convertible debentures during the third quarter was $1.8 million. In the third quarter of 2009, there were no convertible debentures outstanding.

INCOME TAX

An income tax recovery of $4.7 million was incurred in the third quarter compared to a recovery of $1.5 million for the same period in 2009. This is mainly due to distributions in the period exceeding taxable income.

EARNINGS

Net earnings in the third quarter of 2010 was $0.4 million, down 96% from $10.1 million for the same period in 2009. The decrease in net earnings is the result of lower EBITDA as discussed in the next paragraph, combined with higher amortization and interest costs.

EBITDA for the third quarter of 2010 was $18.1 million, down 15% from $21.4 million in 2009. The decrease in EBITDA from the same period in 2009 is explained primarily by EBITDA increases from the Bluewave acquisition which were offset by a $7.6 million increase in marketing, general and administrative costs.

PROPERTY PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND AMORTIZATION

Amortization expenses in the third quarter of 2010 were $16.5 million, up from $9.9 million a year earlier. During the third quarter of 2010, the Fund's net capital investments, including maintenance capital and growth capital, were $8.0 million compared with $12.8 million for the same period in 2009. Maintenance capital for the quarter was $2.5 million compared with $3.4 million in the third quarter of 2009. Growth capital for the quarter was $5.5 million compared with $9.4 million for the same period last year, including intangible asset expenditures of $0.9 million for software systems related to the ERP.

For accounting purposes, amounts expended on both maintenance and growth capital are treated as purchases of capital assets. The classification of capital as growth or maintenance is subject to judgment, as many of the Fund's capital projects have components of both. It is the Fund's policy to classify all capital assets related to service station upgrades or the replacement and betterment of its trucking fleet as maintenance capital. The construction of a new building on an existing site or the additions of new trucks and trailers to increase the size of the fleet is considered growth capital.

LONG-TERM DEBT AND CASH BALANCES

For the three month period ended September 30, 2010, interest on long-term debt was $5.2 million compared to $1.6 million for the same quarter in 2009, primarily due to the increased debt to fund the acquisition of Bluewave. Most of the Fund's long-term debt bears interest at variable rates linked to prime. The $97.8 million principal amount of convertible debentures issued on December 1, 2009, bear interest at an annual rate of 6.5% payable semi-annually in arrears on November 30 and May 31 in each year commencing May 31, 2010.

INTEREST AND ACCRETION ON CONVERTIBLE DEBENTURES

Interest and accretion on convertible debentures during the third quarter of 2010 was $1.8 million. In the third quarter of 2009, there were no convertible debentures outstanding.

SOURCES AND USES OF CASH FROM OPERATIONS

Parkland's cash position at September 30, 2010 decreased by $12.5 million during the third quarter compared to a decrease of $18.5 million for the same period in 2009. For the three month period ended September 30, 2010, operating activities generated $12.0 million of cash. Unitholder distributions were $16.3 million and $6.8 million was used for net growth and maintenance capital purchases net of proceeds from disposals. Total addition of intangibles during the quarter was $0.9 million, primarily related to the implementation and continued development of the new ERP system.

ENTERPRISE RESOURCE PLANNING (ERP) IMPLEMENTATION

To enhance Parkland's long-term efficiency and ability to integrate future acquisitions, the Fund began implementation of an ERP system on March 1, 2010. At this time, the majority of Parkland's operating divisions, excluding Columbia Fuels and Bluewave, migrated their supply-chain and accounting transaction streams onto the ERP platform, thereby unifying the essential operational data of these business units with Parkland's core business functions.

The March 2010 implementation experienced complications with processing certain sales transactions which resulted in invoicing delays, delayed customer collections and increased working capital requirements. Through the third quarter of 2010, Parkland substantially completed the stabilization of the primary ERP transaction streams and customer-facing processes. Parkland also continued efforts from the second quarter of 2010 on reconciling and settling customer accounts that were disrupted by the implementation. During the third quarter, Parkland reduced the trade receivables resulting from the ERP disruption by approximately $40 million. In the third quarter of 2010, Parkland successfully moved into the sustainment phase of the project.

Starting in the third quarter and continuing through the fourth quarter of 2010, Parkland is analyzing and preparing for the controlled migration of Columbia Fuels and Bluewave onto the ERP system in 2011, and the implementation of additional modules to expand the functionality of the system.

Once fully implemented, the ERP system will provide Parkland with a comprehensive fuel management system that will help support and optimize the management of Parkland's fuel supply chain.

MANAGEMENT'S DISCUSSION AND ANALYSIS

NINE MONTHS ENDED SEPTEMBER 30, 2010

The highlights for the nine month period ended September 30, 2010 are as follows:

- Fuel sales volumes of 2,520 million litres, up 25% from 2,015 million litres the prior year;
- Supply and Wholesale gross profit, which includes Parkland's share of refiners' margins, decreased by $18.1 million compared with 2009
- EBITDA of $67.9 million, down 12% from $77.1 million in 2009;
- Net earnings of $19.4 million, down 56% from $44.1 million in 2009;
- January 31, 2010 – completion of the Bluewave acquisition for $231.2 million making Parkland the largest independent fuel marketer in Canada financed by the upsize of Parkland's syndicated credit facilities from $265 million to $400 million; and
- Unitholders approved trust conversion to Parkland Fuel Corporation, a balanced yield and growth company, such conversion to occur no later than January 2011.

FUEL VOLUMES, REVENUES AND GROSS PROFIT

Fuel volumes for the nine month period increased 25% with total fuel volume of 2,520 million litres in 2010 compared to 2,015 million litres in 2009. Supply and Wholesale fuel volumes decreased 11% to 517 million litres from 583 million litres last year as sales were minimized due to unduly low refiners' margins. Retail fuel volumes for the nine months increased 1% or 13 million litres. Propane volumes declined by 15% for the nine month period to 80 million litres from 94 million litres for the same period in 2009 due to both the December 2009 sale of a low performing branch and warmer winter weather from November 2009 to March 2010. Heating oil volumes increased 105.9 million litres due to the acquisitions of Bluewave and Columbia Fuels.

Net sales and operating revenue for the nine month period ended September 30, 2010 was $2,082.6 million, up 41% from $1,477.6 million during the first nine months of last year. Fuel marketing revenue for the nine months ended September 30, 2009 increased 43% and commercial sales increased 47% compared with the same period in 2009. The increase in fuel marketing and commercial revenues is primarily due to the Columbia Fuels and Bluewave acquisitions. Bluewave contributed an increase of $333.8 million in fuel marketing and commercial revenues. Gross profit increased by $44.3 million due to a 25% increase in fuel volumes and a 15% increase in fuel costs compared to the first nine months of 2009.

Included in the Supplementary Information, Supply and Wholesale fuel gross profit includes Parkland's share of refiners' margins and modest profits from wholesale fuel sales. While Parkland participates in refiners' profit margins for a significant portion of its supply volumes, refiners' margins are driven by supply and demand, over which Parkland has little control. Parkland continues to execute its strategy to build fuel marketing profits to offset fluctuations in refinery margins.

For the nine months ended September 30, 2010, Supply and Wholesale gross profit decreased 58% to $12.9 million compared with $31.0 million for the same period the previous year as refiners' margins remained at the low end of seasonal norms.

SALES, COST OF SALES AND GROSS PROFIT (YEAR-TO-DATE)

The following table details net sales, cost of sales and gross profit for Parkland's three business segments:

(in millions of Canadian dollars)	**Nine Months ended Sept 30, 2010**	Nine Months ended Sept 30, 2009	% Change
Fuel Marketing Segment			
Net sales	**1,928.6**	1,351.3	43
Cost of sales	**1,758.4**	1,204.7	46
Gross profit	**170.2**	146.6	16
Gross margin	**8.83%**	10.85%	
Convenience Store Merchandise Segment			
Net sales	**19.1**	40.1	(52)
Cost of sales	**14.2**	29.7	(52)
Gross profit	**4.9**	10.4	(53)
Gross margin	**25.65%**	25.94%	
Commercial Segment			
Net sales	**104.7**	71.1	47
Cost of sales	**73.0**	50.7	44
Gross profit	**31.7**	20.4	55
Gross margin	**30.28%**	28.69%	
Other Segment			
Net sales	**30.1**	15.2	98
Cost of sales	**-**	-	-
Gross profit	**30.1**	15.2	98
Gross margin	**100.0%**	100.0%	
Gross Profit Sources			
Total consolidated gross profit	**236.9**	192.6	23
Less:			
Convenience store gross profit	**4.9**	10.4	(53)
Gross profit on commercial sales	**31.7**	20.4	55
Other revenue included in gross profit	**30.1**	15.2	98
Fuel marketing gross profit	**170.2**	146.6	16
Cents per litre	**$0.068**	$0.073	(7)

Fuel marketing sales increased 43% to $1,928.6 million in the nine months ended September 30, 2010 from $1,351.3 million in the first nine months of 2009. The increase in fuel marketing sales is primarily driven from the acquisitions of Bluewave and Columbia Fuels. Convenience store merchandise sales decreased 52% to $19.1 million for the nine months ended September 30, 2010 compared to the prior year due to the conversion of corporate operated sites to commission or dealer operated sites.

For the nine month period ended September 30, 2010, profit margins in the retail segment decreased by 3% to 6.8 cpl compared with 7.0 cpl for the same period in 2009 due to increased competition in certain markets. Profit margins in the commercial segment increased 13% to 8.1 cpl in the third quarter of 2010 compared with 7.2 cpl for the same period in 2009 due to an increase in the proportion of higher margin delivered fuel and heating oil products.

Consolidated gross profit increased 23% to $236.9 million in the first three quarters of 2010 from $192.6 million in the first three quarters of 2009, primarily due to the acquisition of Bluewave and Columbia Fuels. Fuel gross profit in the first nine months of 2010 increased 16% to $170.2 million this year from $146.6 million last year.

Other revenue included in gross profit increased to $30.1 million in the first three quarters of 2010 from $15.2 million in the first three quarters of 2009, due in large part to the conversion of corporate operated sites to commission or dealer operated sites. The other revenue category includes lottery, externally charged freight revenue, retail commissions and vendor rebates.

The impact of price fluctuations on gasoline inventories held by Parkland results in a fuel inventory market valuation adjustment (explained earlier). Increasing gasoline costs resulted in a change in valuation of this inventory that increased fuel gross profit by $1.4 million for the nine months ended September 30, 2010 compared to an increase of $6.6 million for the same period in 2009.

OPERATING EXPENSES

For the nine months ended September 30, 2010, operating and direct costs increased by 45% to $112.8 million (4.5 cpl) compared with $78.0 million (3.9 cpl) for the same period in 2009. The $34.8 million increase in operating and direct costs for the nine month period resulted primarily from $32.4 million in additional operating costs directly related to the acquired businesses of Columbia Fuels and Bluewave Energy that increased Parkland's proportion of delivered fuel products which involves higher operating costs (due to delivery) offset by higher fuel margins for delivered fuel and heating oil.

For the nine months ended September 30, 2010, marketing, general and administrative expenses increased by 50% to $56.1 million (2.2 cpl) compared with $37.5 million (1.9 cpl) for the same period in 2009. Of the $18.6 million increase during the nine month period, $9.6 million was related to the acquired businesses of Bluewave Energy and Columbia Fuels, $0.6 million was related to onetime costs for converting from a trust to corporation and $1.7 million was due to information technology expenses related to ERP implementation and sustainment. The remaining increase was the result of year-over-year cost increases.

INTEREST ON LONG-TERM DEBT

Interest on long-term debt was $13.8 million for the first nine months of 2010, up significantly from $3.7 million for the same period of the prior year caused by additional borrowings to fund the January 31, 2010 acquisition of Bluewave.

INTEREST AND ACCRETION ON CONVERTIBLE DEBENTURES

Interest and accretion on convertible debentures during the first three quarters of 2010 was $5.4 million. In the comparable period in 2009, there were no convertible debentures.

INCOME TAX EXPENSE

An income tax recovery of $14.4 million in the first nine months of 2010 was incurred compared to an expense of $1.2 million for the same period in 2009 as a result of distributions exceeding year-to-date taxable income.

EARNINGS

Earnings before income taxes for the first nine months of 2010 was $5.0 million, down 89% from $45.3 million a year earlier. Net earnings for the first three quarters of 2010 was $19.4 million, down 56% from $44.1 million for the same period in 2009. The decrease in net earnings is the result of lower EBITDA as discussed in the next paragraph, combined with higher amortization and interest costs.

EBITDA for the three quarters of 2010 was $67.9 million, down 12% from $77.1 million for the comparable period in 2009. The decrease in EBITDA from the same period in 2009 is explained primarily by EBITDA increases from the Columbia and Bluewave acquisitions which were offset by a decrease in Parkland's share of refiners' margins and an $18.6 million increase in marketing, general and administrative expenses.

PROPERTY PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND AMORTIZATION

Amortization expense for the nine months ended September 30, 2010 was $45.9 million, up 63% from $28.1 million a year earlier. A full year of amortization for capital assets and intangible assets acquired in 2008 plus amortization of capital assets acquired in 2009 and 2010 accounted for the increase.

The Fund expended $27.3 million in capital investments compared with $27.0 million in the prior year. $8.6 million of the current year's capital investments were classified as maintenance capital compared with $9.4 million in 2009. $18.7 million of the current year's capital investments were classified as growth capital, including intangible asset expenditures related to Parkland's new ERP system, compared with $17.5 million in 2009.

LONG-TERM DEBT AND CASH BALANCES

Most of the Fund's long-term debt bears interest at variable rates linked to prime. The $97.8 million principal amount of convertible debentures issued on December 1, 2009, bear interest at an annual rate of 6.5% payable semi-annually in arrears on November 30 and May 31 in each year commencing May 31, 2010.

SOURCES AND USES OF CASH FROM OPERATIONS

For the nine months ended September 30, 2010, operating activities generated $50.3 million of cash of which $48.9 million was used to fund unitholder distributions and $23.3 million was used for net growth and maintenance capital purchases net of proceeds from disposals. Total additions of intangibles for the first three quarters of 2010 were $5.7 million, primarily related to the implementation and development of the new ERP system. Proceeds from long-term debt during the first three quarters of 2010 were $227.4 million, and were primarily used to fund the acquisition of Bluewave for $206.9 million during the same period. Parkland's cash position at September 30, 2010 increased by $40.3 million compared to a decrease of $14.7 million for the same period in 2009.

SUMMARY OF THE EIGHT MOST RECENTLY COMPLETED CONSOLIDATED QUARTERLY RESULTS

(millions of Canadian dollars, except volume and per Unit amounts)

For the three months ended	2010			2009				2008
	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec
Fuel volume (millions of litres)	**901**	802	816	728	712	628	673	664
Net Sales and Operating Revenue	**796.5**	605.8	680.3	542.4	543.1	479.5	455.1	524.5
Net earnings	**0.4**	13.5	5.4	4.5	10.1	14.3	19.8	10.1
EBITDA	**18.1**	27.9	21.9	13.7	21.4	23.4	32.3	25.1
Net earnings per Unit								
Basic	**$0.01**	$0.25	$0.11	$0.09	$0.20	$0.28	$0.40	$0.20
Diluted	**$0.01**	$0.25	$0.11	$0.09	$0.20	$0.28	$0.40	$0.20

Parkland continues to generate increased fuel volume each quarter compared to the corresponding quarters in the prior year, generally as a result of acquisitions in prior quarters.

FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY

Parkland has available an Extendible Facility, including an operating loan, capital loan and letters of credit, up to a maximum amount of $400 million (increased from $265 million to $400 million on January 31, 2010) and bears interest, payable monthly, at the bank's prime lending rate plus 2.5 to 3.75% per annum. The Extendible Facility was renewed on June 7, 2010 for 364 days – up to June 6, 2011. If the Extendible Facility is not extended past June 6, 2011, all amounts outstanding are repayable in eight consecutive quarterly installments, commencing on the last day of the quarter following the then maturity date, with the first seven of such installments being one-eighth of the outstanding balance and remainder at the end of the period. Security for the Extendible Facility is assignment of insurance and an unlimited guarantee from the secured entities. On May 7, 2010, Parkland received approval from its lending syndicate for amended covenants for 2010 to increase the Funded Debt to EBITDA threshold to 3.0 to 1.0 and Total Debt to EBITDA threshold to 4.0 to 1.0. While Parkland is operating under the amended Funded Debt and Total Debt covenants, the Fund is subject to certain restrictions under its lending agreement. In particular, Parkland was restricted to only spend up to $10 million on business acquisition transactions until Parkland returned to operating under the pre-May 7, 2010 Funded Debt and Total Debt thresholds of 2.5 to 1.0 and 3.5 to 1.0 for two consecutive quarters. By achieving the pre-May 7, 2010 covenant ratios for Funded Debt and Total Debt at June 30, 2010 and at September 30, 2010, all restrictions on acquisitions are removed.

At September 30, 2010, Parkland had $255.3 million in long-term debt (excluding $1.5 million of the current portion and the $88.4 million remaining amount of convertible debentures outstanding), compared with $25.9 million at December 31, 2009 (excluding $1.1 million of the current portion and the $87.8 million remaining amount of convertible debentures outstanding). At September 30, 2010, $68.0 million of the revolving operating loan was utilized compared with $28.0 million at December 31, 2009. At September 30, 2010, the debt component portion of the convertible debentures including accreted issue costs, was $88.4 million, the equity portion was $5.7 million. There were no convertible debentures as at September 30, 2009.

Based on the balance of Parkland's seasonal business, management believes that cash flow from operations will be adequate to fund maintenance capital, interest and targeted distributions. Growth capital expenditures for the remainder of 2010 will be funded by the extendible credit facility. Any additional debt incurred will be serviced by anticipated increases in cash flow and will only be borrowed within Parkland's debt covenant limits.

Parkland manages its capital structure and makes adjustments according to market conditions to maintain flexibility while achieving the objectives stated above. To manage the capital structure, Parkland may adjust capital spending, adjust distributions paid to unitholders, issue new units, issue new debt or repay existing debt. Parkland takes into account the maximum equity growth limits in accordance with Canadian Taxation rules for Income Trusts when managing and monitoring its capital structure. Parkland's remaining available growth capital under Canadian Taxation rules for Income Trusts at September 30, 2010 was approximately $60.5 million (December 31, 2009 - $78 million). If the maximum equity growth allowed is exceeded, Parkland may be subject to trust taxation prior to 2011.

At September 30, 2010, Parkland was in compliance with all debt covenants including the ratios required under the covenant levels in place before the June 7, 2010 renewal and amendment. By achieving the pre-May 7, 2010 covenant ratios for Funded Debt and Total Debt at June 30, 2010 and at September 30, 2010, all restrictions on acquisitions are removed.

At September 30, 2010, Parkland had $57.9 million of cash on hand at various banks compared to a cash balance of $17.6 million on hand at December 31, 2009. As part of the June 7, 2010 credit renewal, a net debt concept was introduced where cash on hand is treated as a reduction to debt to determine covenant compliance. Debt covenant ratios are tested on a trailing four quarter basis EBITDA basis. The financial covenants under the syndicated credit facility are as follows:

1. Ratio of current assets to current liabilities shall not be less than 1.10 to 1.00 on a consolidated basis;
2. Ratio of funded debt (which excludes the convertible debentures) to EBITDA shall not exceed 2.50 to 1.00 (amended to 3.00 to 1.00 for 2010 on May 7, 2010);
3. Ratio of EBITDA less maintenance capital expenditures and taxes to the sum of interest, principal and distributions shall not be less than 1.00 to 1.00; and
4. Ratio of total debt to EBITDA shall not exceed 3.50 to 1.00 (amended to 4.00 to 1.00 for 2010 on May 7, 2010).

Liquidity risk is the risk that Parkland will encounter difficulties in meeting its financial liability obligations. Parkland manages its liquidity risk through cash and debt management. In managing liquidity risk, Parkland has access to various credit products at competitive rates. Parkland believes it has sufficient funding through the use of these facilities to meet foreseeable borrowing requirements.

DISTRIBUTIONS

The following table sets forth the record date, date of payment, per unit amount of distributions paid and total cash distributed for the year ended 2009 and the third quarter ended September 30, 2010:

Record Date	Payment Date	Per Trust Unit	Total Distributions ($000's)
January 30, 2009	February 13, 2009	0.105	**5,231**
February 27, 2009	March 13, 2009	0.105	**5,232**
March 31, 2009	April 15, 2009	0.105	5,235
April 30,2009	May 15, 2009	0.105	**5,235**
May 29, 2009	June 15, 2009	0.105	**5,237**
June 30, 2009	July 15, 2009	0.105	**5,248**
July 31, 2009	August 14, 2009	0.105	**5,268**
August 31, 2009	September 15, 2009	0.105	5,269
September 30, 2009	October 15, 2009	0.105	**5,270**
October 30, 2009	November 13, 2009	0.105	**5,272**
November 30, 2009	December 15, 2009	0.105	**5,281**
December 31, 2009	January 15, 2010	0.105	**5,271**
Total distributions declared to Unitholders in 2009		$1.26	63,049
January 29, 2010	February 15, 2010	0.105	**5,283**
February 26, 2010	March 15, 2010	0.105	**5,416**
March 31, 2010	April 15, 2010	0.105	**5,420**
April 30, 2010	May 14, 2010	0.105	**5,468**
May 31, 2010	June 15, 2010	0.105	5,471
June 30, 2010	July 15, 2010	0.105	**5,472**
July 31, 2010	August 15, 2010	0.105	**5,458**
August 31, 2010	September 15, 2010	0.105	**5,461**
September 30, 2010	October 15, 2010	0.105	**5,462**
Total distributions declared to Unitholders as of September 30, 2010		$0.95	**48,911**

CRITICAL ACCOUNTING ESTIMATES

Estimates are used when accounting for items such as allowance for doubtful accounts, inventory provisions, calculation of fair value for the convertible debentures, intangibles and goodwill, impairment of property plant and equipment, asset retirement obligations, the refinery remediation accrual, amortization and income taxes. These estimates are subject to measurement uncertainty and the effect on the financial statements of future periods could be material.

Bowden Refinery

At December 31, 2004, Parkland recorded the net estimated liability that would be realized if its refinery assets were remediated, dismantled and sold for salvage values. Estimated remediation costs were supported by a third party report, while other costs were based on management estimates.

During 2007 Parkland activated a portion of the refinery to produce fluids used in the oilfield and utilized tankage for fuel storage. Parkland is continuing to pursue other economically viable uses for the remaining processing units at the refinery and, therefore, any decision to dismantle, remediate and sell the refinery site has been deferred indefinitely. Parkland is currently installing a rail spur to support intended use of the facility as a terminal or processing site. Parkland renewed its refinery operating license in 2007 and fully intends to maximize the revenue generating potential of this facility. The obligations relating to future environmental remediation, however, continue to exist.

Assuming Parkland continues operations at the refinery, remediation for any potential environmental liabilities associated with a complete dismantling of the site would be delayed indefinitely. Parkland has estimated the cost of remediation on the basis that any future remediation would be part of a multi-year management plan. Remediation costs have been estimated from independent engineering studies conducted in January 2008 resulting in an additional $3.0 million accrual as at December 31, 2007. The studies recognize increases in remediation costs as well as increases in remediation standards since the original study conducted in 1999. The expected cost, to be incurred over an extended period after operations cease, are approximately $6.7 million net of salvage value of equipment.

Actual costs and salvage values could differ significantly from these estimates when, and if, the refinery is remediated, dismantled and sold.

Parkland regularly reviews the book values of its property, plant and equipment, goodwill and intangible assets and tests for impairment of value. Parkland determined that there was no impairment to be recognized.

FINANCIAL INSTRUMENTS

Credit and Market Risk

A substantial portion of Parkland's accounts receivable balance is with customers in the oil and gas, mining and forestry industries and is subject to normal industry credit risks. As a result of billing complications from the 2010 ERP implementation, Parkland's credit department has been expanded to work with individual customers to reconcile accounts, resolve any discrepancies and manage collections back to normal terms.

During the third quarter, Parkland reduced the trade receivables resulting from the ERP disruption by approximately $40 million, which was offset by increases in commercial accounts due to increased volume and increases in other non-trade receivables.

Parkland continues to control the credit granting process and sets customer specific credit limits, recognizing the industry and business conditions of each customer. Parkland performs ongoing credit evaluations of its customers and outstanding debts are regularly monitored. Accounts receivable outstanding for more than 90 days decreased by $7.8 million from $20.8 million at June 30, 2010 to $13.0 million at September 30, 2010.

Interest Rate Risk

Parkland is exposed to market risk from changes in the Canadian prime interest rate which can impact its borrowing costs. The $97.8 million convertible debentures bear interest at a 5 year annual fixed rate of 6.5% payable semi-annually in arrears on November 30 and May 31 in each year commencing May 31, 2010, reducing Parkland's exposure to variable rates.

Foreign Exchange Risk

Parkland purchases certain products in US dollars and sells such products to its customers typically in Canadian dollars. As a result, fluctuations in the value of the Canadian dollar relative to the US dollar can result in foreign exchange gains and losses.

Risk Management

Parkland manages its exposure to credit risk through rigorous credit granting procedures, typically short payment terms and security interests where applicable. Parkland attempts to closely monitor financial conditions of its customers and the industries in which they operate.

As at September 30, 2010, Parkland's accounts receivable balance was $239.8 million, up $130.3 million from the September 30, 2009 balance of $109.5 million. Approximately $76.9 million of the increase resulted from the inclusion of Bluewave accounts receivable as a result of the acquisition of Bluewave in the first quarter and approximately $53.4 million resulted from seasonal changes in customer mix, increased commercial sales volumes, increased non-trade balances and residual delayed collections caused by the implementation of the new ERP system.

At September 30, 2010, the provision for impairment of credit losses was $8.6 million, up $4.5 million from the same period in 2009. This was principally due to the Bluewave acquisition plus an increase in the provision related to the amounts that aged because of delayed billing caused by the ERP implementation. Parkland considers the total reserve to be adequate.

OFF BALANCE SHEET ARRANGEMENTS

Parkland has not engaged in any off balance sheet arrangements.

OUTLOOK

Retail fuel volumes in our market areas have generally maintained 2009 same-store sales levels to date in 2010 despite slow recovery in the economy.

The outlook for commercial fuel sales volumes is improving as a result of increased activity in the forestry, trucking and oil and gas drilling industries. For the three months ended September 30, 2010, the Canadian Association of Oilwell Drilling Contractors (CAODC) reported an average rig utilization rate of 40.3% compared with 20.7% for the same period in 2009. For the first three quarters of 2010, the CAODC reported an average rig utilization rate of 37.9% compared with 22.8% in the first three quarters of

2009. Parkland has also observed increased competition in hiring truck drivers, which is also a signal that economic activity on the commercial front is improving.

Refiners' margins have remained low throughout 2010. While refiners' margins in October were showing early signs of recovery compared to the third quarter, they have grown weaker entering into November.

Product supplies appear to be adequate to meet forecasted commitments.

On October 31, 2006, the Canadian Minister of Finance announced the Specified Investment Flow Through Trust (SIFT) income and distribution tax, which will be effective January 1, 2011.

At the May 3, 2010 Parkland Annual and Special Meeting, Parkland received approval from unitholders to complete the conversion of Parkland Income Fund into a new public corporation (Parkland Fuel Corporation) by way of a trust unit for corporate share tax-deferred exchange effective no later than January 2011. Parkland will schedule a second Special Meeting of unitholders to re-approve the conversion plan if there is a material change in business conditions before conversion or if Parkland proposes conversion before 2011 because of acquisition opportunities or other factors.

On May 17, 2010 Parkland announced that after conversion, provided there are no material adverse changes in Parkland's outlook for business conditions, Parkland will continue as a balanced yield and growth company with expected dividend presently anticipated between 75% and 110% of the current level of Parkland's annual distribution ($1.26 per unit). The amount of any dividends payable by Parkland Fuel Corporation will be at the discretion of the Board of Directors from time to time and may vary depending on a number of factors.

NON CAPITAL RESOURCES

Employees

Parkland's ability to deliver on its strategy is contingent on retaining and attracting employees with the proper skill sets to drive the key initiatives forward. As such, there is a focus on recruiting and retaining key employees. To date, Parkland has been successful at filling critical positions as needed. Compensation plans for senior management have significant incentive arrangements, with overall compensation dependent on Parkland's performance, business unit operating performance and results on individually identified key initiatives.

Parkland has an active Human Resources department, with compensation plans and benefits reviewed on an ongoing basis to best meet the needs of Parkland and the various employee groups it includes. Parkland provides a unit purchase plan with matching employer contributions. A profit sharing plan is also available to most employees with greater than one year service. Initiatives like these are intended to bring a sense of ownership to the employee groups as increases in profits and unit prices are beneficial to all.

Safety

In addition to other risks, Parkland's primary business involves the transportation and sale of fuel products and other dangerous goods such as anhydrous ammonia, which have an inherently high degree of risk. Parkland provides training to all staff as required to mitigate these risks and has operations and response procedures to cover risk situations. Safety bonuses are also provided to employees in higher risk roles as a means of motivating safe performance of duties.

Parkland's Health, Safety & Environment (HSE) program includes comprehensive policies and procedures to protect our workers, the public and the environment. Additionally, employees have the opportunity to actively engage in safety initiatives through numerous HSE committees. The HSE committees represent all areas of Parkland's business and, as part of the overall program, ensure that identified risks are properly mitigated.

Parkland maintains a Certificate of Recognition (COR) in two provinces, and is a proud participant in Alberta WCB's Partnerships in Injury Reduction program. In the third quarter of 2010 Parkland successfully underwent a comprehensive external audit to re-certify its operations.

Technology

Parkland utilizes a number of information technology systems that assist and support the administration and control of its operations. Technology initiatives are primarily implemented using in-house resources with additional assistance from outside consultants when required.

Parkland's technology initiatives include:

- Upgrading Point of Sale systems at convenience store and service station sites;
- Upgrading cardlock hardware and software;
- Expanding the use of its handheld inventory billing devices for bulk fuel sales; and

- Continued maintenance and security related to overall network administration and emergency response processes.

Parkland is currently undergoing extensive business process re-engineering and an upgrade of its Enterprise Resource Planning (ERP) software. Parkland has engaged external consultants who have experience in the fuel marketing industry and in the implementation of the ERP system chosen by Parkland. These consultants have assisted with various phases of the project including system/process design, implementation, stabilization and sustainment.

Parkland started the ERP implementation on March 1, 2010 with the overall objective to consolidate, integrate and streamline supply-chain and accounting transaction data streams across the internal and external applications of the Fund's core operations. Throughout 2010, Parkland will be completing the ERP implementation and sustainment including preparation for the controlled integration of Columbia Fuels and Bluewave onto the Parkland ERP system sometime in 2011.

The implementation of the ERP system in March 2010, caused difficulties in processing transactions, issuing invoices and collecting accounts receivables in a timely manner, and resulted in increased working capital requirements. See "Business Risks – Risks Related to the Business and the Industry – Technology".

To minimize undue risk to Parkland's business related to required or planned technology changes, Parkland plans to utilize a staged approach that will require new information technologies to first be deployed in a test environment, running in parallel with existing systems where possible. New systems will not be implemented until they have stabilized in the test environment, and have demonstrated a robust capacity to manage their data streams.

While Parkland will continue to utilize qualified and experienced external consultants to assist in future technology implementations, its growing internal base of expertise in implementing new systems will reduce the Fund's dependence on external resources over time.

BUSINESS RISKS

Risks Related to the Business and the Industry

RETAIL PRICING AND MARGIN EROSION

Retail pricing for motor fuels is very competitive, with major oil companies and newer entrants such as grocery chains and large retailers active in the marketplace. From time to time, factors such as competitive pricing, seasonal over-supply and lack of responsiveness of retail pricing to changes in crude oil costs can lead to lower margins in Parkland's business. This is normally limited to seasonal time frames or limited market areas but could occur more extensively. Furthermore, difficult fuel market conditions may also adversely affect Parkland's major customers and create increased credit risk. These risks are partially mitigated by Parkland's other sources of revenue, conservative credit policies, geographic diversification and by the wholesale business, which typically would only share in a portion of any market erosion. There can be no assurances that such mitigation efforts will be adequate, in whole or in part.

COMPETITION

Parkland competes with major integrated oil companies, other commercial fuel and propane marketers, convenience store chains, independent convenience stores, gas station operators, large and small food retailers, discount stores and mass merchants, many of which are well-established companies. In recent years, several non-traditional retail segments have entered the motor fuel retail business, including supermarkets, club stores and mass merchants. These non-traditional motor fuel retailers have obtained a significant share of the motor fuel market and this could grow. In some of Parkland's markets, our competitors have been in existence longer and have greater financial, marketing and other resources than Parkland does. We may not be able to compete successfully against current and future competitors, and competitive pressures faced by Parkland could materially and adversely affect Parkland's business, results of operations and financial condition.

VOLATILITY IN CRUDE OIL PRICES AND IN WHOLESALE PETROLEUM PRICING AND SUPPLY

Parkland's motor fuel and propane revenues are a significant component of total revenues. Crude oil and domestic wholesale petroleum markets display significant volatility. Parkland is susceptible to interruptions in the supply of motor fuel at our facilities. General political conditions and instability in oil producing regions, particularly in the Middle East, Africa and South America, could significantly and adversely affect crude oil supplies and wholesale production costs. Local supply interruptions may also occur. Volatility in wholesale petroleum supply and costs could result in significant changes in the retail price of petroleum products and in lower fuel gross margin per litre. In addition, changes in the retail price of petroleum products could dampen consumer demand for motor fuel. These factors could materially influence Parkland's motor fuel volume, motor fuel gross profit and overall customer traffic, which, in turn, could have a material adverse effect on our operating results and financial condition. The development of the oilsands in northern Alberta, together with upgraders producing a distillate stream, has the potential to add significant supply volumes in the diesel market over time. Production at these facilities is subject to production interruptions which can periodically disrupt the availability of refined product in the region.

One of Parkland's supply contracts allows Parkland to participate in refiners' margins. These margins are volatile and not assured. This long-term supply contract, representing a large annual fuel volume where Parkland participates in the refiners' margins, can be terminated on three years notice, which can be given on or after December 31, 2010.

CREDIT

Parkland grants credit to customers ranging from small independent service station operators to larger reseller and commercial/industrial accounts. These accounts may default on their obligations. Parkland manages this exposure through rigorous credit granting procedures, typically short payment terms and security interests where applicable. Parkland attempts to closely monitor financial conditions of our customers. As a result of delayed invoicing caused by Parkland's 2010 ERP implementation, certain customer accounts and balances have aged beyond normal terms which could result in increased bad debts.

SAFETY AND ENVIRONMENTAL

The operation of service stations, refinery facilities and petroleum, propane and anhydrous ammonia transport trucks and commercial facilities carry an element of safety and environmental risk. To prevent environmental incidents from occurring, Parkland has extensive safety and environmental procedures and monitoring programs at all of its facilities. To mitigate the impact of a major accident, Parkland has emergency response programs in place and provides its employees with extensive training in operational responsibilities in the event of an environmental incident. Parkland is insured for all major environmental risk areas. There can be no assurances that such insurance will be adequate to cover all potential losses or that Parkland's mitigation efforts will be effective, in whole or in part.

DEPENDENCE ON KEY SUPPLIERS

Parkland's business depends to a large extent on a small number of fuel suppliers, a number of which are parties to long-term supply agreements with Parkland. An interruption or reduction in the supply of products and services by such suppliers could adversely affect Parkland's revenue and distributions in the future. Further, if any of the long-term supply agreements are terminated or end in accordance with their terms, Parkland may experience disruptions in its ability to supply customers with product until a new source of supply can be secured, if at all. Such a disruption may have a material negative impact on Parkland's revenues, distributions and its reputation. Additionally, Parkland cannot ensure that it will be able to renegotiate such agreements or negotiate new agreements on terms favorable to Parkland.

Parkland attempts to mitigate this risk by maintaining a diverse supply portfolio to include substantial volumes from each of its major suppliers and growing to a level of annual sales volumes that will offer potential suppliers a compelling share of the fuel supply business in our regional market. However, there can be no assurances that such mitigation efforts will be adequate, in whole or in part. Parkland has contracts in place with 8 refiners with contract durations ranging from 1 to 7 years and 55% of Parkland's fuel volumes correspond to contracts with 3 years or more remaining. One long-term supply contract, representing a large annual fuel volume where Parkland participates in the refiners' margins, can be terminated on three years notice, which can be given on or after December 31, 2010.

ECONOMIC CONDITIONS

Demand for transportation fuels fluctuates to a certain extent with economic conditions. In a general economic slowdown there is less recreational and industrial travel and consequently less demand for fuel products, which may adversely affect Parkland's revenue, profitability and ability to pay distributions.

Parkland serves the farm trade. This sector is subject to weather variation and commodity price fluctuation.

The oil and gas exploration sector is subject to changes in commodity prices and access to capital which impacts the drilling budgets of Parkland's customers. This largely affects oilfield fluids, propane and bulk fuel sales directly as well as impacts communities in primary exploration regions in Alberta and northern British Columbia.

The oil production sector is more stable but is impacted by long-term trends in exploration activity. Parkland provides propane and related product sales to this sector.

Forestry has seen reduced activity over the past several years and future activity is dependent upon trends in construction activity.

Mining is susceptible to variations in commodity prices. Parkland's fuel customers include several mines producing different metals and their demand for fuel may decline.

Part of Parkland's profitability is derived from its share of refiners' margins under a particular long-term supply contract. Refiners' margins may deteriorate in the face of declining demand for petroleum products or surplus refining capacity.

WEATHER

Parkland's sales volume and profitability are subject to weather influences especially winter temperatures. Parkland's heating oil and propane sales are greatest in the winter months but can decline if winter temperatures are warmer than normal. Parkland has propane and heating oil operations in Atlantic Canada, Ontario, Alberta, British Columbia and the Yukon Territory which all experience different weather patterns which can mitigate the impacts of regional winter temperature differences. In the spring and fall seasons, weather can negatively influence agricultural product sales in Parkland's commercial business group.

DEPENDENCE ON KEY PERSONNEL

Parkland's success will be substantially dependent on the continued services of senior management. The loss of the services of one or more members of senior management could adversely affect Parkland's operating results. In addition, Parkland's continued growth depends on the ability of Parkland and its subsidiaries to attract and retain skilled operating managers and employees and the ability of its key personnel to manage Parkland's growth and consolidate and integrate its operations. There can be no assurance that Parkland will be successful in attracting and retaining such managers, employees and other personnel.

ALTERNATE FUELS

Industry continues to develop alternate non-liquid fuel technologies and continues to improve the efficiency of internal combustion engines. To date, no economically viable alternative to the transportation fuels Parkland markets is widely available. Should such an alternative become widely available, it may negatively affect the demand for Parkland's products. As well, the federal government and certain provinces have developed or are developing legislation requiring the inclusion of ethanol in gasoline and use of biodiesel which may negatively affect the overall demand for fossil fuel products.

CLIMATE CHANGE

Parkland does not operate any industrial sites and is not a major emitter of greenhouse gases. The federal and provincial governments in Canada are formulating laws and regulations designed to limit greenhouse gas emissions which would be expected to result in a decline of consumption of petroleum products over time.

TECHNOLOGY

At the operational level, Parkland relies on electronic systems for recording of sales and accumulation of financial data. A major breakdown of computer systems would disrupt the flow of information and could cause a loss of records. This is mitigated by redundancies, emergency response plans and back-up procedures. However, there can be no assurances that such mitigation efforts will be successful in any circumstance and the conversion and upgrade of electronic systems could result in lost or corrupt data which could impact the accuracy of financial reporting and management information.

In March 2010, Parkland implemented an upgrade to its ERP system. The ERP implementation includes the conversion and integration of existing legacy applications and the re-engineering of many processes and controls. The March 2010 implementation caused difficulties in processing transactions, issuing invoices and collecting accounts receivable on a timely basis and resulted in increased working capital requirements. These difficulties that started in March 2010 continued through the third quarter of 2010 and caused the Fund to reschedule the reporting of the first, second and third quarter financial statements, while still meeting regulatory reporting deadlines. While the implementation challenges have been substantially overcome in the second and third quarters of 2010, there is risk that components of the ERP and related applications will not perform as planned, data could be lost and business could be disrupted. In addition, because of invoicing complications many customer accounts have paid outside of normal terms, certain customers' accounts may not be collected and certain customers may choose to discontinue dealing with Parkland. If the implementation challenges experienced are not fully overcome or additional difficulties or problems are encountered during the continuing implementation of the ERP system, Parkland could experience disruptions to its business and operations that could have a material adverse effect on its business and could impair its ability to report its operating results on a timely and accurate basis.

INSURANCE

Although we have a comprehensive insurance program in effect, there can be no assurance that potential liabilities will not exceed the applicable coverage limits under our insurance policies. Consistent with industry practice, not all risk factors are covered by insurance and no assurance can be given that insurance will be consistently available or will be consistently available on an economically feasible basis. The Fund maintains insurance coverage for most environmental risk areas, excluding underground tanks at service stations. Although not insured, these risks are managed through ongoing monitoring, inventory reconciliations and tank replacement programs.

MANAGEMENT OPERATIONS OF INDUSTRIES LP

The Board of Directors of Parkland Industries Ltd. oversees the management and operation of Parkland's operating entities. As a result, holders of units of Parkland will have limited say in matters affecting the operation of the business and, if such holders are in disagreement with the decisions of the Board of Directors, they will have limited recourse. The control exercised by the Board of Directors may make it more difficult for others to attempt to gain control or influence the activities of the operating entities.

INTEREST RATES

Most of Parkland's loans have floating rates and may be negatively impacted by increases in interest rates, the effect of such increases would be to reduce the amount of cash available for distributions. In addition, the market price of the units at any given time may be affected by the level of interest rates prevailing at such time. The $97.8 million convertible debentures bear interest at a 5 year annual fixed rate of 6.5% payable semi-annually in arrears on November 30 and May 31 in each year commencing May 31, 2010, reducing Parkland's exposure to variable rates.

GOVERNMENT LEGISLATION

Transportation fuel sales are taxed by the federal (GST and excise tax), provincial and, in some cases, municipal governments. Increases in taxes or changes in tax legislation are possible and could negatively affect profitability of the Fund.

REFINERY OPERATING PERMIT

The Bowden refinery has operated as a toll-based petrochemical processing site and fuel storage site. Parkland obtained a new permit in 2007 to allow for continued use or for alternative uses of the facility. The new permit expires in 2017.

If operations at the refinery are not continued, Parkland may incur significant remediation costs. An estimate of the potential future remediation cost has been accrued and provided for in Parkland's financial statements.

REGIONAL ECONOMIC CONDITIONS

Parkland's revenues may be negatively influenced by changes in regional or local economic variables and consumer confidence. External factors that affect economic variables and consumer confidence and over which Parkland exercises no influence include unemployment rates, levels of personal disposable income and regional or economic conditions. Changes in economic conditions could adversely affect consumer spending patterns, travel and tourism in certain of Parkland's market areas. Some of our sites are located in markets which are more severely affected by weak economic conditions. With the acquisition of Bluewave, Parkland has added Atlantic Canada economic exposure risk and at the same time has diversified overall Canadian exposure that was previously heavily weighted to Western Canada variables.

RISKS RELATED TO THE STRUCTURE OF THE FUND

The following items refer to the structure of the Fund and the legal entities that are contained within this structure. The structure is described in greater detail in the Annual Information Form and the 2009 Management Information Circular. Parkland Income Fund (the "Fund") owns Parkland Income Trust (the "Trust") which in turn owns a portion of Parkland Holdings Limited Partnership ("Holdings LP"). The remainder of Holdings LP is held by investors through the Class B and Class C Limited Partnership units referred to in Note 7 of the financial statements. Holdings LP owns Parkland Industries Limited Partnership ("Industries LP") which conducts most of the business of the Fund and owns Bluewave Energy Ltd. Holdings LP also owns Parkland Industries Ltd. (the "Administrator") which is the general partner of Industries LP, Parkland Refining Ltd. which holds the Bowden refinery assets, Joy Propane Ltd, United Petroleum Products, 0851738 BC Ltd. (Columbia Fuels) and Neufeld Petroleum and Propane Ltd.

CASH DISTRIBUTIONS ARE NOT GUARANTEED AND WILL FLUCTUATE WITH PERFORMANCE OF THE BUSINESS

Although the Fund intends to distribute the interest and distributions income earned by the Fund, less expenses and amounts, if any, paid by the Fund in connection with the redemption of units, there can be no assurance regarding the amounts of income to be generated by the business and transferred indirectly to the Fund.

The actual amount distributed in respect of the units will depend upon numerous factors, including profitability, fluctuations in working capital, the sustainability of margins, capital expenditures and the actual cash amounts distributed to the Fund, directly and indirectly, by the Trust, Holdings LP and Industries LP.

After 2010, when the Fund will convert to a corporation that intends to pay dividends in respect of its issued shares, the actual amount of dividends paid will depend upon numerous factors and there can be no assurance regarding the dividend amounts or timing of the dividends.

CAPITAL INVESTMENT

The timing and amount of expenditures for business acquisitions, additions of property, plant and equipment and intangibles will directly affect the amount of cash available for distribution to unitholders. Distributions may be substantially reduced at times when significant capital or other expenditures are made.

NATURE OF UNITS

Securities like the units of the Fund are hybrids in that they share certain attributes common to both equity securities and debt instruments. The units do not represent a direct investment in the Fund, Holdings LP, Industries LP or the Administrator and should not be viewed by investors as trust units, trust notes, Holdings LP units, Industries Participating LP units or Parkland shares. As holders of units of the Fund, unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The units represent a fractional interest in the Fund. The Fund's primary assets are the trust notes and trust units. The price per unit is a function of anticipated Distributable Cash and other market factors.

The units are not "deposits" within the meaning of the Canada Deposit Insurance Corporation Act (Canada) and are not insured under the provisions of the Act or any other legislation. Furthermore, the Fund is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

As approved by the Fund's unitholders on May 3, 2010, Parkland will convert into a corporation no later than January 2011 and all unitholders and LP holders will receive new shares in return for their current Parkland units on a one-for-one basis. The new shares will have all of the normal features of equity securities and will be direct investments in Parkland Fuel Corporation.

DISTRIBUTION OF SECURITIES ON REDEMPTION OR TERMINATION OF THE FUND

Upon redemption of units or termination of the Fund, the trustee may distribute the fund notes, trust notes, trust units or Holdings LP Units directly to the unitholders, subject to obtaining any required regulatory approvals. Fund notes, trust notes, trust units or Holdings LP units so distributed may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans and other registered plans, depending upon the circumstances at the time.

On May 3, 2010, Parkland's unitholders approved proposed plan to convert the Fund into Parkland Fuel Corporation, a new public corporation, on a tax deferred unit for corporate share exchange on a one-for-one basis. The conversion will be completed no later than January 2011.

THE FUND MAY ISSUE ADDITIONAL UNITS DILUTING EXISTING UNIT-HOLDERS' INTERESTS

The Fund Declaration of Trust authorizes the Fund to issue an unlimited number of units for the consideration and on those terms and conditions as are established by the Directors without the approval of any unitholders. Additional units will be issued by the Fund on the exchange of Rollover LP Units.

RESTRICTIONS ON POTENTIAL GROWTH

The payout by Industries LP of substantially all of its operating cash flow will make additional capital and operating expenditures dependent on increased cash flow or additional financing in the future. Lack of those funds could limit the future growth of Industries LP and its cash flow.

INVESTMENT ELIGIBILITY AND FOREIGN PROPERTY

There can be no assurance that the units or shares of Parkland Fuel Corporation (after 2010) will continue to be qualified investments for registered retirement savings plans, deferred profit sharing plans, registered retirement income trusts, registered education savings plans or other registered plans or that the units will not be foreign property under the Tax Act. The Tax Act imposes penalties for the acquisition or holding of non-qualified or ineligible investments and on excess holdings of foreign property.

ENACTMENT OF THE TAX ON INCOME TRUSTS

On June 12, 2007, the legislation ("Bill C-52") implementing the new tax on publicly traded income trusts and limited partnerships (the "SIFT tax"), referred to as "Specified investment flow-through" ("SIFT") entities received third reading in the House of Commons and on June 22, 2007, the Bill received Royal Assent. For SIFTs in existence on October 31, 2006 including Parkland, the SIFT tax will be effective in 2011 or earlier if certain rules related to "undue expansion" are not adhered to.

Under the SIFT tax, distributions from certain types of income will not be deductible for income tax purposes by SIFTs in 2011 and thereafter and any resultant trust level taxable income will be taxed at an approximate of the corporate income tax rate. The SIFT rate was initially 31.5% however on October 30, 2007, the Government of Canada, in its Mini-Budget, proposed changing the rate to match corporate rates. Distributions from income subject to the SIFT tax will be considered taxable dividends to unitholders, generally eligible for the dividend tax credit. As a result, the SIFT tax will not adversely affect Canadian investors who hold Parkland units in a non-tax deferred account. Distributions representing a return of capital for income tax purposes will continue to be an adjustment to a unitholders' adjusted cost base of trust units.

As a result of the SIFT legislation that passed in June 2007, the Fund is subject to certain capital growth restrictions referred to as "normal growth" equity rules. These rules limit the amount of unitholders' capital that can be issued by the Fund up to December 31, 2010 based on the Fund's market capitalization on October 31, 2006. The Fund's remaining available growth capital (i.e. Safe Harbour Room) as at September 30, 2010 is $60.5 million. If the Fund exceeds its maximum equity growth, the Fund may be subject to trust taxation prior to 2011.

At the May 3, 2010 Parkland Annual and Special Meeting, Parkland received approval from unitholders to complete the conversion of Parkland Income Fund into a new public corporation (Parkland Fuel Corporation) effective no later than January 2011. Parkland will schedule a second Special Meeting of unitholders to re-approve the conversion plan if there is a material change in business conditions before conversion or if Parkland proposes conversion before 2011 because of acquisition opportunities or other factors.

As a corporation, Parkland will pay applicable Federal and Provincial corporate income taxes. After conversion, provided there are no material adverse changes in Parkland's outlook for business conditions, Parkland plans to become a balanced yield and growth Company with an expected dividend between 75% and 110% of the Fund's 2009 annual distribution of $1.26 per unit.

Parkland's trust to corporation conversion plan and corresponding dividend policy is subject to existing Canadian tax laws and Parkland's outlook for business conditions and preferred capital structure. Changes in Canadian Tax laws or adverse changes in Parkland's business outlook could negatively impact the conversion plan and Parkland's intended corporate dividend policy.

SUPPLEMENTARY INFORMATION

Parkland seeks to provide relevant information to allow investors to evaluate its operations. The nature of this information is limited by competitive sensitivities, confidentiality terms in written agreements and Parkland's policy not to provide guidance regarding future earnings. We have developed a template of supplementary information that is published with each quarterly financial report. For persons seeking information regarding fuel margins we refer to outside sources: websites of western Canadian refiners, Bloomberg's Oil Buyers Guide, Nymex contracts for gasoline and crude oil as well as Government of Canada and Natural Resources Canada reports. Data from these sources will not be sufficient to calculate Parkland's fuel margin given that it does not correlate directly with our market region and supply contracts, but should indicate margin trends.

DISTRIBUTION REINVESTMENT PLAN

Parkland has a Distribution Reinvestment Plan administered by Valiant Trust. Details are available from the Fund or from Valiant Trust.

CONTROLS ENVIRONMENT

Management is responsible for the preparation and fair presentation of the consolidated financial statements. Parkland has established disclosure controls and procedures, internal controls over financial reporting, and corporate-wide policies to provide that Parkland's consolidated financial position, results of operations and cash flows are presented fairly. Parkland's disclosure controls and procedures are designed to ensure timely disclosure and communication of all material information required by regulators.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, these systems provide reasonable, but not absolute assurance, that financial information is accurate and complete. Due to the inherent limitations in all control systems, internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect all misstatements.

Parkland, under the supervision and participation of management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the design of its disclosure controls and procedures and internal control over financial reporting pursuant to National Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings" as of the end of the period covered by this report. Based on the evaluations, it was concluded that our disclosure controls and procedures are designed to provide reasonable assurance that information required is recorded, processed, summarized and reported within the time periods specified by the applicable Canadian securities regulators and include controls and procedures designed to provide reasonable assurances that information required to be disclosed in reports filed or submitted under applicable Canadian securities regulations is accumulated and communicated to Parkland's management, including Parkland's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Furthermore, it was concluded that the design of our internal control over financial reporting (including Parkland's new ERP system and compensating controls established in connection with the implementation of such ERP system) provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Parkland has a Disclosure Committee, consisting of three senior management members, that approves all items for public disclosure and also considers whether all items required to be disclosed are disclosed.

Significant change in Internal Controls

Parkland has recently undergone extensive business process re-engineering and an upgrade of its ERP software. The upgraded system was implemented on March 1, 2010 with the following objectives:

- Introduce best business practices, consistency and uniformity to its core business operations, controls and accounting processes;
- Integrate all systems and processes of the business, including that of the acquired companies, into its ERP software (initially excluding Columbia Fuels and Bluewave); and
- Complete the integration of the acquired companies by merging systems, processes, controls and operations.

Due to the size and complexity of the ERP implementation and stabilization that continued through the third quarter of 2010, all supporting processes and controls have not yet fully stabilized and continue to be refined to align with the new system. In addition, at different times in the quarter, certain controls were not completely executed as designed within the ERP system and resulted in Parkland identifying certain difficulties with the ERP's ability during this time to process transactions, issue invoices and collect accounts receivable on a timely basis. To compensate for such deficiencies, additional account reconciliations, specific transaction price and volume testing procedures, Senior Management review of adjustments and operating results including comparisons to budget and last year, and other analytical procedures were designed and performed throughout the quarter and at quarter-end to address any risks from the introduction of the ERP system into the organization's control structure. A dedicated team has also been put in place to resolve the outstanding issues with the ERP system and a sub-committee of the Board of Directors is monitoring the efforts. Parkland is of the view that the compensating controls designed and implemented to compensate for the deficiencies identified during the ERP system implementation address the financial reporting risks inherent in such deficiencies and such compensating controls have been designed by, or are under the supervision of, Parkland's Chief Executive Officer and Chief Financial Officer. While management is of the view that the steps taken to compensate for the controls' deficiencies encountered during the implementation of the new ERP system and its ongoing efforts are reasonable and adequate, the design and implementation of any system of control is also based upon certain assumptions about the likelihood of future events, and there can be no assurance that the design or the implementation of any system of control (including compensating controls) will succeed in achieving its stated goals under all potential conditions.

NEW ACCOUNTING STANDARDS ADOPTED

Recent Accounting Standards

Business Combinations, Consolidated Financial Statements and Non-controlling Interests

In January 2009, the CICA issued three new accounting standards: Handbook Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-controlling Interests. Section 1582 provides clarification as to what an acquirer must measure when it obtains control of a business, the basis of valuation and the date at which the valuation should be determined. Acquisition-related costs must be accounted for as expenses in the periods they are incurred, except for costs incurred to issue debt or share capital. This new standard will be applicable for acquisitions completed on or after January 1, 2011 although adoption in 2010 is permitted to facilitate the transition to International Financial Reporting Standards in 2011. Section 1601 establishes standards for preparing consolidated financial statements after the acquisition date; Section 1602 establishes standards for the accounting and presentation of non-controlling interests. These new standards must be adopted concurrently with Section 1582.

International Financial Reporting Standards ("IFRS")

Canadian public companies will be required to prepare their financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board, for fiscal years beginning on or after January 1, 2011. Effective January 1, 2011, Parkland will adopt IFRS as the basis for preparing its consolidated financial statements. Parkland will report the financial results for the quarter ended March 31, 2011 on an IFRS basis. Parkland will also provide comparative 2010 data on an IFRS basis, including an opening balance sheet as at January 1, 2010.

Since 2008, Parkland has been engaged in assessing the IFRS conversion impact on accounting policies and procedures, on the financial statements and on business activities. In addition, Parkland has engaged international consultants to assist with the assessment of appropriate accounting policies and with the development of an IFRS conversion and implementation plan. The Fund's technical analysis and recommended accounting policies are currently being considered by the Fund's auditors. The following areas have been identified as potentially having a high to moderate impact in terms of work-load and/or financial statement adjustment compared to GAAP. The operational impact is expected to be minor and the Fund is analyzing the potential impact on loan covenants.

- Fund Units and the Class B and C Limited Partnership Units could be classified as liabilities or as equity, depending upon the interpretation of certain IFRS criteria. As Parkland intends to convert to a corporation effective January 2011, the final liability or equity position will only impact the presentation of 2010 comparative information and will not impact any debt covenant calculations. If Fund Units or Limited Partnership Units are treated as liabilities in the comparative information, 2010 distributions on the same Units may be treated as interest expense and a reduction to 2010 comparative net earnings.
- The conversion to IFRS affects Property, Plant & Equipment in three ways – componentization, decommissioning and possible adjustment to carrying values. IFRS requires a higher level of componentization of assets than GAAP. New capital asset management policies have been developed by the Fund; the implementation analysis has been completed and conversion plans are established. IFRS requires the accrual of decommissioning costs where a constructive obligation exists. The impact is being estimated for each applicable Parkland site using current cost estimates and current inflation and risk-free interest rates. Parkland has over 100 properties, many of which were acquired at least ten years ago and may require adjustment on the balance sheet to include decommissioning costs, which would increase the book value of these assets. The Fund is considering adjusting the carrying value of these properties on conversion to fair value and is looking at cost effective alternatives to determine market values which will then be allocated to the smallest independent cash flow generating unit (CGU).
- Parkland intends to utilize exemptions on conversion with respect to prior business acquisitions so that the application of IFRS 3R will not be applied to acquisitions before January 1, 2010. These exemptions on conversion will allow Parkland to carry forward past business acquisitions at historically recorded values, excluding regular reviews for impairment.

- IFRS requires that assets including goodwill be allocated by CGU and be tested for impairment. Parkland is considering a number of different approaches to the definition of CGUs, and will finalize the Fund's approach in the fourth quarter.

Since 2008, Management has provided an IFRS update presentation to its Audit Committee at each quarterly meeting. Management has provided the Audit Committee and the Board of Directors with a timeline for implementation, the implications of IFRS standards to the business and an overview of the areas of potential impact on the financial statements. The post-2010 financial statement impact for IFRS is being estimated for potential adjustments to Property Plant & Equipment for estimated adjustments to carrying values, amortization expense and decommissioning costs. There are various accounts and components that are being analyzed and the Fund is still finalizing the estimates. Effective January 1, 2010 IFRS transaction data and amortization amounts resulting in potential adjustments to Property Plant & Equipment are being captured by Parkland with the exception of potential adjustments resulting from the recent acquisitions of Bluewave and Columbia Fuels. IFRS conversion analysis in conjunction with Parkland's intended IFRS policies has been expanded to include Bluewave and Columbia Fuels and IFRS transaction data for Bluewave and Columbia Fuels will be captured including adjustments back to the latter of acquisition date or January 1, 2010.

A pro-forma draft of the 2011 first quarter financial statements (ended March 31, 2011) is being prepared for management to facilitate the assessment of internal controls over financial reporting, and disclosure controls and procedures. As management completes the reviews of accounting policies and procedures and of financial statement presentation including note disclosures and as changes are made to Parkland's ERP system, appropriate changes will be made to ensure the continuing integrity of internal controls.

Parkland has identified resource requirements to establish appropriate IFRS financial reporting expertise within the business. Key staff have been trained and new staff have been hired to support IFRS including staff at Bluewave. IFRS training will be an integral part of ongoing professional development for accounting staff.

Parkland continues its review and approval of accounting policies and plans to have completed the systems conversions and implementation of any new procedures to ensure the integrity of internal controls by the end of the fourth quarter of 2010. Management will prepare a draft January 1, 2010 IFRS consolidated balance sheet for presentation to the Audit Committee and review with the Fund's auditors.

CONTRACTUAL OBLIGATIONS

Parkland has contracted obligations under various debt agreements as well as under operating and capital leases for land, building and equipment. Minimum lease and principal payments ($000's) under the existing terms are as follows:

Year ending, as of Sept 30	Mortgages, bank indebtedness, bank loans, notes payable, and convertible debentures	Operating Leases	Capital Leases
		2,529	
2010	18	5,714	485
2011	125,797	4,964	1,355
2012	125,505	4,432	2,689
2013	-	3,131	755
2014	97,750	-	91
Thereafter	-	13,076	799
	349,070	33,846	6,174

The Fund also has purchase commitments under its fuel supply contracts that require the purchase of approximately 1.0 billion litres of product over the next year.

The convertible debentures are convertible into trust units (or shares after conversion to a corporation) at the option of the holder at any time up to November 30, 2014 at a conversion price of $14.60 per trust unit.

UNITS OUTSTANDING

As at November 12, 2010, Parkland had approximately 52.0 million units outstanding and 0.4 million unit options outstanding. All of the options outstanding are currently exercisable into units.

CONSOLIDATED BALANCE SHEET

(unaudited)

($000's)	September 30, 2010	December 31, 2009
Assets		
Current Assets		
Cash and cash equivalents	**57,920**	17,612
Accounts receivable (Note 3)	**239,831**	114,763
Income tax recoverable	**813**	771
Inventories	**58,880**	51,757
Prepaid expenses and other	**6,319**	8,146
Future income taxes	**11,365**	-
	375,128	193,049
Property, plant and equipment (Note 4)	**229,044**	210,985
Intangible assets (Note 5)	**112,083**	35,485
Goodwill	**102,517**	28,269
Other long-term assets	**3,372**	2,927
Future income taxes	**-**	3,620
	822,144	474,335
Liabilities		
Current Liabilities		
Operating Loan (Note 6)	**68,000**	28,000
Accounts payable and accrued liabilities	**189,316**	106,047
Distributions declared and payable	**5,503**	5,205
Deferred revenue	**1,365**	5,520
Long-term debt - current portion (Note 6)	**1,516**	1,052
Other long-term liabilities - current portion (Note 6)	**2,387**	-
	268,087	145,824
Long-term debt (Note 6)	**255,333**	25,917
Other long-term liabilities (Note 6)	**2,538**	-
Convertible debentures	**88,428**	87,827
Asset retirement obligations	**5,835**	5,462
Refinery remediation accrual	**6,752**	6,527
Future income taxes	**12,397**	12,020
	639,370	283,577
Unitholders' Capital (Note 7)		
Class B Limited Partners' Capital	**722**	2,440
Class C Limited Partners' Capital	**7,583**	53,881
Unitholders' Capital	**168,781**	128,749
Convertible debenture equity	**5,688**	5,688
	182,774	190,758
	822,144	474,335

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME AND RETAINED EARNINGS

(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
($000's except per Unit amounts)	**2010**	2009	**2010**	2009
Net sales and operating revenue	**796,534**	543,084	**2,082,583**	1,477,622
Cost of sales	**718,273**	482,484	**1,845,690**	1,284,991
Gross profit	**78,261**	60,600	**236,893**	192,631
Expenses				
Operating and direct costs	**39,194**	25,795	**112,846**	78,012
Marketing, general and administrative	**20,932**	13,362	**56,119**	37,477
Amortization	**16,470**	9,875	**45,886**	28,090
Refinery remediation	**75**	105	**225**	315
Accretion expense on asset retirement obligations	**227**	21	**252**	64
Interest on long-term debt	**5,187**	1,594	**13,848**	3,706
Interest and accretion on convertible debentures	**1,810**	-	**5,362**	-
(Gain) loss on disposal of property, plant and equipment	**(1,344)**	1,295	**(2,628)**	(359)
	82,551	52,047	**231,910**	147,305
(Loss) earnings before income taxes	**(4,290)**	8,553	**4,983**	45,326
Income tax expense (recovery)				
Current	**(28)**	(1,100)	**(28)**	2,000
Future	**(4,710)**	(400)	**(14,385)**	(800)
	(4,738)	(1,500)	**(14,413)**	1,200
Net earnings	**448**	10,053	**19,396**	44,126
Comprehensive income	**448**	10,053	**19,396**	44,126
Retained earnings, beginning of period	**-**	-	**-**	-
Allocation to Class B Limited Partners (Note 7)	**(22)**	(517)	**(951)**	(2,489)
Allocation to Class C Limited Partners (Note 7)	**(15)**	(1,078)	**(718)**	(4,677)
Allocation to Unitholders (Note 7)	**(411)**	(8,458)	**(17,727)**	(36,960)
Retained earnings, end of period	**-**	-	**-**	-
Net earnings per Unit				
- basic	**$0.01**	$0.20	**$0.37**	$0.88
- diluted	**$0.01**	$0.20	**$0.37**	$0.88
Units outstanding (Note 7)			**52,037**	50,194

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
($000's)	**2010**	2009	**2010**	2009
Cash Provided By Operations				
Net earnings	**448**	10,053	**19,396**	44,126
Add (deduct) non-cash items				
Amortization	**16,470**	9,875	**45,886**	28,090
(Gain) loss on disposal of property, plant and equipment	**(1,344)**	1,295	**(2,628)**	(359)
Unit incentive compensation (Note 7)	**970**	832	**2,767**	2,498
Refinery remediation accrual	**75**	105	**225**	315
Accretion expense on asset retirement obligation	**227**	21	**252**	64
Accretion on convertible debenture	**204**	-	**605**	-
Future taxes recovery	**(4,710)**	(400)	**(14,385)**	(800)
Funds flow from operations (1)	**12,340**	21,781	**52,118**	73,934
Cash expenditures on asset retirement obligation	**(229)**	-	**(444)**	-
Net changes in non-cash working capital (Note 15)	**(153)**	(6,997)	**(1,383)**	34,482
Cash from operating activities	**11,958**	14,784	**50,291**	108,416
Financing Activities				
Long-term debt repayments	**(1,174)**	(62)	**(1,972)**	(310)
Distributions to Class B Limited Partners (Note 7)	**(806)**	(814)	**(2,417)**	(2,632)
Distributions to Class C Limited Partners (Note 7)	**(544)**	(1,694)	**(1,852)**	(5,016)
Distributions to Unitholders (Note 7)	**(14,913)**	(13,299)	**(44,643)**	(39,577)
Fund units issued for cash (Note 7)	**747**	404	**3,203**	1,414
Proceeds from long-term debt	**-**	-	**227,381**	23,452
Net changes in non-cash working capital (Note 15)	**(2,892)**	4	**40,298**	(31,025)
Cash from (used for) financing activities	**(19,582)**	(15,461)	**219,998**	(53,694)
Investing Activities				
Acquisition of Imperial Oil Customer Volume (Note 10)	**-**	-	**-**	(7,200)
Acquisition of Columbia Fuels (Note 11)	**-**	(266)	**-**	(33,472)
Acquisition of Anmart Fuels fuel marketing business (Note 12)	**-**	(4,812)	**-**	(4,812)
Acquisition of Bluewave Energy (Note 9)	**-**	-	**(206,890)**	-
Change in other assets	**1,928**	(45)	**236**	630
Additions of property, plant and equipment	**(7,095)**	(12,812)	**(21,566)**	(26,950)
Additions of intangibles	**(886)**	-	**(5,735)**	-
Proceeds on sale of property, plant and equipment	**1,213**	136	**3,974**	2,404
Cash used for investing activities	**(4,840)**	(17,799)	**(229,981)**	(69,400)
(Decrease) Increase in cash and cash equivalents	**(12,464)**	(18,476)	**40,308**	(14,678)
Cash and cash equivalents, beginning of period	**70,384**	23,327	**17,612**	19,529
Cash and cash equivalents, end of period	**57,920**	4,851	**57,920**	4,851

See accompanying notes to consolidated financial statements.

(1) A non-GAAP financial measure

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

September 30, 2010
All amounts presented in thousands of Canadian dollars, except unit and per unit information.

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES
These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

The unaudited interim Consolidated Financial Statements include the accounts of Parkland Income Fund and its subsidiaries, partnerships and trusts (collectively "Parkland" or the "Fund").

The notes presented in these unaudited interim Consolidated Financial Statements include only significant events and transactions occurring since the Fund's last fiscal year and are not fully inclusive of all matters required to be disclosed in the Fund's annual audited Consolidated Financial Statements. As a result, these unaudited interim Consolidated Financial Statements should be read in conjunction with the Fund's audited Consolidated Financial Statements for the year ended December 31, 2009.

The unaudited interim Consolidated Financial Statements follow the same accounting policies and methods of applications as the most recent annual audited Consolidated Financial Statements except as noted below.

New Parkland
At the May 3, 2010 Parkland Annual and Special Meeting, the Fund received approval from unitholders to complete the conversion of Parkland Income Fund into a new public corporation (Parkland Fuel Corporation) by way of a trust unit for corporate share tax-deferred exchange effective no later than January 2011.

New Option Plan
At the May 3, 2010 Annual and Special Meeting, the Fund received approval from unitholders to implement a New Option Plan for the Parkland Fuel Corporation starting in January 2011. The issuance from treasury under the New Option Plan, together with any other compensation arrangement, shall not exceed 10% of the issued and outstanding common shares. The number of common shares issuable will range from 535,887 (1.1%) to 3,906,592 (7.6%) of the then issued and outstanding Common Shares. The eligible participants are officers, employees or consultants of the new Parkland Fuel Corporation or a subsidiary of the Parkland Fuel Corporation. The exercise price shall be fixed by the Board of Directors at the time of grant; provided that the exercise price shall not be less than fair market value of the common shares. See Note 7 for a description of the existing Unit Option Plan for the Fund.

New Restricted Share Unit Plan
At the May 3, 2010 Annual and Special Meeting, the Fund received approval from unitholders to implement a New Restricted Share Unit Plan for the Parkland Fuel Corporation starting in January 2011. The issuance from treasury under the New Restricted Share Unit Plan, together with any other compensation arrangement, shall not exceed 10% of the issued and outstanding common shares. The maximum number of restricted share units reserved for issuance and available for grant will be 3,906,592 common shares. The new restricted units will vest over a 3 year period. The vesting of units is subject to performance conditions, including continued employment along with performance criteria. See Note 7 for a description of the existing Restricted Unit Plan for the Fund.

2. CHANGES IN ACCOUNTING POLICIES

FUTURE
Business Combinations, Consolidated Financial Statements, and Non-controlling Interests
In January 2009, the CICA issued three new accounting standards: Handbook Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-controlling Interests. Section 1582 provides clarification as to what an acquirer must measure when it obtains control of a business, the basis of valuation and the date at which the valuation should be determined. Acquisition-related costs must be accounted for as expenses in the periods they are incurred, except for costs incurred to issue debt or share capital. This new standard will be applicable for acquisitions completed on or after January 1, 2011 although adoption in 2010 is permitted to facilitate the transition to IFRS in 2011. Section 1601 establishes standards for preparing consolidated financial statements after the acquisition date; Section 1602 establishes standards for the accounting and presentation of non-controlling interest. These new standards must be adopted concurrently with Section 1582.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. ACCOUNTS RECEIVABLE

($000's)	September 30, 2010	December 31, 2009
Parkland trade accounts receivable	**124,230**	100,728
Columbia Fuels trade accounts receivable	**13,972**	10,130
Bluewave Energy trade accounts receivable	**76,917**	-
Miscellaneous, government and other non-trade accounts receivable	**33,313**	7,505
Allowance for doubtful accounts	**(8,601)**	(3,600)
	239,831	114,763

4. PROPERTY, PLANT AND EQUIPMENT

September 30, 2010 ($000's)	**Cost**	**Accumulated Amortization**	**Net Book Value**
Land	**33,198**	**-**	**33,198**
Land improvements	**17,529**	**4,742**	**12,787**
Buildings	**68,515**	**18,766**	**49,749**
Assets under capital lease	**8,758**	**2,645**	**6,113**
Equipment	**241,628**	**114,431**	**127,197**
	369,628	**140,584**	**229,044**

December 31, 2009 ($000's)	Cost	Accumulated Amortization	Net Book Value
Land	31,714	-	31,714
Land improvements	13,449	3,548	9,901
Buildings	66,444	16,953	49,491
Assets under capital lease	4,302	666	3,636
Equipment	211,587	95,344	116,243
	327,496	116,511	210,985

5. INTANGIBLE ASSETS

September 30, 2010 ($000's)	**Cost**	**Accumulated Amortization**	**Net Book Value**
Customer relationships	**115,396**	**25,584**	**89,812**
Tradenames	**6,366**	**3,743**	**2,623**
Non-compete agreements	**2,771**	**1,070**	**1,701**
Software systems	**17,947**	**-**	**17,947**
	142,480	**30,397**	**112,083**

December 31, 2009 ($000's)	Cost	Accumulated Amortization	Net Book Value
Customer relationships	29,696	9,962	19,734
Tradenames	4,966	2,819	2,147
Non-compete agreements	2,171	668	1,503
Software systems	12,101	-	12,101
	48,934	13,449	35,485

6. LONG-TERM DEBT AND OTHER LONG-TERM LIABILITIES

LONG-TERM DEBT

($000's)	**September 30, 2010**	December 31, 2009
Bank loans	**42**	94
Extendible facility - Capital loan	**251,003**	23,504
Mortgage payable	**275**	295
Capital lease obligations	**5,529**	3,076
	256,849	26,969
Less current portion	**1,516**	1,052
	255,333	25,917

Estimated repayments for the next five years are:

($000's)	2010	2011	2012	2013	2014	Thereafter	Interest expense included in minimum lease payments	Total
Obligations under capital lease	485	1,355	2,689	755	91	799	(645)	5,529
Other loans	18	125,797	125,505	-	-	-	-	251,320
	503	127,152	128,194	755	91	799	(645)	256,849

Bank Loans

Bank loans are payable in monthly installments of $6. The bank loan is non-interest bearing and is secured by vehicles with a net book value of $65 (December 31, 2009 - $100).

Extendible Facility

On June 7, 2010 the Fund amended and renewed the credit facility originally executed on June 8, 2009, including the operating loan, capital loan and the letters of credit. The amended extendible facility is a revolving extendible facility for a maximum amount of $400,000 with interest only payable at the bank's prime lending rate plus 2.5% to 3.75% per annum. The extendible facility includes the following components:

(i) a revolving operating loan for working capital requirements to a maximum of $90,000 subject to margin calculations. As at September 30, 2010 the outstanding balances totaled $68,000 (December 31, 2009 - $28,000). The operating facility bears interest at prime plus 3.75%. The effective rate of interest at the period ending September 30, 2010 was 6.75% (December 31, 2009 - 5.00%).

(ii) a capital loan with interest only payable to a maximum of $275,000. As at September 30, 2010 the outstanding balances totaled $251,003 (December 31, 2009 - $23,504). The interest is payable monthly at the bank's prime lending rate plus 3.75% per annum. The effective rate of interest at the period ending September 30, 2010 was 6.75% (December 31, 2009 - 5.00%).

(iii) a letter of credit facility to a maximum of $35,000. As at September 30, 2010, outstanding balances totaled $28,548 (December 31, 2009 - $28,500) which mature at various dates to October 29, 2010.

The extendible facility was renewed on June 7, 2010 for an additional 364 days to June 6, 2011. If the extendible facility is not extended past June 6, 2011, all amounts outstanding are repayable in eight equal and consecutive quarterly installments, commencing on the last day of the third month following the then maturity date. The extendible facility also incurs standby fees for any unused portion of the facility at a rate of 0.875% to 1.1875% depending on the ratio of funded debt to earnings before interest, taxes, depreciation and amortization ("EBITDA" a non-GAAP financial measure, see Note 8 for a reconciliation of net earnings to EBITDA). Security for the extendible facility is the assignment of insurance and an unlimited guarantee from the secured entities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at September 30, 2010 the Fund was in compliance with all bank covenants.

Mortgage Payable

The mortgage is payable in yearly installments of $20 and due February 12, 2011. Interest on the mortgage is 8% per annum and the mortgage is secured by the land and buildings with a net book value of $1,086 (December 31, 2009 $1,800).

Capital Leases

Capital leases are payable in monthly installments totaling $135 including interest varying from 0% to 10.37%. The leases are for land, buildings and equipment with a net book value of $6,113 (December 31, 2009 $3,636), and mature at various dates ending up to July 2022.

OTHER LONG-TERM LIABILITIES

The other long-term liabilities are non-interest bearing, with principle repayments of $1,237 required in 2010, $1,152 in 2011, $1,997 in 2012 and $208 in 2013. The debt has been recorded at its fair market value at September 30, 2010 of $4,925. The fair market values was determined using a market interest rate of 7.6%.

7. UNITHOLDERS' CAPITAL

An unlimited number of Fund units and Class B and Class C Limited Partnership ("LP") units may be created and issued, pursuant to the Fund Declaration of Trust and the Amended and Restated Limited Partnership Agreement, respectively, as outlined in the Plan of Arrangement.

Fund units represent an undivided interest in the Fund. Class B and Class C LP units represent a partnership interest in Parkland Holdings Limited Partnership and are exchangeable on a one-for-one basis into Fund units. Fund unitholders and Class B and Class C LP unitholders are entitled to vote at meetings of the Fund and are entitled to distributions from time to time as determined by the Board of Directors.

The Fund had no accumulated other comprehensive income at September 30, 2010 and December 31, 2009.

	September 30, 2010		December 31, 2009	
	Number of Units (000's)	**Amount ($000's)**	Number of Units (000's)	Amount ($000's)
Class B Limited Partnership Units				
Balance, beginning of period	**2,577**	**2,440**	2,885	3,153
Allocation of retained earnings	**-**	**951**	-	2,730
Distribution to partners	**-**	**(2,417)**	-	(3,443)
Exchanged for Fund Units	**(19)**	**(252)**	(308)	-
Balance, end of period	**2,558**	**722**	2,577	2,440
Class C Limited Partnership Units				
Balance, beginning of period	**5,309**	**53,881**	5,238	53,461
Issued on capital acquisition, net of issue costs	**1,240**	**15,562**	208	1,935
Allocation of retained earnings	**-**	**718**	-	5,174
Distribution to partners	**-**	**(1,852)**	-	(6,689)
Exchanged for Fund Units	**(4,825)**	**(60,726)**	(137)	-
Balance, end of period	**1,724**	**7,583**	5,309	53,881
Fund Units				
Balance, beginning of period	**42,308**	**128,749**	41,542	134,942
Allocation of retained earnings	**-**	**17,727**	-	40,700
Issued on vesting of restricted units	**254**	**-**	136	-
Unit incentive compensation	**-**	**2,767**	-	2,950
Issued for cash, net of issue costs	**-**	**-**	4	35
Issued under distribution reinvestment plan	**195**	**2,190**	144	1,332
Issued under unit option plan	**154**	**1,013**	146	942
Distribution to unitholders	**-**	**(44,643)**	-	(52,152)
Exchange of Limited Partnership Units	**4,844**	**60,978**	445	-
Expired exchange units	**-**	**-**	(109)	-
Balance, end of period	**47,755**	**168,781**	42,308	128,749
Convertible equity	**-**	**5,688**	-	5,688
Balance, end of period	**47,755**	**174,469**	42,308	134,437
Total For Fund, Class B, Class C	**52,037**	**182,774**	50,194	190,758

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unit Option Plan

The Fund has a Unit Option Plan under which the Fund may grant up to 3,600,000 unit options to directors, officers, employees and consultants. The maximum number of options is reduced by the number of units allocated to the Restricted Unit Plan. The unit options have a 10 year term and, with limited exceptions, vest proportionally over the first three anniversary dates following the grant.

The table below represents the status of the Fund's Unit Option Plan as at the end of the period and the changes therein:

	September 30, 2010		December 31, 2009	
	Number of Units (000's)	**Weighted Average Exercise Price**	Number of Units (000's)	Weighted Average Exercise Price
Option units, beginning of period	**536**	**$6.62**	682	$6.58
Exercised	**(154)**	**6.60**	(146)	6.45
Option units, end of period	**382**	**$6.63**	536	$6.62
Exercisable options, end of period	**382**	**$6.63**	536	$6.62

Exercise prices for outstanding options at September 30, 2010 have the following ranges: 33,372 from $4.15 - $5.87, 90,998 from $6.32 - $6.68 and 258,010 from $6.73 - $7.27. These issue prices represent the market value at the time of issue. The corresponding remaining contractual life for these options range from three to six years.

The Fund accounts for its grants of options using the fair value based method of accounting for stock based compensation. The total cost to be reported in 2010 is $128 (2009 - $200) and is included in the marketing, general and administrative expenses.

Restricted Unit Plan

Effective January 1, 2006, the Fund adopted a Restricted Unit Plan to complement the Unit Option Plan. Under the Restricted Unit Plan the units granted in 2006 vest over a five year period and the units granted in 2007, 2008, 2009 and 2010 vest over a three year period. The units vestings are subject to entity performance criteria, including maintenance of monthly distributions for certain grants and vesting periods.

The table below represents the status of the Fund's Restricted Unit Plan as at the end of the period and the changes therein:

	September 30, 2010		December 31 2009	
	Number of Units (000's)	**Weighted Average Unit Price**	Number of Units (000's)	Weighted Average Unit Price
Restricted units, beginning of period	**685**	**$8.28**	339	$12.70
Granted	**312**	**12.86**	506	6.40
Issued on vesting	**(254)**	**9.70**	(136)	12.81
Cancelled	**(74)**	**9.80**	(24)	13.33
Restricted units, end of period	**669**	**$9.44**	685	$8.28

The Fund accounts for its grants of restricted units over the graded vesting schedule of each grant. Each grant of restricted units is treated as if the grant were a series of awards rather than a single award. The fair value of the award is determined based on the different expected lives for the restricted units that vest each year. The compensation cost that has been included in marketing, general and administrative expenses for nine months ended September 30, 2010 is $2,638 (September 30, 2009 - $2,600)

All amounts presented in thousands of Canadian dollars, except unit and per unit information.

8. CAPITAL MANAGEMENT

The Fund's capital structure is comprised of Unitholder's capital plus long-term debt. The Fund's objectives when managing its capital structure are to:

1. maintain financial flexibility so as to preserve the Fund's access to capital markets and its ability to meet its financial obligations; and
2. finance internally generated growth as well as potential acquisitions.

The Fund monitors its capital structure and financing requirements using non-GAAP financial metrics consisting of Net Debt to Capitalization and Net Debt to earnings before interest, taxes, depreciation and amortization ("EBITDA"). The metrics are used to monitor and guide the Fund's overall debt position as a measure of the Fund's overall financial strength and flexibility of capital structure.

The Fund currently targets a Net Debt to Capitalization ratio of below 50% on a long term basis. This target may be periodically exceeded if strategic acquisitions are available. The Fund may also need to exceed this target as it continues it's growth with consideration for the maximum equity growth limits referred to later in this note. The Fund exceeded this ratio primarily as a result of the January 2010 acquisition of Bluewave Energy. At September 30, 2010 the Net Debt to Capitalization ratio was 66% (December 31, 2009 - 40%), calculated as follows:

($000's)	**September 30, 2010**	December 31, 2009
Bank indebtedness	**68,000**	28,000
Long-term debt and convertible debentures, including current portion	**350,202**	114,796
Cash and cash equivalents	**(57,920)**	(17,612)
Net Debt	**360,282**	125,184
Unitholders' Capital	**182,774**	190,758
Capitalization	**543,056**	315,942
Net Debt to Capitalization	**66%**	40%

The Fund's Net Debt to Capitalization ratio increased to 66% at September 30, 2010 from 40% at December 31, 2009 primarily due to funding of the Bluewave Energy acquisition.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Fund currently targets a Net Debt to EBITDA of less than 4.0 times (3.5 times - December 31, 2009). This target may be periodically exceeded if strategic acquisitions are available. The Fund may also need to exceed this target as it continues its growth with consideration for the maximum equity growth limits referred to later in this note. The Fund exceeded this ratio primarily as a result of the acquisition of Bluewave Energy. EBITDA from acquisitions is not included for periods prior to acquisition in the following trailing twelve-month EBITDA. At September 30, 2010, the Net Debt to EBITDA was 4.41 times (December 31, 2009 - 1.38 times) calculated on a trailing twelve-month basis as follows:

($000's)	**September 30, 2010**	December 31, 2009
Net Debt	**360,282**	125,184
Net earnings	**23,874**	48,604
Add		
Interest on long-term debt	**15,261**	5,119
Income tax expense	**(16,748)**	(1,135)
Refinery remediation	**330**	420
Accretion expense on ARO	**372**	184
Interest and accretion on convertible debentures	**5,995**	633
Gain on disposal of property, plant and equipment	**(3,132)**	(863)
Amortization	**55,674**	37,878
EBITDA	**81,626**	90,840
Net Debt to EBITDA	**4.41**	1.38

The Fund manages its capital structure and makes adjustments according to market conditions to maintain flexibility while achieving objectives stated above. To manage the capital structure, the Fund may adjust capital spending, adjust distributions paid to Unitholders, issue new units, issue new debt or repay existing debt. The Fund takes into account the maximum equity growth limits as detailed below when managing and monitoring its capital structure.

As a result of the Canadian Income Tax legislation for trusts passed in June 2007 and effective January 1, 2011, the Fund is subject to certain capital growth restrictions referred to as "normal growth" equity rules. These rules limit the amount of Unitholders' capital that can be issued by the Fund up to December 31, 2010 based on the Fund's market capitalization on October 31, 2006.

The Fund's allowed cumulative growth capital at September 30, 2010 was approximately $340,000 (December 31, 2009 - $340,000). If the maximum equity growth allowed is exceeded, the Fund may be subject to trust taxation prior to 2011. The Fund's remaining available growth capital at September 30, 2010 was approximately $60,500.

9. ACQUISITION OF BLUEWAVE ENERGY

On January 31, 2010 the Fund acquired the fuel distribution business of Bluewave Energy Limited Partnership, a business specializing in home heating oil, commercial and industrial fuels, lubricants and related products. Bluewave Energy is based in Dartmouth Nova Scotia with commercial offices in Ontario, Alberta and British Columbia. The transaction was effective February 1, 2010 and was accounted for using the purchase method with the allocation of the purchase price as follows:

($000's)	
Estimated fair value of net assets acquired:	
Intangible asset - customer relationships	83,700
Intangible asset - tradenames	1,400
Intangible asset - non compete agreement	600
Goodwill	74,247
Property, plant and equipment	25,753
Other long term receivable	448
Future tax Liability	(7,017)
Working capital	52,029
	231,160
Consideration:	
Liabilities assumed	8,708
Cash paid to vendor	204,352
Class C Limited Partnership Units	15,562
Acquisition costs	2,538
	231,160
Non cash consideration:	
Liabilities assumed	(8,708)
Class C Limited Partnership units issued	(15,562)
	206,890

The Fund issued 1,240,000 Class C Limited Partnership units valued at $12.55 per unit.

10. ACQUISITION OF IMPERIAL OIL CUSTOMER VOLUME

On January 15, 2009 the Fund acquired the fuel supply and marketing business for 40 stations from Imperial Oil. The transaction was effective October 15, 2008 and was accounted for using the purchase method with the allocation of the purchase price as follows:

($000's)	
Estimated fair value of net assets acquired:	
Intangible assets	7,200
	7,200
Consideration:	
Cash paid to vendor	7,200
	7,200

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. ACQUISITION OF FUEL DISTRIBUTION BUSINESS OF COLUMBIA FUELS LTD.

On June 15, 2009 the Fund acquired the fuel distribution business of Columbia Fuels Ltd., a company specializing in home heating oil, bulk petroleum and bio fuels based in Victoria, BC. The transaction was accounted for using the purchase method with the allocation of the purchase price as follows:

($000's)	
Estimated fair value of net assets acquired:	
Intangible asset - customer relationships	4,100
Intangible asset - non compete agreement	200
Goodwill	13,670
Property, plant and equipment	12,265
Future tax Liability	(600)
Working capital	7,613
	37,248
Consideration:	
Cash paid to vendor	21,721
Capital lease liabilities assumed	1,841
Loan paid out	10,347
Class C Limited Partnership Units	1,935
Acquisition costs	1,404
	37,248
Non cash consideration:	
Capital lease liabilities assumed	(1,841)
Class C Limited Partnership units issued	(1,935)
	33,472

12. ACQUISITION OF FUEL MARKETING BUSINESS OF ANMART FUELS

On July 8, 2009 the Fund acquired the fuel marketing business of Anmart Fuels. The transaction was accounted for using the purchase method with the allocation of the purchase price as follows:

($000's)	
Estimated fair value of net assets acquired:	
Intangible asset - customer relationships	450
Intangible asset - non compete agreement	25
Goodwill	192
Property, plant and equipment	1,813
Working capital	2,332
	4,812
Consideration:	
Cash paid to vendor	4,700
Acquisition costs	112
	4,812

The effective date of the transaction was May 31, 2009.

13. SHELL ALLIANCE DISTRIBUTOR AGREEMENT SIGNED

On September 30, 2010 the Fund acquired from Shell Canada Products and Pennzoil-Quaker State Canada Inc. the right to sell lubricants and car care products branded with Shell or Pennzoil-Quaker State trademarks to a specific list of customer accounts. The transaction was accounted for by using the purchase method with the allocation of purchase price as follows.

($000's)	
Estimated fair value of net assets acquired:	
Intangible asset - customer relationships	2,000
	2,000
Consideration:	
Deferred payment included in accounts payable and accrued liabilities	2,000
	2,000
Non Cash Consideration:	
Deferred Payment included in accounts payable and accrued liabilities	(2,000)
	-

The deferred payment included in accounts payable and accrued liabilities shall be made on or before November 21, 2010.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Values

The fair value of cash and cash equivalents, accounts receivable, distributions declared and payable, operating loan and accounts payable and accrued liabilities are equal to their carrying values due to their short term maturities. The fair value and carrying value of the extendible facility are equal as the interest rate fluctuates with the prime lending rate. The carrying values and fair values of bank loans, capital lease obligations, mortgages payable and other long-term assets are as follows:

	As at September 30, 2010		As at December 31, 2009	
($000's)	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Bank loans and Mortgages Payable	**317**	**318**	389	390
Capital lease obligations	**5,529**	**6,199**	3,076	3,880
Other long-term liabilities	**4,925**	**4,925**	-	-
Other long-term assets	**3,372**	**3,006**	2,927	2,977
Convertible debentures	**88,428**	**96,620**	87,827	92,218

Fair value of bank loans, mortgages payable, capital lease obligations, other long-term liabilities, other long-term assets and convertible debentures are estimated using discounted cash flow analysis based upon incremental borrowing rates for similar borrowing arrangements.

The Fund has evaluated the financial instruments' fair values in accordance with CICA Handbook sections 3855 and 3862. The Fund's financial instruments that are carried at market were evaluated against the section's fair value hierarchy criteria. The Fund has concluded that all the financial instruments are level 3 as defined in Handbook section 3862 and carried at fair value except cash and cash equivalents which are level 2, as the inputs to determine the market value are not based on observable market data.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fair Value Measurement Using Level 3 Inputs

($000's)	Accounts Receivable	Accounts Payable	Distributions Declared and Payable
Balance as at December 31, 2009	114,763	106,047	5,205
Bluewave acquisition	82,961	39,639	-
Operating activity during the period	42,107	43,630	298
Balance as at September 30, 2010	239,831	189,316	5,503

The Fund does not have a significant credit exposure to any individual customer. The Fund reviews each new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance.

Mortgages and loans receivable included in other long-term assets are receivable in monthly installments of $146 (December 31, 2009 - $80), bear interest at rates ranging between nil % and 10.37% (December 31, 2009 - nil % and 10.75 %) and are secured by specific assets of the mortgagee.

Credit and Market Risk

A substantial portion of the Fund's accounts receivable balance is with customers in the oil and gas, mining and forestry industries and is subject to normal industry credit risks. In light of the current market conditions, the Fund's credit department has been expanded and policies strengthened to control the credit granting process. The Fund manages its exposure to credit risk through rigorous credit granting procedures, typically short payment terms and security interests where applicable. The Fund attempts to closely monitor financial conditions of its customers and the industries in which they operate. The Fund performs ongoing credit evaluations of its customers and outstanding debts are regularly monitored. At September 30, 2010, the provision for impairment of credit losses was $8,600 (December 31, 2009 - $3,600).

The Fund is exposed to market risk from changes in the Canadian prime interest rate which can impact its borrowing costs. A 1% change to interest rates would have caused an increase or decrease to earnings by $812 as at September 30, 2010.

The Fund purchases certain products in US dollars and sells such products to its customers typically in Canadian dollars. As a result, fluctuations in the value of the Canadian dollar relative to the US dollar can result in foreign exchange gains and losses.

The Fund's accounts receivable balance includes net $12,995 in the over 90 days category (September 30, 2009 - $4,624). These balances are not considered impaired.

Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulties in meeting its short term financial obligations. The Fund's liquidities are provided mainly by cash flows from operating activities and borrowings available under its extendible credit facility. In managing liquidity risk, the Fund has access to various credit products at competitive rates. As at September 30, 2010, the Fund had available unused credit facilities in the amount of $40,400. The Fund believes it has sufficient funding through the use of its facility to meet foreseeable borrowing requirements.

15. NET CHANGES IN NON-CASH WORKING CAPITAL

($000's)	For the three months ended September 30, 2010	2009	For the nine months ended September 30, 2010	2009
Accounts receivable	**(1,684)**	5,189	**(42,829)**	17,063
Inventories	**(2,546)**	(2,710)	**1,189**	(12,268)
Prepaid expenses and other	**(1,590)**	(1,867)	**3,161**	638
Income taxes recoverable	**2**	-	**(40)**	313
Accounts payable and accrued liabilities	**5,847**	(7,575)	**41,630**	28,848
Income taxes payable	**(2)**	(645)	**(2)**	1,680
Deferred revenue	**(180)**	611	**(4,492)**	(1,792)
Total for operating activities	**(153)**	(6,997)	**(1,383)**	34,482
Operating Loan	**(2,900)**	-	**40,000**	(31,000)
Distributions declared and payable	**8**	4	**298**	(25)
Total for financing activities	**(2,892)**	4	**40,298**	(31,025)
Other cash flow information				
Cash taxes paid	**-**	-	**-**	-
Cash interest paid	**5,187**	1,594	**13,848**	3,706

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. SEGMENTED INFORMATION

The Fund's operations have been predominantly in fuel marketing and convenience store sales. With acquisitions in the past three years the Fund has expanded it's sales in propane, fertilizer, lubricants, home heating oil, other agricultural inputs and industrial products and services.

Fuel Marketing includes sales of gasoline, diesel, heating oil, propane fuel and variable rents derived from service station sites. Convenience Store Merchandise continues to include the operations of the Fund owned and operated convenience stores that are integrated into fuel marketing sites and bear common operating costs. Commercial includes sales of fertilizer, lubes, other agricultural inputs and industrial products and services.

Due to the amount of common operating and property costs it is not practical to report these segments below their respective gross profits. The segregation of capital expenditures and total assets is not practical as the reportable segments represent product sales that are generated from common locations.

Three months ended September 30 ($000's)	Fuel Marketing	Convenience Store Merchandise	Commercial	Other	Total
2010					
Net sales and operating revenue	**748,219**	**6,937**	**31,973**	**9,405**	**796,534**
Cost of sales	**690,961**	**5,150**	**22,162**	**-**	**718,273**
Gross profit	**57,258**	**1,787**	**9,811**	**9,405**	**78,261**
2009					
Net sales and operating revenue	506,653	12,816	18,115	5,500	543,084
Cost of sales	460,455	9,445	12,584	-	482,484
Gross profit	46,198	3,371	5,531	5,500	60,600

Nine months ended September 30 ($000's)	Fuel Marketing	Convenience Store Merchandise	Commercial	Other	Total
2010					
Net sales and operating revenue	**1,928,608**	**19,088**	**104,739**	**30,148**	**2,082,583**
Cost of sales	**1,758,414**	**14,180**	**73,096**	**-**	**1,845,690**
Gross profit	**170,194**	**4,908**	**31,643**	**30,148**	**236,893**
2009					
Net sales and operating revenue	1,351,266	40,073	71,083	15,200	1,477,622
Cost of sales	1,204,639	29,636	50,716	-	1,284,991
Gross profit	146,627	10,437	20,367	15,200	192,631

17. RELATED PARTY TRANSACTIONS

The Fund receives legal services from Bennett Jones LLP where a director of the Fund is a partner. The fees paid during the nine months ended September 30, 2010 amounted to $1,153 (September 30, 2009 - $500). The increase in fees paid includes amounts for acquisitions and preparation for trust conversion.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The exchange amounts represent normal commercial terms.

18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to comply with the presentation adopted in the current period.

SUPPLEMENTARY INFORMATION

(Unaudited)	Three months ended September 30, 2010	2009	Nine months ended September 30, 2010	2009
Volume (millions of litres)				
Retail gas and diesel				
Sales to Dealer	**250**	244	**676**	674
Sales to Consumer	**153**	141	**419**	408
Retail Sub-total	**403**	385	**1,095**	1,082
Commercial				
Gasoline and Diesel	**314**	153	**819**	361
Heating Oil	**20**	2	**110**	5
Propane	**20**	21	**80**	94
Commercial Sub-total	**354**	176	**1,009**	460
Supply and Wholesale	**160**	195	**517**	583
Intersegment sales	**(16)**	(44)	**(101)**	(110)
Total fuel volume	**901**	712	**2,520**	2,015
Net sales and operating revenue (millions of Canadian dollars)				
Retail gas and diesel				
Sales to Dealer	**189.5**	181.6	**511.3**	472.3
Sales to Consumer	**119.5**	113.4	**331.9**	305.9
Retail Sub-total	**309.0**	295.0	**843.2**	778.2
Commercial				
Gasoline and Diesel	**258.6**	118.5	**626.3**	305.2
Heating Oil	**14.9**	1.8	**85.1**	3.5
Propane	**8.9**	8.0	**43.6**	42.4
Commercial Sub-total	**282.4**	128.3	**755.0**	351.1
Supply and Wholesale	**167.7**	115.4	**405.7**	297.7
Fuel sales	**759.1**	538.7	**2,003.9**	1,427.0
Convenience store merchandise sales	**6.9**	12.8	**19.1**	40.1
Commercial sales	**32.0**	18.1	**104.7**	71.1
Other revenue (1)	**9.4**	5.5	**30.1**	15.2
Total gross sales and operating revenue	**807.4**	575.1	**2,157.8**	1,553.4
Intersegment sales	**(10.9)**	(32.0)	**(75.2)**	(75.8)
Total net sales and operating revenue	**796.5**	543.1	**2,082.6**	1,477.6
Gross profit	**78.3**	60.6	**236.9**	192.6
Less: Convenience store merchandise gross profit	**1.8**	3.4	**4.9**	10.4
Commercial sales gross profit	**9.8**	5.5	**31.7**	20.4
Other revenue gross profit (1)	**9.4**	5.5	**30.1**	15.2
Fuel gross profit	**57.3**	46.2	**170.2**	146.6
Cents per litre	**$0.064**	$0.065	**$0.068**	$0.073
Fuel gross profit (millions of Canadian dollars)				
Retail gas and diesel				
Sales to Dealer	**11.1**	11.1	**29.8**	28.5
Sales to Consumer	**15.9**	17.6	**44.4**	47.6
Retail Sub-total	**27.0**	28.7	**74.3**	76.1
Commercial				
Gasoline and Diesel	**19.3**	5.6	**49.7**	16.0
Heating Oil	**2.5**	0.5	**18.7**	1.0
Propane	**2.6**	3.4	**13.2**	15.9
Commercial Sub-total	**24.4**	9.5	**81.6**	32.9
Supply and Wholesale (2)	**7.1**	8.3	**12.9**	31.0
Fuel inventory market valuation adjustment	**(1.2)**	(0.3)	**1.4**	6.6
Fuel gross profit	**57.3**	46.2	**170.2**	146.6

(1) This category includes variable rents, delivery charges to customers, lottery, vendor rebates and other.

(2) Included in this category is Parkland's share of refinery margin and modest profits from wholesale sales.

About Parkland Income Fund

Parkland Income Fund is Canada's largest independent fuel distribution and marketing company, delivering fuel products from regional refineries to retail, commercial and reseller customers coast-to-coast. Through its network of 620 retail locations, 77 commercial branches, 71 cardlock locations and through wholesale agreements, the Fund distributes 3.4 billion litres of fuel annually, representing 4.7% of the total Canadian fuel market (market share in some regions of operation is higher).

Parkland currently distributes fuel to retail customers under its Fas Gas Plus, Fas Gas and Race Trac brands as well as through distribution agreements with 293 Esso locations. Parkland also supplies propane, bulk fuel, heating oil, lubricants, industrial fluids and associated services to commercial and industrial customers across Canada under the Neufeld, United Petroleum, Columbia Fuels, Bluewave Energy and Great Northern Oil brands.

Parkland offers investors a balance of yield and growth. The Company is delivering value to unitholders by growing fuel volumes through carefully selected acquisitions, working closely with suppliers to achieve a material cost advantage and achieving greater efficiency through operational excellence.

Parkland units and convertible debentures trade on the Toronto Stock Exchange (TSX) under the symbols PKI.UN and PKI.DB. For more information visit www.parkland.ca.

For investor and media inquiries, or to be added to the email news alert service, please contact Mike W. Chorlton, President and CEO; Ken J. Grondin, Senior Vice President and CFO; or Tom McMillan, Investor Relations Manager at 403-357-6400 or corpinfo@parkland.ca.

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Treasurer

R.G. Dean Mackey
Chief Privacy Officer

Wholly Owned Subsidiaries
0851738 B.C. Ltd.
986408 Alberta Ltd.
986413 Alberta Ltd.
Neufeld Petroleum and Propane Ltd.
Parkland Holdings Limited Partnership
Parkland Industries Limited Partnership
Parkland Industries Ltd.
Parkland Investment Trust
Parkland Refining Ltd.

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