Construction Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") of Bird Construction Income Fund's ("Fund") financial condition and results of operations should be read in conjunction with the unaudited financial statements for the nine months ended September 30, 2010 and the December 31, 2009 audited consolidated financial statements of the Fund and the notes thereto presented in comparison to the preceding year. This discussion contains forward-looking statements, which are subject to a variety of factors that could cause actual results to differ materially from those contemplated by these statements. See "Forward Looking Information". Some of the factors that could cause results or events to differ from current expectations include, but are not limited to, the factors described under "Risks Relating to the Business" and "Risks Relating to the Units" included in the Fund's most current Annual Information Form dated March 12, 2010. This MD&A has been prepared as of November 8, 2010. Additional information about the Fund is available through the System for Electronic Document Analysis and Retrieval (SEDAR) at ***www.sedar.com*** *and includes the Fund's Annual Information Form and other filings.*

INTRODUCTION

In 2006, Bird Construction Income Fund ("Fund") acquired Bird Construction Company Limited ("Company" or "Bird") as a wholly-owned subsidiary of the Fund and continued operations as an open-ended income trust following the continuity of interests method of accounting, as there was no substantive change in the ownership interest of the Company.

On March 12, 2010, the Board of Trustees approved, in principle, a plan to convert the Fund to a publicly-traded corporation, subject to Unitholders' approval which was obtained at the Fund's Annual and Special Meeting held in May 2010. The Fund expects to convert to a publicly-traded corporation at the end of its 2010 fiscal year.

The Fund, through its ownership of the Company, operates as a general contractor across Canada. The Fund services clients in the following industry sectors: industrial, institutional, retail, commercial, multi-tenant residential, light industrial and renovation and restoration construction using fixed price, design-build, unit price, cost reimbursable, guaranteed upset price and construction management contract delivery methods. The Fund has secured and will continue to pursue design-build contracts with groups participating in the Public Private Partnership ("PPP") market in the institutional sector. Bird is typically required to provide contract security to support its obligations related to such projects which will include letters of credit, parent company guarantees and possibly bonds. A strong balance sheet to support parent company guarantees is a competitive advantage in this market.

Securing profitable construction contracts and then controlling the costs associated with performing that work are key drivers of success for the Fund. The Fund's ability to attract work depends primarily on two factors.

First, new work must be available, which is a function of the general state of the economy. In periods of strong economic growth, capital spending will generally increase and there will be more opportunities available within the construction industry. Economic conditions over the last year have been weak and, accordingly, the competition for the contracts that are available has increased.

Second, the Fund must be successful in securing profitable work when it is available. In order to pursue projects, the Company must have adequate working capital to support its surety and contract security requirements. The construction industry is highly fragmented and, accordingly, the Fund competes with a number of national, regional and local construction firms. The profitability of the work is primarily a function of the Fund's ability to develop accurate cost estimates on which to base its bid or offer, the price at which the Fund is prepared to do the work, and the number and aggressiveness of the other contractors pursuing a particular opportunity, but may also depend on the relationship the Fund (or its competitors) has with the potential client.

Once the Fund has secured a potentially profitable contract, the profitability of that contract, measured by the Construction Margin Percentage (as defined below) is primarily a function of management's ability to control the costs associated with that contract.

Contracts typically extend over several quarters and sometimes over several years. For purposes of quarterly financial reporting, the Fund must estimate the cost required to complete each contract to assess the amount of revenue to recognize for the quarter. Such estimating includes contingencies to allow for certain known and unknown risks. The magnitude of the contingencies will depend on the nature and complexity of the work to be performed. As the contract progresses and remaining costs to be incurred and risk exposures become more certain, contingencies will typically decline although certain risks will remain until the contract has been completed, and even beyond. As a result of this, earnings may fluctuate significantly from quarter to quarter, depending on whether large and/or complex contracts are completing or nearing completion during the quarter, or have been completed in immediately prior quarters.

Backlog (as defined below) is an important indicator of the sustainability of a construction company. The Fund's ability to identify and successfully bid or negotiate contracts has allowed it to maintain a desirable level of Backlog.

SELECTED FINANCIAL INFORMATION

The following selected financial information has been derived from, and should be read in conjunction with, the consolidated financial statements of the Fund.

	For the nine months ended September 30	
(thousands of dollars, except per unit amounts)	2010	2009
Income Statement Data		
Revenue	$ 619,309	$ 665,891
Income before income taxes	46,504	58,533
Net income from continuing operations	38,405	46,711
Net loss from discontinued operations	-	(2,822)
Net income [1]	38,405	43,889
Income from continuing operations per unit	2.73	3.32
Loss from discontinued operations per unit	-	(0.20)
Net income per unit	2.73	3.12
Cash Flow Data		
Cash flows from (used in) operations	21,252	53,172
Additions to property and equipment [2]	1,534	1,492
Cash distributions paid	(18,969)	(16,516)
Cash distributions declared per unit	1.35	1.20
	September 30, 2010	December 31, 2009
Balance Sheet Data		
Total assets	497,247	439,975
Working capital	142,542	122,160
Unitholders' equity	154,785	135,349

[1] includes comprehensive income, hereafter referred to as net income

[2] including computer software purchases included in intangible assets

RESULTS OF OPERATIONS

NINE MONTHS ENDED SEPTEMBER 30, 2010 COMPARED WITH NINE MONTHS ENDED SEPTEMBER 30, 2009

In 2010, net income of $38.4 million compares with 2009 net income of $43.9 million. In 2009, a net after-tax loss of $2.8 million is reported as discontinued operations resulting from the wind-down of the Seattle Branch which was substantially completed in January 2010. The reduction in net income from continuing operations is primarily a result of lower revenue and earnings derived from industrial sector work, particularly related to Alberta oil sands projects, combined with the effect of lower overall 2010 project margins relating to more recently awarded contracts. Some of the construction contracts awarded in 2009 and 2010 have lower margins, consistent with a more competitive market reflecting recent economic conditions. The impact of lower margins was evident in the third quarter of the current fiscal year as many higher margin projects awarded before the economic recession were completed in the first half of the fiscal year, with the impact of lower margin projects being recognized in earnings in the third quarter.

Total revenue for the nine months ended September 30, 2010 was $619.3 million, representing a 7.0% decrease from the $665.9 million reported for the same period in 2009. A reduction in construction revenues of $45.0 million or 6.8% primarily reflects a reduction in the Fund's industrial market activities related to a significant reduction in the amount of capital expenditures in the Alberta oil sands. In 2010, higher revenues derived from PPP and other institutional projects served to offset to some extent lower revenues from commercial and industrial projects.

Investment and other income of $2.6 million was approximately $1.6 million lower than the $4.2 million reported in 2009 due principally to a reduction in 2010 in the amount of the unrealized gain resulting from changes in the fair value of the investment portfolio. In 2009, the investment portfolio appreciated in value by approximately $1.4 million resulting from a general recovery in the market, while in 2010, the value of the investment portfolio remained basically unchanged. The amount of interest and dividend income earned in the respective periods of approximately $2.7 million remained relatively comparable.

Construction costs and general and administrative expenses (including amortization) for the nine months ended September 30, 2010 of $572.8 million represents 92.9% of construction revenue, compared to $607.4 million and 91.8% of construction revenue in the comparable 2009 period. During the nine months ended September 30, 2010, margins have declined compared to those achieved in 2009 as a result of declining industrial margins due to the slow down in the Alberta oil sands, partially offset by the contribution from PPP institutional projects which generated comparable margins to those previously realized in the industrial market.

Income before income taxes of $46.5 million was $12.0 million lower than 2009 resulting from lower 2010 construction revenues and margins.

In 2010, income tax expense of $8.1 million was $3.7 million lower than 2009 as a result of lower pre-tax earnings.

The Fund secured $878.7 million in new construction contracts (including change orders to existing contracts) and put in place $616.7 million of construction revenue during 2010. As a result, the Fund's Backlog increased to $1,163.4 million at September 30, 2010 compared to $901.4 million as at December 31, 2009. Included in 2010 and 2009 Backlog is $147.0 million related to a contract for the Royal Alberta Museum which has been delayed. Construction of this project is expected to commence in 2011. The September 30, 2010 Backlog of $1,163.4 million does not include the Thunder Bay Consolidated Courthouse project for which the Fund was named preferred proponent during the third quarter of 2010. With respect to the current Backlog, approximately $246.2 million is expected to be put in place during 2010, leaving $917.2 million to carry forward to 2011 and beyond. As expected, construction markets across Canada have remained competitive and the Fund will continue to actively pursue infrastructure projects to compensate for a decline in the volume of work in the Fund's retail, commercial and industrial markets. At September 30, 2010, the value of uncompleted construction management work not included in Backlog, where the Fund acts as an agent for the owner, is $195.5 million. This compares to $130.0 million at September 30, 2009.

THREE MONTHS ENDED SEPTEMBER 30, 2010 COMPARED WITH THREE MONTHS ENDED SEPTEMBER 30, 2009

Net income for the three months ended September 30, 2010 was $8.5 million, compared to $14.2 million in 2009, which included a $0.2 million loss attributed to the wind-down of the Seattle Branch in that year. The reduction of 39.9% in net income is primarily a result of lower construction margins. Although construction revenues remained relatively comparable year over year, project margins derived from infrastructure projects and Alberta oil sands operations were considerably lower in the current quarter compared with 2009.

Investment and other income for the three months ended September 30, 2010 of $1.2 million is comparable to $1.0 million balance in 2009.

Construction costs and general and administrative expenses (including amortization) for the three months ended September 30, 2010 of $223.2 million represent 96.5% of construction revenue, compared to $210.1 million and 92.6% of construction revenue in this period in 2009. The Fund secured $394.4 million in new construction contracts (including change orders to existing contracts) and put in place $231.2 million of construction revenue during the quarter ended September 30, 2010. As a result, the Fund's Backlog of $1,000.2 million as at June 30, 2010 increased to $1,163.4 million as at September 30, 2010. The increase in the amount of Backlog during the third quarter of 2010 was largely a result of obtaining construction contracts in the institutional sector.

FUTURE OPERATING PERFORMANCE

Successful financial performance of the Fund is dependent upon securing profitable construction contracts and then controlling the cost associated with performing the work. The ability to secure contracts is a function of the general state of the economy. Up until the most recent quarter in 2010, the Fund generated revenues and earnings, which significantly reflected strong Backlog carried forward from a period of robust economic activity prior to the economic downturn. Construction markets remain very competitive and, although the Fund has been successful in growing the amount of Backlog, the margins associated with new projects are lower than recently completed work and which are now being reflected in earnings. Throughout the remainder of 2010 and into 2011 earnings will continue to be affected by competitive market conditions.

The retail and commercial sector represented 12% of 2009 revenues. In the current construction market, opportunities in the retail and commercial markets are significantly reduced compared to the period before the start of the economic downturn. Although some recovery is expected in 2011 as the economy is projected to strengthen, this market is likely to remain very competitive and the impact of this improvement on earnings is expected to be minimal.

The institutional sector represented 55% of 2009 revenues. Opportunities in the public markets in 2010 were abundant, but not exclusively related to government stimulus programs. All levels of government are expected to come under pressure to address budget deficits; however, it is not clear to what degree this will affect their capital spending programs in 2011 and beyond. During the three quarters ended September 30, 2010, the Fund was awarded three fixed price PPP design-build contracts. During the third quarter, the Fund was part of a consortium named as preferred proponent on the Thunder Bay Consolidated Courthouse PPP design-build project in Ontario and this will enter the Fund's Backlog in the fourth quarter upon achieving financial close. The pipeline of PPP projects remains solid but competition is increasing. The Company will continue to be active in this market sector and will be submitting proposals on additional PPP projects.

The industrial market contributed 33% of 2009 revenues. Alberta oil sands activity in late 2009 and through 2010 was significantly reduced from the high levels experienced in 2007 and 2008. In recent months, a number of the Fund's oil sands clients have announced plans for projects and indications are that capital expenditures will return to, and possibly exceed, pre-2009 levels. Oil sands work has been an area of competitive strength for the Fund and we will position ourselves to participate in this renewed opportunity. While construction work on smaller projects is expected to be available through the remainder of the year and in 2011, a significant rebound in oil sands work is not expected to have a substantial impact on our operating results until 2012.

Liquidity

The absence of any long-term debt, a high proportion of working capital represented by cash and other liquid securities support the Fund's plans to continue its participation in the PPP infrastructure market, and provides the financial capacity to withstand a downturn in the construction industry, should one occur. As at September 30, 2010, the Fund's working capital was $142.5 million compared with $122.2 million at December 31, 2009 and $114.3 million at September 30, 2009. Unitholders' equity of $154.8 million at September 30, 2010 compares with $135.3 million at December 31, 2009 and $128.6 million at September 30, 2009. During the third quarter of 2010, the Fund increased its available operating line of credit to $81.5 million from $51.5 million. At September 30, 2010, the Fund has issued letters of credit totaling $31.8 million under its available operating line of credit of $81.5 million, leaving an additional $49.7 million of capacity to issue further letters of credit in connection with future PPP construction contracts. The Fund has received approval in principle from another lender to increase its operating line of credit by a further $50 million to support future PPP activity. The Fund's existing operating line of credit and the proposed increase in the credit facility is supported by hypothecation of certain financial instruments.

ACCOUNTING POLICIES

The Fund's significant accounting policies are outlined in the notes of the September 30, 2010 Unaudited Interim Consolidated Financial Statements.

RECENT ACCOUNTING PRONOUNCEMENTS

There were no new accounting pronouncements to report in the third quarter of 2010.

CHANGES IN ACCOUNTING POLICIES

There were no accounting changes during the third quarter of 2010.

SUMMARY OF QUARTERLY RESULTS

The table below summarizes the results for the eight most recent quarters (in thousands of dollars, except per unit amounts). Although the Fund experiences some seasonality in its business, variations in net income from quarter to quarter primarily reflect the differences in the profitability of the contracts administered in the respective quarters. First quarter revenues are often lower than subsequent quarters due to winter weather constraints and construction schedule planning around the coldest months. In addition, the timing of the completion of large and complex projects and the need to adjust project contingencies relative to the stage of completion of the work as the projects approach completion can also affect quarterly earnings.

There are also a number of other factors that can affect the Fund's revenues from quarter to quarter. These include the timing of contract awards, the value of subcontractor billings and project delays. Management does not believe that any individual factor is responsible for changes in revenue from quarter to quarter.

	2008	2009				2010		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Revenue	246,652	218,907	228,656	230,154	205,223	182,502	204,417	232,390
Net income	14,568	13,755	15,942	14,192	13,024	14,429	15,440	8,536
Earnings per unit*	1.04	0.98	1.13	1.01	0.93	1.03	1.10	0.61

* includes earnings from continuing and discontinued operations in 2009

FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY

The Fund continues to be self-sufficient in terms of its capital requirements. The Fund has a $81.5 million line of credit, supported by hypothecation of certain financial instruments, which is available for short-term cash requirements, letter of credit and margin requirements for foreign exchange contracts issued in the normal course of its construction business. At September 30, 2010, $31.8 million of the line of credit was utilized for the issuance of letters of credit relative to secured PPP contracts. The $30 million increase in the existing line of credit during the quarter, and an additional line of credit expected to be executed in the fourth quarter of 2010 will further strengthen the Fund's financial capacity to support its PPP activity.

During the nine months ended September 30, 2010, the Fund secured three additional PPP construction contracts expected to generate construction revenue of approximately $360.0 million through 2011, 2012 and 2013. After the quarter end, the Fund was named preferred proponent on the Thunder Bay Consolidated Courthouse project. The Fund is actively pursuing other infrastructure development projects, and accordingly, has been retaining earnings in the business to ensure that it has sufficient equity to meet surety and other contract security requirements, particularly those associated with PPP projects.

The Fund believes that its strong balance sheet, including equity of $154.8 million, comprised in part of $142.5 million of net working capital and no debt, allows it the financial capacity to continue to actively pursue selected PPP projects.

The following table provides an overview of the Fund's cash flows and financial position for the periods indicated.

(thousands of dollars)	Three Months Ended September 30 2010	Three Months Ended September 30 2009	Nine Months Ended September 30 2010	Nine Months Ended September 30 2009
Cash Flow Data				
Operating activities	$ 26,828	$ 2,921	$ 21,252	$ 53,172
Investing activities	(212)	249	(20,381)	1,502
Financing activities	(6,323)	(6,323)	(18,969)	(92,985)
Increase/decrease in cash and cash equivalents	$ 20,293	$ (3,153)	$ (18,098)	$ (38,311)

	September 30 2010	December 31 2009
Financial Position Data		
Cash and cash equivalents	$ 185,665	$ 203,763
Investment in marketable securities	31,043	11,670
Working capital	142,542	122,160
Unitholders' equity	154,785	135,349

In 2009, cash flow from operating activities of $53.2 million was significantly influenced by the receipt of construction proceeds derived from the GTAYC project, where construction work previously completed and reported as costs and estimated earnings in excess of billings was billed and collected upon the achievement of substantial completion of the facility in the second quarter of 2009. The cash received was used to retire the non-recourse project debt associated with the project which explains the significant amount reported as financing activity in 2009. The Fund did not have a similar transaction in 2010.

The use of cash in investing activities in 2010 to- date reflects management's decision to invest some of its cash balances in high-quality, short-term corporate bonds to increase the amount of interest income earned on its working capital compared with that earned by investing in money market securities.

As a component of working capital, the Fund maintains significant balances of cash and cash equivalents and investments in liquid securities. At September 30, 2010, these balances consisted of $185.7 million of cash and cash equivalents and $31.0 million of liquid securities, for a total of $216.7 million. The $216.7 million is comprised of the Fund's $142.5 million of working capital, plus a working cash balance of $72.1 million, which offsets a corresponding non-cash net current liability position and $2.1 million of cash held to fund the current distributions payable. These components are summarized in the following table for September 30, 2010 and September 30, 2009.

Working Capital Components
(thousands of dollars)

	September 30 2010	December 31 2009
Investment in marketable securities (bonds, share and income trust investments)	$ 31,043	$ 11,670
Cash and cash equivalents held for working capital	111,499	110,490
	142,542	122,160
Cash held for distributions payable	2,108	2,108
Distributions payable	(2,108)	(2,108)
Working cash	72,058	91,165
Non-cash net current liabilities	(72,058)	(91,165)
Working capital	$ 142,542	$ 122,160

The Fund's non-cash net current liability position fluctuates significantly in the normal course from period to period, primarily due to timing differences between settlement of payables due to subcontractors and suppliers and billings and collection of accounts receivable from clients, and also the timing of the settlement of income taxes payable. The working cash balance absorbs these fluctuations with no net impact on the Fund's net working capital position or ability to access surety support.

During the nine months ended September 30, 2010, operating activities generated cash of $21.3 million. This was comprised of $40.6 million from earnings and amortization, which contributed to Cash Available for Distribution, and a decrease of $19.3 million, which represented a normal course fluctuation in the Fund's net current liability position. In some periods, this fluctuation will be a use of cash, as in the current period, but in other periods it will be a source of cash, tending to balance out over time and having no net impact on the Fund's working capital.

CASH AVAILABLE FOR DISTRIBUTION

Cash Available for Distribution Summary (thousands of dollars)	For the nine months ended September 30 2010	For the nine months ended September 30 2009
Income before income taxes	$ 46,504	$ 58,533
Income tax expense [1]	(8,099)	(11,822)
Net income from continuing operations	38,405	46,711
Net loss from discontinued operations	-	(2,822)
Net income:	38,405	43,889
Add:		
Amortization	2,179	2,482
Less:		
Capital expenditures [2]	(1,534)	(1,492)
Cash available for distribution	39,050	44,879
Less:		
Regular distributions declared	(18,969)	(16,925)
Excess of cash available for distribution relative to distributions declared	$ 20,081	$ 27,954

(1) The Fund qualifies as a mutual fund trust for income tax purposes and is currently not taxable on its income to the extent that it is distributed to the Unitholders. Income tax obligations related to distributions are obligations of the Unitholders. It is management's intention to minimize the income tax expense of the Fund and its wholly-owned subsidiaries and partnership. The Fund and its subsidiaries are subject to taxation on taxable income not distributed to Unitholders and use the asset and liability method of accounting for income taxes. The income tax expense relates to taxable income retained in the Fund and earned in its subsidiary companies.

(2) Capital expenditures equal "additions to property and equipment" and "additions to intangible assets" in 2010 in the "cash flows used in investing activities" section of the Consolidated Statements of Cash Flows. In 2010, the Fund's expenditures on property and equipment were $1.5 million which is comparable to 2009.

Cash Available for Distribution is not a defined term under Canadian generally accepted accounting principles, but is determined by the Fund as net income for the period adjusted to add back specific non-cash items, including amortization, and to deduct capital expenditures. The Fund believes that Cash Available for Distribution is a useful supplemental measure of performance as it provides investors with an indication of the amount of cash flow that has been generated and is available for distribution to Unitholders or to supplement the Fund's working capital requirements. Investors are cautioned, however, that Cash Available for Distribution should not be construed as an alternative to using net income as a measure of profitability or the statement of cash flows. Also, the Fund's method of calculating Cash Available for Distribution may not be comparable to similarly titled amounts reported by other issuers.

Furthermore, in addition to the Cash Available for Distribution Summary, which reconciles to net income noted above, and in accordance with the Canadian Securities Administrator's (CSA) Staff Notice 52-306 (revised), issued in August 2006, the Fund has presented below a Cash Available for Distribution Summary which reconciles to cash flows from operating activities.

ALTERNATE PRESENTATION – CASH AVAILABLE FOR DISTRIBUTION

Cash Available for Distribution Summary
(thousands of dollars)

	For the nine months ended September 30 2010	For the nine months ended September 30 2009
Cash flows from operating activities before changes in non-cash working capital	$ 42,016	$ 48,976
Add (less):		
Future income tax and other temporary non-cash items [(1)]	(1,432)	(2,605)
Capital expenditures [(2)]	(1,534)	(1,492)
Cash available for distribution	39,050	44,879
Less:		
Regular distributions declared	(18,969)	(16,925)
Excess of cash available for distribution relative to distributions declared	$ 20,081	$ 27,954

(1) All future income tax and other income items not involving cash, except for amortization, represent temporary timing differences that are not considered to be a component of Cash Available for Distribution.

(2) See notes on previous "Cash Available for Distribution" Summary.

During the nine months ended September 30, 2010, the Fund generated $39.0 million of Cash Available for Distribution and declared distributions to Unitholders of $19.0 million. In the current fiscal period, the Fund has continued its practice of retaining the excess of cash available for distribution relative to distributions declared for the purpose of increasing its working capital. Since the inception of the Fund in 2006, the Fund has retained approximately $112.9 million as working capital required for the operations of the business as a result of increases in the Backlog value, changes in the mix of work and associated contract security, the impact of a tightening credit environment, and the acquisition of Rideau Construction. The Fund's recent participation in PPP infrastructure development programs has required the Fund to issue letters of credit as performance security related to those construction projects. Participation in the PPP market also requires a strong balance sheet to support contractual commitments undertaken. The Fund will continue to monitor the adequacy of its working capital balances in light of its contract security requirements.

In establishing the distribution policy for a particular period, the Fund will take into consideration, amongst other things, the need to meet future requirements for increases in working capital and equity, the desirability of maintaining a stable or increasing distribution rate, or paying special distributions to the extent considered advisable by the Fund.

CASH FLOWS AND NET INCOME COMPARED TO DISTRIBUTIONS DECLARED

The following table presents the excess of cash flows from operating activities and net income over distributions declared for the nine months ended September 30, 2010 and September 30, 2009 and for the year ended December 31, 2009.

(thousands of dollars)	For the nine months ended September 30 2010	For the nine months ended September 30 2009	Year Ended December 31 2009
Cash flows from operations	$ 21,252	$ 53,172	$ 100,163
Net income	38,405	43,889	56,913
Distributions declared during period	18,969	16,925	23,248
Excess (shortage) of cash flows from operations relative to cash distributions declared	2,283	36,247	76,915
Excess of net income over cash distributions declared	19,436	26,964	33,665

DISTRIBUTIONS

The Fund's monthly distribution is $0.150 per unit or an annualized rate of $1.80 per unit which became effective on May 12, 2009 with the June 2009 distribution. Prior to the change, the Fund's monthly distribution rate was $0.1209 per unit or an annualized rate of $1.45 per unit. On the conversion to a publicly-traded corporation, the corporation plans to declare annual dividends of $1.80 per share paid quarterly.

CONTRACTUAL OBLIGATIONS

The Fund has future minimum annual lease payment obligations relating to lease commitments on buildings and equipment over the next five years ended December 31 and thereafter, as follows:

(thousands of dollars)	Operating Leases
2010 (nine months)	$ 467
2011	1,779
2012	1,365
2013	902
2014	451
Thereafter	76
	$ 5,040

The Fund has no debt.

OFF BALANCE SHEET ARRANGEMENTS

The Fund has not engaged in any off balance sheet arrangements.

CRITICAL ACCOUNTING ESTIMATES

The accounting principles used by the Fund to account for its construction contracts involve the use of estimates. Construction revenue, construction costs, deferred contract revenue and costs and estimated earnings in excess of billings include amounts derived using the percentage of completion basis. Percentage of completion is calculated based on the costs incurred on each construction contract to the end of the respective accounting period divided by the total estimated costs. Any excess of progress billings over earned revenue determined on a percentage of completion basis is carried as deferred contract revenue in the consolidated financial statements. Any excess of costs and estimated earnings over progress billings on construction contracts is carried as costs and estimated earnings in excess of billings in the consolidated financial statements.

Revenue and estimated costs to complete for each contract are updated and reviewed by management at least once each financial reporting period. In making such estimates, judgments are required to evaluate issues related to scheduling, material costs, labour costs, labour productivity, changes in contract scope and subcontractor costs. Due to the nature of construction contracts, estimates may change significantly from one accounting period to the next.

The value of many construction contracts increases over the duration of the construction period. Change orders may be issued by our clients to modify the original contract scope of work or conditions. Construction work related to a change order may proceed, and costs may be incurred, in advance of final determination of the value of the change order. Revenue on change orders is recognized by the Fund to the extent that management estimates that realization is probable. As many change orders are settled at the end of the construction project, significant increases or decreases in revenue and income may arise during any particular accounting period.

Provisions for accounts receivable may require an assessment and estimate of the credit-worthiness of the client and the timing of collections. Furthermore, provisions for litigation involve the use of estimates, as determined by management. Amounts arising from negotiated settlements or court judgments may vary significantly from management's estimates.

OUTSTANDING UNIT DATA AND STOCK EXCHANGE LISTING

The Fund is authorized to issue an unlimited number of units. The Fund had a total of 14,051,282 units outstanding as at December 31, 2009 and November 8, 2010. The units of the Fund are listed on the Toronto Stock Exchange ("TSX") under the symbol "BDT.UN".

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Based on their evaluations as of September 30, 2010, the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) have concluded that the Fund's disclosure controls and procedures are effective in providing reasonable assurance that information relating to the Fund which is required to be disclosed in reports filed under provincial and territorial securities legislation is accumulated, summarized and communicated to the Fund's senior management, including the CEO and the CFO of Bird Construction Company Limited, Administrator of Bird Construction Income Fund, as appropriate to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting

The Fund's management is responsible for designing and maintaining adequate internal control over financial reporting for the Fund. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

As of September 30, 2010, under the supervision of and with the participation of management, including the CEO and CFO, internal controls over financial reporting have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with GAAP.

There have been no material changes in the Fund's internal control over financial reporting during the nine months ended September 30, 2010 that materially affected, or are reasonably likely to materially affect, the Fund's internal control over financial reporting.

Transition to International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board confirmed that Canadian generally accepted accounting principles for publicly accountable enterprises will be replaced by IFRS. For the Fund, IFRS will be effective for interim and annual financial statements commencing January 1, 2011. Comparative financial results will also be required with respect to the 2010 fiscal year.

In preparation for the transition to IFRS, the Fund has established a steering committee comprised of senior management to develop and manage a plan to convert to IFRS. During 2009 and 2010, the steering committee provided regular updates to the Board of Trustees. The Fund also engaged the services of a major public accounting firm to assist management in its deliberations. The conversion plan, which was substantially completed at the end of 2009, addressed the following activities:

- Identification of the differences between Canadian GAAP and IFRS Accounting Policies which impact the Fund;
- Selection of the IFRS accounting policy to be used by the Fund when alternatives exist;
- Assessment of the implications to Information Technology and Data systems;
- Development of Financial Reporting Expertise;
- Implications to Systems of Internal Control over Financial Reporting and Disclosure Controls Procedures;
- Implications to Business Activities and Contractual Obligations, including financial covenants and compensation programs.

Generally speaking, the Fund has determined there are no major differences in determining and measuring the assets, liabilities, revenues and expenses between its current accounting policies and those required or expected to apply in preparing IFRS financial statements. The Fund has determined that the most significant difference relates to the additional disclosures which will be required under IFRS. Additional disclosures include; the preparation of a statement of changes in total equity, separate disclosure of provisions on the balance sheet, separate disclosure of construction costs and general and administrative costs in the statement of income, disclosure of key management compensation, continuity schedules for property plant and equipment, as well as Goodwill and Intangible assets.

The International Accounting Standards Board has several projects scheduled for completion in 2010 and 2011 that may change IFRS standards published to-date. Accordingly, any changes may significantly impact the transition to IFRS and the financial statements of the Fund. The Fund will continue to monitor the IASB's progress on these projects and their impact on the Fund.

The following table provides a brief summary of the conversion plan activities and the potential impact to the Fund.

	Key Activities	Status
Accounting policies and implementation decisions	Identification of differences in Canadian GAAP and IFRS accounting policies;	The Fund has not identified any significant measurement differences between accounting policies under Canadian GAAP and accounting policy under IFRS.
	Selection of the Fund's ongoing IFRS policies;	The Fund will elect to continue to use the cost method to reflect its investment in property and equipment in its financial statements. The Fund will continue to use the proportionate consolidation method to account for investments in construction joint ventures.
	Selection of the Fund's IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1") choices;	The Fund has completed its analysis of the choices available on initial conversion, in accordance with IFRS 1.
	Development of financial statement presentation to reflect additional disclosures in the financial statements.	The Fund has prepared draft quarterly 2010 financial statements including its transitional balance sheet reflecting the required additional or amended disclosures and will continue to progress towards finalizing the additional disclosures required under IFRS.
Infrastructure Financial reporting expertise	Development of IFRS expertise.	The Fund has provided training for key employees and senior management. Additional training will be ongoing throughout the remainder of 2010 and into 2011.
Infrastructure Information technology and data systems	Development of enhanced reporting procedures to provide the additional disclosures required under IFRS.	The Fund has determined there will be no significant system changes. The impact with respect to information technology and data systems is minimal.
Operating activities Financial covenants	Identification of impact on financial covenants and business practices.	The Fund is in the process of analyzing the contractual implications of IFRS. There are no debt covenants that will be impacted by the change to IFRS.
Operating activities Compensation arrangements	Identification of impact on compensation arrangements.	The Fund has determined there will be no significant impact relative to its compensation policies and programs.

Control activities Internal control over financial reporting	For the additional disclosure requirements identified, assessment of Internal Controls over Financial Reporting ("ICFR") to ensure completeness, accuracy and consistency control assurances are maintained.	The Fund is in the process of analyzing any issues with respect to ICFR.
Control activities Disclosure controls and procedures	For all accounting disclosures identified, assessment of Disclosure Controls and Procedures ("DC&P") design and effectiveness implications.	The Fund is in the process of analyzing any issues with respect to DC&P.

TERMINOLOGY

Throughout this report, management uses the following terms not found in the CICA Handbook and which do not have a standardized meaning under Canadian GAAP, therefore requiring definition:

- **"Construction Margin Percentage"** is the percentage derived by dividing the contract income by the contract revenue. The contract income is calculated by subtracting all related contract costs from the contract revenue.
- **"Backlog"** (also referred to in the construction industry as "work on hand") is the total value of all contracts awarded to the Fund, less the total value of work completed on these contracts as of the date of the most recently completed quarter. This includes all contracts that have been awarded to the Fund whether the work has commenced or will commence in the normal course.
- **"Cash Available for Distribution"** is determined by the Fund as net income for the period adjusted to add back specific non-cash items, including amortization, and to deduct capital expenditures (see Cash Available for Distribution section).

FORWARD LOOKING INFORMATION

Certain statements included herein which express management's expectations or estimates of future performance may constitute "forward-looking statements". The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", and similar expressions identify forward-looking statements.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. In particular, this MD&A includes many such forward-looking statements and the Fund cautions the reader that such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual financial results, performance or achievements of the Fund to be materially different from the Fund's estimated future results, performance or achievements expressed or implied by those forward-looking statements and the forward-looking statements are not guarantees of future performance. The Fund expressly disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, events or otherwise.

BIRD
CONSTRUCTION INCOME FUND

Quarterly Report

Third Quarter Ended September 30, 2010

Management’s Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") of Bird Construction Income Fund’s (“Fund”) financial condition and results of operations should be read in conjunction with the unaudited financial statements for the nine months ended September 30, 2010 and the December 31, 2009 audited consolidated financial statements of the Fund and the notes thereto presented in comparison to the preceding year. This discussion contains forward-looking statements, which are subject to a variety of factors that could cause actual results to differ materially from those contemplated by these statements. See "Forward Looking Information". Some of the factors that could cause results or events to differ from current expectations include, but are not limited to, the factors described under “Risks Relating to the Business” and “Risks Relating to the Units” included in the Fund’s most current Annual Information Form dated March 12, 2010. This MD&A has been prepared as of November 8, 2010. Additional information about the Fund is available through the System for Electronic Document Analysis and Retrieval (SEDAR) at ***www.sedar.com*** *and includes the Fund’s Annual Information Form and other filings.*

INTRODUCTION

In 2006, Bird Construction Income Fund (“Fund”) acquired Bird Construction Company Limited (“Company” or “Bird”) as a wholly-owned subsidiary of the Fund and continued operations as an open-ended income trust following the continuity of interests method of accounting, as there was no substantive change in the ownership interest of the Company.

On March 12, 2010, the Board of Trustees approved, in principle, a plan to convert the Fund to a publicly-traded corporation, subject to Unitholders’ approval which was obtained at the Fund’s Annual and Special Meeting held in May 2010. The Fund expects to convert to a publicly-traded corporation at the end of its 2010 fiscal year.

The Fund, through its ownership of the Company, operates as a general contractor across Canada. The Fund services clients in the following industry sectors: industrial, institutional, retail, commercial, multi-tenant residential, light industrial and renovation and restoration construction using fixed price, design-build, unit price, cost reimbursable, guaranteed upset price and construction management contract delivery methods. The Fund has secured and will continue to pursue design-build contracts with groups participating in the Public Private Partnership (“PPP”) market in the institutional sector. Bird is typically required to provide contract security to support its obligations related to such projects which will include letters of credit, parent company guarantees and possibly bonds. A strong balance sheet to support parent company guarantees is a competitive advantage in this market.

Securing profitable construction contracts and then controlling the costs associated with performing that work are key drivers of success for the Fund. The Fund's ability to attract work depends primarily on two factors.

First, new work must be available, which is a function of the general state of the economy. In periods of strong economic growth, capital spending will generally increase and there will be more opportunities available within the construction industry. Economic conditions over the last year have been weak and, accordingly, the competition for the contracts that are available has increased.

Second, the Fund must be successful in securing profitable work when it is available. In order to pursue projects, the Company must have adequate working capital to support its surety and contract security requirements. The construction industry is highly fragmented and, accordingly, the Fund competes with a number of national, regional and local construction firms. The profitability of the work is primarily a function of the Fund's ability to develop accurate cost estimates on which to base its bid or offer, the price at which the Fund is prepared to do the work, and the number and aggressiveness of the other contractors pursuing a particular opportunity, but may also depend on the relationship the Fund (or its competitors) has with the potential client.

Once the Fund has secured a potentially profitable contract, the profitability of that contract, measured by the Construction Margin Percentage (as defined below) is primarily a function of management's ability to control the costs associated with that contract.

Contracts typically extend over several quarters and sometimes over several years. For purposes of quarterly financial reporting, the Fund must estimate the cost required to complete each contract to assess the amount of revenue to recognize for the quarter. Such estimating includes contingencies to allow for certain known and unknown risks. The magnitude of the contingencies will depend on the nature and complexity of the work to be performed. As the contract progresses and remaining costs to be incurred and risk exposures become more certain, contingencies will typically decline although certain risks will remain until the contract has been completed, and even beyond. As a result of this, earnings may fluctuate significantly from quarter to quarter, depending on whether large and/or complex contracts are completing or nearing completion during the quarter, or have been completed in immediately prior quarters.

Backlog (as defined below) is an important indicator of the sustainability of a construction company. The Fund's ability to identify and successfully bid or negotiate contracts has allowed it to maintain a desirable level of Backlog.

SELECTED FINANCIAL INFORMATION

The following selected financial information has been derived from, and should be read in conjunction with, the consolidated financial statements of the Fund.

	For the nine months ended September 30	
(thousands of dollars, except per unit amounts)	2010	2009
Income Statement Data		
Revenue	$ 619,309	$ 665,891
Income before income taxes	46,504	58,533
Net income from continuing operations	38,405	46,711
Net loss from discontinued operations	-	(2,822)
Net income [1]	38,405	43,889
Income from continuing operations per unit	2.73	3.32
Loss from discontinued operations per unit	-	(0.20)
Net income per unit	2.73	3.12
Cash Flow Data		
Cash flows from (used in) operations	21,252	53,172
Additions to property and equipment [2]	1,534	1,492
Cash distributions paid	(18,969)	(16,516)
Cash distributions declared per unit	1.35	1.20
	September 30, 2010	December 31, 2009
Balance Sheet Data		
Total assets	497,247	439,975
Working capital	142,542	122,160
Unitholders' equity	154,785	135,349

[1] includes comprehensive income, hereafter referred to as net income

[2] including computer software purchases included in intangible assets

RESULTS OF OPERATIONS

NINE MONTHS ENDED SEPTEMBER 30, 2010 COMPARED WITH NINE MONTHS ENDED SEPTEMBER 30, 2009

In 2010, net income of $38.4 million compares with 2009 net income of $43.9 million. In 2009, a net after-tax loss of $2.8 million is reported as discontinued operations resulting from the wind-down of the Seattle Branch which was substantially completed in January 2010. The reduction in net income from continuing operations is primarily a result of lower revenue and earnings derived from industrial sector work, particularly related to Alberta oil sands projects, combined with the effect of lower overall 2010 project margins relating to more recently awarded contracts. Some of the construction contracts awarded in 2009 and 2010 have lower margins, consistent with a more competitive market reflecting recent economic conditions. The impact of lower margins was evident in the third quarter of the current fiscal year as many higher margin projects awarded before the economic recession were completed in the first half of the fiscal year, with the impact of lower margin projects being recognized in earnings in the third quarter.

Total revenue for the nine months ended September 30, 2010 was $619.3 million, representing a 7.0% decrease from the $665.9 million reported for the same period in 2009. A reduction in construction revenues of $45.0 million or 6.8% primarily reflects a reduction in the Fund's industrial market activities related to a significant reduction in the amount of capital expenditures in the Alberta oil sands. In 2010, higher revenues derived from PPP and other institutional projects served to offset to some extent lower revenues from commercial and industrial projects.

Investment and other income of $2.6 million was approximately $1.6 million lower than the $4.2 million reported in 2009 due principally to a reduction in 2010 in the amount of the unrealized gain resulting from changes in the fair value of the investment portfolio. In 2009, the investment portfolio appreciated in value by approximately $1.4 million resulting from a general recovery in the market, while in 2010, the value of the investment portfolio remained basically unchanged. The amount of interest and dividend income earned in the respective periods of approximately $2.7 million remained relatively comparable.

Construction costs and general and administrative expenses (including amortization) for the nine months ended September 30, 2010 of $572.8 million represents 92.9% of construction revenue, compared to $607.4 million and 91.8% of construction revenue in the comparable 2009 period. During the nine months ended September 30, 2010, margins have declined compared to those achieved in 2009 as a result of declining industrial margins due to the slow down in the Alberta oil sands, partially offset by the contribution from PPP institutional projects which generated comparable margins to those previously realized in the industrial market.

Income before income taxes of $46.5 million was $12.0 million lower than 2009 resulting from lower 2010 construction revenues and margins.

In 2010, income tax expense of $8.1 million was $3.7 million lower than 2009 as a result of lower pre-tax earnings.

The Fund secured $878.7 million in new construction contracts (including change orders to existing contracts) and put in place $616.7 million of construction revenue during 2010. As a result, the Fund's Backlog increased to $1,163.4 million at September 30, 2010 compared to $901.4 million as at December 31, 2009. Included in 2010 and 2009 Backlog is $147.0 million related to a contract for the Royal Alberta Museum which has been delayed. Construction of this project is expected to commence in 2011. The September 30, 2010 Backlog of $1,163.4 million does not include the Thunder Bay Consolidated Courthouse project for which the Fund was named preferred proponent during the third quarter of 2010. With respect to the current Backlog, approximately $246.2 million is expected to be put in place during 2010, leaving $917.2 million to carry forward to 2011 and beyond. As expected, construction markets across Canada have remained competitive and the Fund will continue to actively pursue infrastructure projects to compensate for a decline in the volume of work in the Fund's retail, commercial and industrial markets. At September 30, 2010, the value of uncompleted construction management work not included in Backlog, where the Fund acts as an agent for the owner, is $195.5 million. This compares to $130.0 million at September 30, 2009.

THREE MONTHS ENDED SEPTEMBER 30, 2010 COMPARED WITH THREE MONTHS ENDED SEPTEMBER 30, 2009

Net income for the three months ended September 30, 2010 was $8.5 million, compared to $14.2 million in 2009, which included a $0.2 million loss attributed to the wind-down of the Seattle Branch in that year. The reduction of 39.9% in net income is primarily a result of lower construction margins. Although construction revenues remained relatively comparable year over year, project margins derived from infrastructure projects and Alberta oil sands operations were considerably lower in the current quarter compared with 2009.

Investment and other income for the three months ended September 30, 2010 of $1.2 million is comparable to $1.0 million balance in 2009.

Construction costs and general and administrative expenses (including amortization) for the three months ended September 30, 2010 of $223.2 million represent 96.5% of construction revenue, compared to $210.1 million and 92.6% of construction revenue in this period in 2009. The Fund secured $394.4 million in new construction contracts (including change orders to existing contracts) and put in place $231.2 million of construction revenue during the quarter ended September 30, 2010. As a result, the Fund's Backlog of $1,000.2 million as at June 30, 2010 increased to $1,163.4 million as at September 30, 2010. The increase in the amount of Backlog during the third quarter of 2010 was largely a result of obtaining construction contracts in the institutional sector.

FUTURE OPERATING PERFORMANCE

Successful financial performance of the Fund is dependent upon securing profitable construction contracts and then controlling the cost associated with performing the work. The ability to secure contracts is a function of the general state of the economy. Up until the most recent quarter in 2010, the Fund generated revenues and earnings, which significantly reflected strong Backlog carried forward from a period of robust economic activity prior to the economic downturn. Construction markets remain very competitive and, although the Fund has been successful in growing the amount of Backlog, the margins associated with new projects are lower than recently completed work and which are now being reflected in earnings. Throughout the remainder of 2010 and into 2011 earnings will continue to be affected by competitive market conditions.

The retail and commercial sector represented 12% of 2009 revenues. In the current construction market, opportunities in the retail and commercial markets are significantly reduced compared to the period before the start of the economic downturn. Although some recovery is expected in 2011 as the economy is projected to strengthen, this market is likely to remain very competitive and the impact of this improvement on earnings is expected to be minimal.

The institutional sector represented 55% of 2009 revenues. Opportunities in the public markets in 2010 were abundant, but not exclusively related to government stimulus programs. All levels of government are expected to come under pressure to address budget deficits; however, it is not clear to what degree this will affect their capital spending programs in 2011 and beyond. During the three quarters ended September 30, 2010, the Fund was awarded three fixed price PPP design-build contracts. During the third quarter, the Fund was part of a consortium named as preferred proponent on the Thunder Bay Consolidated Courthouse PPP design-build project in Ontario and this will enter the Fund's Backlog in the fourth quarter upon achieving financial close. The pipeline of PPP projects remains solid but competition is increasing. The Company will continue to be active in this market sector and will be submitting proposals on additional PPP projects.

The industrial market contributed 33% of 2009 revenues. Alberta oil sands activity in late 2009 and through 2010 was significantly reduced from the high levels experienced in 2007 and 2008. In recent months, a number of the Fund's oil sands clients have announced plans for projects and indications are that capital expenditures will return to, and possibly exceed, pre-2009 levels. Oil sands work has been an area of competitive strength for the Fund and we will position ourselves to participate in this renewed opportunity. While construction work on smaller projects is expected to be available through the remainder of the year and in 2011, a significant rebound in oil sands work is not expected to have a substantial impact on our operating results until 2012.

Liquidity

The absence of any long-term debt, a high proportion of working capital represented by cash and other liquid securities support the Fund's plans to continue its participation in the PPP infrastructure market, and provides the financial capacity to withstand a downturn in the construction industry, should one occur. As at September 30, 2010, the Fund's working capital was $142.5 million compared with $122.2 million at December 31, 2009 and $114.3 million at September 30, 2009. Unitholders' equity of $154.8 million at September 30, 2010 compares with $135.3 million at December 31, 2009 and $128.6 million at September 30, 2009. During the third quarter of 2010, the Fund increased its available operating line of credit to $81.5 million from $51.5 million. At September 30, 2010, the Fund has issued letters of credit totaling $31.8 million under its available operating line of credit of $81.5 million, leaving an additional $49.7 million of capacity to issue further letters of credit in connection with future PPP construction contracts. The Fund has received approval in principle from another lender to increase its operating line of credit by a further $50 million to support future PPP activity. The Fund's existing operating line of credit and the proposed increase in the credit facility is supported by hypothecation of certain financial instruments.

ACCOUNTING POLICIES

The Fund's significant accounting policies are outlined in the notes of the September 30, 2010 Unaudited Interim Consolidated Financial Statements.

RECENT ACCOUNTING PRONOUNCEMENTS

There were no new accounting pronouncements to report in the third quarter of 2010.

CHANGES IN ACCOUNTING POLICIES

There were no accounting changes during the third quarter of 2010.

SUMMARY OF QUARTERLY RESULTS

The table below summarizes the results for the eight most recent quarters (in thousands of dollars, except per unit amounts). Although the Fund experiences some seasonality in its business, variations in net income from quarter to quarter primarily reflect the differences in the profitability of the contracts administered in the respective quarters. First quarter revenues are often lower than subsequent quarters due to winter weather constraints and construction schedule planning around the coldest months. In addition, the timing of the completion of large and complex projects and the need to adjust project contingencies relative to the stage of completion of the work as the projects approach completion can also affect quarterly earnings.

There are also a number of other factors that can affect the Fund's revenues from quarter to quarter. These include the timing of contract awards, the value of subcontractor billings and project delays. Management does not believe that any individual factor is responsible for changes in revenue from quarter to quarter.

	2008	2009				2010		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Revenue	246,652	218,907	228,656	230,154	205,223	182,502	204,417	232,390
Net income	14,568	13,755	15,942	14,192	13,024	14,429	15,440	8,536
Earnings per unit*	1.04	0.98	1.13	1.01	0.93	1.03	1.10	0.61

* includes earnings from continuing and discontinued operations in 2009

FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY

The Fund continues to be self-sufficient in terms of its capital requirements. The Fund has a $81.5 million line of credit, supported by hypothecation of certain financial instruments, which is available for short-term cash requirements, letter of credit and margin requirements for foreign exchange contracts issued in the normal course of its construction business. At September 30, 2010, $31.8 million of the line of credit was utilized for the issuance of letters of credit relative to secured PPP contracts. The $30 million increase in the existing line of credit during the quarter, and an additional line of credit expected to be executed in the fourth quarter of 2010 will further strengthen the Fund's financial capacity to support its PPP activity.

During the nine months ended September 30, 2010, the Fund secured three additional PPP construction contracts expected to generate construction revenue of approximately $360.0 million through 2011, 2012 and 2013. After the quarter end, the Fund was named preferred proponent on the Thunder Bay Consolidated Courthouse project. The Fund is actively pursuing other infrastructure development projects, and accordingly, has been retaining earnings in the business to ensure that it has sufficient equity to meet surety and other contract security requirements, particularly those associated with PPP projects.

The Fund believes that its strong balance sheet, including equity of $154.8 million, comprised in part of $142.5 million of net working capital and no debt, allows it the financial capacity to continue to actively pursue selected PPP projects.

The following table provides an overview of the Fund's cash flows and financial position for the periods indicated.

(thousands of dollars)	Three Months Ended September 30 2010	Three Months Ended September 30 2009	Nine Months Ended September 30 2010	Nine Months Ended September 30 2009
Cash Flow Data				
Operating activities	$ 26,828	$ 2,921	$ 21,252	$ 53,172
Investing activities	(212)	249	(20,381)	1,502
Financing activities	(6,323)	(6,323)	(18,969)	(92,985)
Increase/decrease in cash and cash equivalents	$ 20,293	$ (3,153)	$ (18,098)	$ (38,311)

	September 30 2010	December 31 2009
Financial Position Data		
Cash and cash equivalents	$ 185,665	$ 203,763
Investment in marketable securities	31,043	11,670
Working capital	142,542	122,160
Unitholders' equity	154,785	135,349

In 2009, cash flow from operating activities of $53.2 million was significantly influenced by the receipt of construction proceeds derived from the GTAYC project, where construction work previously completed and reported as costs and estimated earnings in excess of billings was billed and collected upon the achievement of substantial completion of the facility in the second quarter of 2009. The cash received was used to retire the non-recourse project debt associated with the project which explains the significant amount reported as financing activity in 2009. The Fund did not have a similar transaction in 2010.

The use of cash in investing activities in 2010 to- date reflects management's decision to invest some of its cash balances in high-quality, short-term corporate bonds to increase the amount of interest income earned on its working capital compared with that earned by investing in money market securities.

As a component of working capital, the Fund maintains significant balances of cash and cash equivalents and investments in liquid securities. At September 30, 2010, these balances consisted of $185.7 million of cash and cash equivalents and $31.0 million of liquid securities, for a total of $216.7 million. The $216.7 million is comprised of the Fund's $142.5 million of working capital, plus a working cash balance of $72.1 million, which offsets a corresponding non-cash net current liability position and $2.1 million of cash held to fund the current distributions payable. These components are summarized in the following table for September 30, 2010 and September 30, 2009.

Working Capital Components
(thousands of dollars)

	September 30 2010	December 31 2009
Investment in marketable securities (bonds, share and income trust investments)	$ 31,043	$ 11,670
Cash and cash equivalents held for working capital	111,499	110,490
	142,542	122,160
Cash held for distributions payable	2,108	2,108
Distributions payable	(2,108)	(2,108)
Working cash	72,058	91,165
Non-cash net current liabilities	(72,058)	(91,165)
Working capital	$ 142,542	$ 122,160

The Fund's non-cash net current liability position fluctuates significantly in the normal course from period to period, primarily due to timing differences between settlement of payables due to subcontractors and suppliers and billings and collection of accounts receivable from clients, and also the timing of the settlement of income taxes payable. The working cash balance absorbs these fluctuations with no net impact on the Fund's net working capital position or ability to access surety support.

During the nine months ended September 30, 2010, operating activities generated cash of $21.3 million. This was comprised of $40.6 million from earnings and amortization, which contributed to Cash Available for Distribution, and a decrease of $19.3 million, which represented a normal course fluctuation in the Fund's net current liability position. In some periods, this fluctuation will be a use of cash, as in the current period, but in other periods it will be a source of cash, tending to balance out over time and having no net impact on the Fund's working capital.

CASH AVAILABLE FOR DISTRIBUTION

Cash Available for Distribution Summary (thousands of dollars)	For the nine months ended September 30 2010	For the nine months ended September 30 2009
Income before income taxes	$ 46,504	$ 58,533
Income tax expense (1)	(8,099)	(11,822)
Net income from continuing operations	38,405	46,711
Net loss from discontinued operations	-	(2,822)
Net income:	38,405	43,889
Add:		
Amortization	2,179	2,482
Less:		
Capital expenditures (2)	(1,534)	(1,492)
Cash available for distribution	39,050	44,879
Less:		
Regular distributions declared	(18,969)	(16,925)
Excess of cash available for distribution relative to distributions declared	$ 20,081	$ 27,954

(1) The Fund qualifies as a mutual fund trust for income tax purposes and is currently not taxable on its income to the extent that it is distributed to the Unitholders. Income tax obligations related to distributions are obligations of the Unitholders. It is management's intention to minimize the income tax expense of the Fund and its wholly-owned subsidiaries and partnership. The Fund and its subsidiaries are subject to taxation on taxable income not distributed to Unitholders and use the asset and liability method of accounting for income taxes. The income tax expense relates to taxable income retained in the Fund and earned in its subsidiary companies.

(2) Capital expenditures equal "additions to property and equipment" and "additions to intangible assets" in 2010 in the "cash flows used in investing activities" section of the Consolidated Statements of Cash Flows. In 2010, the Fund's expenditures on property and equipment were $1.5 million which is comparable to 2009.

Cash Available for Distribution is not a defined term under Canadian generally accepted accounting principles, but is determined by the Fund as net income for the period adjusted to add back specific non-cash items, including amortization, and to deduct capital expenditures. The Fund believes that Cash Available for Distribution is a useful supplemental measure of performance as it provides investors with an indication of the amount of cash flow that has been generated and is available for distribution to Unitholders or to supplement the Fund's working capital requirements. Investors are cautioned, however, that Cash Available for Distribution should not be construed as an alternative to using net income as a measure of profitability or the statement of cash flows. Also, the Fund's method of calculating Cash Available for Distribution may not be comparable to similarly titled amounts reported by other issuers.

Furthermore, in addition to the Cash Available for Distribution Summary, which reconciles to net income noted above, and in accordance with the Canadian Securities Administrator's (CSA) Staff Notice 52-306 (revised), issued in August 2006, the Fund has presented below a Cash Available for Distribution Summary which reconciles to cash flows from operating activities.

ALTERNATE PRESENTATION – CASH AVAILABLE FOR DISTRIBUTION

Cash Available for Distribution Summary
(thousands of dollars)

	For the nine months ended September 30 2010	For the nine months ended September 30 2009
Cash flows from operating activities before changes in non-cash working capital	$ 42,016	$ 48,976
Add (less):		
Future income tax and other temporary non-cash items [(1)]	(1,432)	(2,605)
Capital expenditures [(2)]	(1,534)	(1,492)
Cash available for distribution	39,050	44,879
Less:		
Regular distributions declared	(18,969)	(16,925)
Excess of cash available for distribution relative to distributions declared	$ 20,081	$ 27,954

(1) All future income tax and other income items not involving cash, except for amortization, represent temporary timing differences that are not considered to be a component of Cash Available for Distribution.

(2) See notes on previous "Cash Available for Distribution" Summary.

During the nine months ended September 30, 2010, the Fund generated $39.0 million of Cash Available for Distribution and declared distributions to Unitholders of $19.0 million. In the current fiscal period, the Fund has continued its practice of retaining the excess of cash available for distribution relative to distributions declared for the purpose of increasing its working capital. Since the inception of the Fund in 2006, the Fund has retained approximately $112.9 million as working capital required for the operations of the business as a result of increases in the Backlog value, changes in the mix of work and associated contract security, the impact of a tightening credit environment, and the acquisition of Rideau Construction. The Fund's recent participation in PPP infrastructure development programs has required the Fund to issue letters of credit as performance security related to those construction projects. Participation in the PPP market also requires a strong balance sheet to support contractual commitments undertaken. The Fund will continue to monitor the adequacy of its working capital balances in light of its contract security requirements.

In establishing the distribution policy for a particular period, the Fund will take into consideration, amongst other things, the need to meet future requirements for increases in working capital and equity, the desirability of maintaining a stable or increasing distribution rate, or paying special distributions to the extent considered advisable by the Fund.

CASH FLOWS AND NET INCOME COMPARED TO DISTRIBUTIONS DECLARED

The following table presents the excess of cash flows from operating activities and net income over distributions declared for the nine months ended September 30, 2010 and September 30, 2009 and for the year ended December 31, 2009.

(thousands of dollars)	For the nine months ended September 30 2010	For the nine months ended September 30 2009	Year Ended December 31 2009
Cash flows from operations	$ 21,252	$ 53,172	$ 100,163
Net income	38,405	43,889	56,913
Distributions declared during period	18,969	16,925	23,248
Excess (shortage) of cash flows from operations relative to cash distributions declared	2,283	36,247	76,915
Excess of net income over cash distributions declared	19,436	26,964	33,665

DISTRIBUTIONS

The Fund's monthly distribution is $0.150 per unit or an annualized rate of $1.80 per unit which became effective on May 12, 2009 with the June 2009 distribution. Prior to the change, the Fund's monthly distribution rate was $0.1209 per unit or an annualized rate of $1.45 per unit. On the conversion to a publicly-traded corporation, the corporation plans to declare annual dividends of $1.80 per share paid quarterly.

CONTRACTUAL OBLIGATIONS

The Fund has future minimum annual lease payment obligations relating to lease commitments on buildings and equipment over the next five years ended December 31 and thereafter, as follows:

(thousands of dollars)	Operating Leases
2010 (nine months)	$ 467
2011	1,779
2012	1,365
2013	902
2014	451
Thereafter	76
	$ 5,040

The Fund has no debt.

OFF BALANCE SHEET ARRANGEMENTS

The Fund has not engaged in any off balance sheet arrangements.

CRITICAL ACCOUNTING ESTIMATES

The accounting principles used by the Fund to account for its construction contracts involve the use of estimates. Construction revenue, construction costs, deferred contract revenue and costs and estimated earnings in excess of billings include amounts derived using the percentage of completion basis. Percentage of completion is calculated based on the costs incurred on each construction contract to the end of the respective accounting period divided by the total estimated costs. Any excess of progress billings over earned revenue determined on a percentage of completion basis is carried as deferred contract revenue in the consolidated financial statements. Any excess of costs and estimated earnings over progress billings on construction contracts is carried as costs and estimated earnings in excess of billings in the consolidated financial statements.

Revenue and estimated costs to complete for each contract are updated and reviewed by management at least once each financial reporting period. In making such estimates, judgments are required to evaluate issues related to scheduling, material costs, labour costs, labour productivity, changes in contract scope and subcontractor costs. Due to the nature of construction contracts, estimates may change significantly from one accounting period to the next.

The value of many construction contracts increases over the duration of the construction period. Change orders may be issued by our clients to modify the original contract scope of work or conditions. Construction work related to a change order may proceed, and costs may be incurred, in advance of final determination of the value of the change order. Revenue on change orders is recognized by the Fund to the extent that management estimates that realization is probable. As many change orders are settled at the end of the construction project, significant increases or decreases in revenue and income may arise during any particular accounting period.

Provisions for accounts receivable may require an assessment and estimate of the credit-worthiness of the client and the timing of collections. Furthermore, provisions for litigation involve the use of estimates, as determined by management. Amounts arising from negotiated settlements or court judgments may vary significantly from management's estimates.

OUTSTANDING UNIT DATA AND STOCK EXCHANGE LISTING

The Fund is authorized to issue an unlimited number of units. The Fund had a total of 14,051,282 units outstanding as at December 31, 2009 and November 8, 2010. The units of the Fund are listed on the Toronto Stock Exchange ("TSX") under the symbol "BDT.UN".

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Based on their evaluations as of September 30, 2010, the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) have concluded that the Fund's disclosure controls and procedures are effective in providing reasonable assurance that information relating to the Fund which is required to be disclosed in reports filed under provincial and territorial securities legislation is accumulated, summarized and communicated to the Fund's senior management, including the CEO and the CFO of Bird Construction Company Limited, Administrator of Bird Construction Income Fund, as appropriate to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting

The Fund's management is responsible for designing and maintaining adequate internal control over financial reporting for the Fund. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

As of September 30, 2010, under the supervision of and with the participation of management, including the CEO and CFO, internal controls over financial reporting have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with GAAP.

There have been no material changes in the Fund's internal control over financial reporting during the nine months ended September 30, 2010 that materially affected, or are reasonably likely to materially affect, the Fund's internal control over financial reporting.

Transition to International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board confirmed that Canadian generally accepted accounting principles for publicly accountable enterprises will be replaced by IFRS. For the Fund, IFRS will be effective for interim and annual financial statements commencing January 1, 2011. Comparative financial results will also be required with respect to the 2010 fiscal year.

In preparation for the transition to IFRS, the Fund has established a steering committee comprised of senior management to develop and manage a plan to convert to IFRS. During 2009 and 2010, the steering committee provided regular updates to the Board of Trustees. The Fund also engaged the services of a major public accounting firm to assist management in its deliberations. The conversion plan, which was substantially completed at the end of 2009, addressed the following activities:

- Identification of the differences between Canadian GAAP and IFRS Accounting Policies which impact the Fund;
- Selection of the IFRS accounting policy to be used by the Fund when alternatives exist;
- Assessment of the implications to Information Technology and Data systems;
- Development of Financial Reporting Expertise;
- Implications to Systems of Internal Control over Financial Reporting and Disclosure Controls Procedures;
- Implications to Business Activities and Contractual Obligations, including financial covenants and compensation programs.

Generally speaking, the Fund has determined there are no major differences in determining and measuring the assets, liabilities, revenues and expenses between its current accounting policies and those required or expected to apply in preparing IFRS financial statements. The Fund has determined that the most significant difference relates to the additional disclosures which will be required under IFRS. Additional disclosures include; the preparation of a statement of changes in total equity, separate disclosure of provisions on the balance sheet, separate disclosure of construction costs and general and administrative costs in the statement of income, disclosure of key management compensation, continuity schedules for property plant and equipment, as well as Goodwill and Intangible assets.

The International Accounting Standards Board has several projects scheduled for completion in 2010 and 2011 that may change IFRS standards published to-date. Accordingly, any changes may significantly impact the transition to IFRS and the financial statements of the Fund. The Fund will continue to monitor the IASB's progress on these projects and their impact on the Fund.

The following table provides a brief summary of the conversion plan activities and the potential impact to the Fund.

	Key Activities	Status
Accounting policies and implementation decisions	Identification of differences in Canadian GAAP and IFRS accounting policies;	The Fund has not identified any significant measurement differences between accounting policies under Canadian GAAP and accounting policy under IFRS.
	Selection of the Fund's ongoing IFRS policies;	The Fund will elect to continue to use the cost method to reflect its investment in property and equipment in its financial statements. The Fund will continue to use the proportionate consolidation method to account for investments in construction joint ventures.
	Selection of the Fund's IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1") choices;	The Fund has completed its analysis of the choices available on initial conversion, in accordance with IFRS 1.
	Development of financial statement presentation to reflect additional disclosures in the financial statements.	The Fund has prepared draft quarterly 2010 financial statements including its transitional balance sheet reflecting the required additional or amended disclosures and will continue to progress towards finalizing the additional disclosures required under IFRS.
Infrastructure Financial reporting expertise	Development of IFRS expertise.	The Fund has provided training for key employees and senior management. Additional training will be ongoing throughout the remainder of 2010 and into 2011.
Infrastructure Information technology and data systems	Development of enhanced reporting procedures to provide the additional disclosures required under IFRS.	The Fund has determined there will be no significant system changes. The impact with respect to information technology and data systems is minimal.
Operating activities Financial covenants	Identification of impact on financial covenants and business practices.	The Fund is in the process of analyzing the contractual implications of IFRS. There are no debt covenants that will be impacted by the change to IFRS.
Operating activities Compensation arrangements	Identification of impact on compensation arrangements.	The Fund has determined there will be no significant impact relative to its compensation policies and programs.

Control activities Internal control over financial reporting	For the additional disclosure requirements identified, assessment of Internal Controls over Financial Reporting ("ICFR") to ensure completeness, accuracy and consistency control assurances are maintained.	The Fund is in the process of analyzing any issues with respect to ICFR.
Control activities Disclosure controls and procedures	For all accounting disclosures identified, assessment of Disclosure Controls and Procedures ("DC&P") design and effectiveness implications.	The Fund is in the process of analyzing any issues with respect to DC&P.

TERMINOLOGY

Throughout this report, management uses the following terms not found in the CICA Handbook and which do not have a standardized meaning under Canadian GAAP, therefore requiring definition:

- **"Construction Margin Percentage"** is the percentage derived by dividing the contract income by the contract revenue. The contract income is calculated by subtracting all related contract costs from the contract revenue.
- **"Backlog"** (also referred to in the construction industry as "work on hand") is the total value of all contracts awarded to the Fund, less the total value of work completed on these contracts as of the date of the most recently completed quarter. This includes all contracts that have been awarded to the Fund whether the work has commenced or will commence in the normal course.
- **"Cash Available for Distribution"** is determined by the Fund as net income for the period adjusted to add back specific non-cash items, including amortization, and to deduct capital expenditures (see Cash Available for Distribution section).

FORWARD LOOKING INFORMATION

Certain statements included herein which express management's expectations or estimates of future performance may constitute "forward-looking statements". The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", and similar expressions identify forward-looking statements.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. In particular, this MD&A includes many such forward-looking statements and the Fund cautions the reader that such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual financial results, performance or achievements of the Fund to be materially different from the Fund's estimated future results, performance or achievements expressed or implied by those forward-looking statements and the forward-looking statements are not guarantees of future performance. The Fund expressly disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, events or otherwise.

Unaudited Consolidated Financial Statements

For the nine months ended September 30, 2010

Notice required under National Instrument 51-102, "Continuous Disclosure Obligations" Part 4.3 (3) (a).

The attached consolidated financial statements have been prepared by management of Bird Construction Company Limited, Administrator for Bird Construction Income Fund and have not been reviewed by the auditors of Bird Construction Income Fund.

BIRD CONSTRUCTION INCOME FUND
CONSOLIDATED BALANCE SHEETS
(unaudited)
(in thousands of dollars)

	September 30 2010	December 31 2009
ASSETS		
Current assets:		
Cash (note 9)	**$ 172,665**	$ 174,854
Bankers' acceptances and short-term deposits (note 9)	**13,000**	28,909
Bonds and preferred share investments (note 5 and 9)	**31,043**	11,670
Accounts receivable (note 6)	**252,697**	194,412
Income taxes recoverable	**1,795**	-
Costs and estimated earnings in excess of billings	**1,669**	4,506
Prepaid expenses and other assets	**1,409**	507
Current assets from discontinued operations (note 4)	**1,658**	2,337
Total current assets	**475,936**	417,194
Property and equipment (note 7)	**7,216**	8,398
Future income tax asset (note 10)	**2,437**	2,750
Intangible assets (note 8)	**2,364**	2,338
Goodwill	**9,294**	9,294
	$ 497,247	$ 439,975
LIABILITIES		
Current liabilities:		
Accounts payable	**$ 255,023**	$ 230,622
Accounts payable from discontinued operations (note 4)	**764**	2,233
Deferred contract revenue	**70,621**	53,118
Distributions payable to unitholders	**2,108**	2,108
Income taxes payable	**-**	2,066
Future income tax liability (note 10)	**3,094**	2,816
Other liabilities (note 11)	**1,784**	2,072
Total current liabilities	**333,394**	295,035
Other long-term liabilities (note 11)	**9,068**	9,591
UNITHOLDERS' EQUITY		
Unitholders' capital (note 12)	**37,527**	37,527
Retained earnings	**117,258**	97,822
Total unitholders' equity	**154,785**	135,349
	$ 497,247	$ 439,975

Commitments and contingencies (notes 9, 14, 15 and 18)

See accompanying notes to consolidated financial statements.

BIRD CONSTRUCTION INCOME FUND
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(unaudited)
(in thousands of dollars, except per unit amounts)

	For the three months ended September 30		For the nine months ended September 30	
	2010	2009	**2010**	2009
Revenue:				
Construction revenue	**$ 231,179**	$ 226,786	**$ 616,671**	$ 661,651
Investment and other income (note 5 and 6)	**1,211**	968	**2,638**	4,240
	232,390	227,754	**619,309**	665,891
Construction costs and general & administrative expenses (note 2(f) and 6)	**222,371**	209,250	**570,626**	604,876
Amortization	**782**	847	**2,179**	2,482
Income before income taxes	**9,237**	17,657	**46,504**	58,533
Income tax expense (note 10)	**701**	3,280	**8,099**	11,822
Net income from continuing operations	**8,536**	14,377	**38,405**	46,711
Net loss from discontinued operations (note 4)	**-**	(185)	**-**	(2,822)
Net income and comprehensive income for the period	**$ 8,536**	$ 14,192	**$ 38,405**	$ 43,889
Basic and diluted earnings (loss) per unit (note 2(h))				
From continuing operations	$ **0.61**	$ 1.02	$ **2.73**	$ 3.32
From discontinued operations	**-**	(0.01)	**-**	(0.20)
Total basic and diluted	$ **0.61**	$ 1.01	**$ 2.73**	$ 3.12

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
(unaudited)
(in thousands of dollars)

	For the nine months ended September 30	
	2010	2009
Retained earnings, beginning of period	**$ 97,822**	$ 64,157
Net income and comprehensive income for the period	**38,405**	43,889
	136,227	108,046
Distributions declared to unitholders	**18,969**	16,925
Retained earnings, end of period	**$ 117,258**	$ 91,121

See accompanying notes to consolidated financial statements.

BIRD CONSTRUCTION INCOME FUND
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands of dollars)

	For the three months ended September 30		For the nine months ended September 30	
	2010	2009	**2010**	2009
Cash flows from (used in) operating activities:				
Net income and comprehensive income for the period	**$ 8,536**	$ 14,192	**$ 38,405**	$ 43,889
Items not involving cash:				
Amortization	**782**	847	**2,179**	2,482
(Gain) loss on sale of property and equipment	**(51)**	(5)	**(49)**	137
Mark-to-market (gain) loss on share and income trust investments	**(154)**	(1,542)	**26**	(3,745)
(Gain) loss on disposal of investments	**-**	1,319	**8**	2,256
Interest income relating to the accretion of accounts receivable	**(324)**	(446)	**(1,101)**	(1,575)
Interest expense relating to the accretion of accounts payable	**169**	244	**572**	938
Deferred compensation plan	**2,098**	1,963	**1,452**	3,747
Future income tax provision	**2,563**	(830)	**464**	799
Foreign exchange (gain) loss on future income tax	**46**	30	**60**	48
	13,665	15,772	**42,016**	48,976
Changes in non-cash working capital:				
Accounts receivable	**(27,388)**	(37,577)	**(57,184)**	(53,781)
Costs and estimated earnings in excess of billings	**(531)**	(664)	**2,837**	79,150
Prepaid expenses and other assets	**(1,123)**	(598)	**(902)**	(297)
Accounts payable	**26,731**	29,362	**23,829**	17,367
Income taxes recoverable	**756**	705	**(1,795)**	(1,389)
Income taxes payable	**-**	-	**(2,066)**	(6,568)
Deferred contract revenue	**17,039**	(3,599)	**17,503**	(28,974)
Other liabilities	**(2,255)**	(25)	**(2,263)**	(75)
Operating cash flows from discontinued operations	**(66)**	(455)	**(723)**	(1,237)
	13,163	(12,851)	**(20,764)**	4,196
Cash flows from (used in) operations	**26,828**	2,921	**21,252**	53,172
Cash flows from (used in) investing activities:				
Additions to property and equipment	**(492)**	(410)	**(1,031)**	(1,492)
Additions to intangible assets	**(262)**	-	**(503)**	-
Proceeds on sale of property and equipment	**542**	1	**560**	2
Purchase of investments	**-**	-	**(22,317)**	-
Proceeds from disposal of investments	**-**	658	**2,910**	2,992
Cash flows from (used in) investing activities	**(212)**	249	**(20,381)**	1,502
Cash flows from (used in) financing activities:				
Loan payable advances	**-**	-	**-**	8,125
Loan repayment	**-**	-	**-**	(84,562)
Obligations under capital lease	**-**	-	**-**	(32)
Distributions paid on units	**(6,323)**	(6,323)	**(18,969)**	(16,516)
Cash flows from (used in) financing activities	**(6,323)**	(6,323)	**(18,969)**	(92,985)
Net increase (decrease) in cash and cash equivalents during the period	**20,293**	(3,153)	**(18,098)**	(38,311)
Cash and cash equivalents, beginning of the period	**165,372**	169,482	**203,763**	204,640
Cash and cash equivalents, end of the period	**$ 185,665**	$ 166,329	**$ 185,665**	$ 166,329
Supplementary cash flow information				
Income taxes paid	**$ (2,623)**	$ 3,556	**$ 11,463**	$ 20,205
Interest paid	**$ -**	$ -	**$ -**	$ 1,643

Cash and cash equivalents are comprised of cash, bankers' acceptances, and short-term deposits.

See accompanying notes to consolidated financial statements.

1. Structure of the trust and basis of presentation

Bird Construction Income Fund (the "Fund") is an unincorporated open-ended, limited purpose investment trust governed by the laws of Ontario pursuant to a declaration of trust dated January 1, 2006. The Fund was created to indirectly acquire all the outstanding shares of Bird Construction Company Limited (the "Company") and exchange those shares on a basis of three (3) trust units ("Units") of the Fund for each such outstanding Company share pursuant to a Plan of Arrangement effective February 27, 2006. The Fund is authorized to issue an unlimited number of units and each Unitholder participates pro rata in any distribution from the Fund. Income tax obligations related to distributions of the Fund are obligations of the Unitholders.

The Fund is considered to be a continuation of the Company following the continuity of interest method of accounting as there was no substantive change in the ownership interest of the Company. This method recognizes the Fund as the successor entity to the Company. Accordingly, these consolidated financial statements reflect the financial position, results of operations and cash flows as if the Fund had always carried on the business formerly carried on by the Company with all assets and liabilities recorded at the carrying values of the Company.

The Fund, through its wholly-owned subsidiary Bird Construction Company Limited, carries on business as a general contractor with branches in Toronto, Winnipeg, Calgary, Edmonton, Vancouver, Halifax and Saint John. The Fund focuses primarily on industrial, commercial and institutional projects.

2. Summary of significant accounting policies

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting principles used in these unaudited interim consolidated financial statements are as follows:

(a) Consolidation:
The unaudited interim consolidated financial statements include the accounts of the Fund and all of its subsidiaries and partnerships, as well as its pro rata share of assets, liabilities, revenues, expenses, net income and cash flows of its joint ventures.

The unaudited interim consolidated financial statements include the accounts of the following:

Bird Construction Income Fund
Bird Construction Company Limited
Bird Construction Company (a Limited Partnership)
Bird Management Ltd.
826513 Ontario Inc.
Regatta Constructors Ltd.
Pacific Industrial Constructors Ltd.
Omsac Developments Limited
Regatta Industrial Ltd.
Bird Constructors Ltd.
Bird Design-Build Corporation
Bird Industrial Group Limited
Bird Construction Inc.
Bird Design-Build Inc.
Bird Design - Build Limited
1469782 Ontario Inc.
1691651 Ontario Inc.
Bird Construction (U.S.A.) Inc.
Bird GTAYC Inc.
Rideau Construction Incorporated
Rideau Management Services Incorporated
Bird-Graham Schools Joint Ventures
ByBird Joint Venture
Bird Design-Build Construction Inc.
Bouygues Bird Joint Venture

(IN THOUSANDS OF DOLLARS)

(b) Use of estimates:
The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of certain revenue and expenses during the period. Actual results may differ from those estimates.

(c) Revenue recognition:
Revenue from fixed price construction contracts is recognized on the percentage of completion basis. Percentage of completion is calculated based on the costs incurred on each construction contract to the end of the respective accounting period divided by the total estimated costs. Revenue from cost reimbursable contracts is recognized progressively on the basis of costs incurred during the period plus the estimated fee earned. For agency relationships, such as construction management, where the Fund acts as an agent for its clients, fee revenue only is recognized, generally in accordance with the contract terms.

Revenue from change orders is recognized to the extent that management estimates that realization is probable. Losses from any construction contracts are recognized in full in the period the loss becomes apparent. Any excess of progress billings over earned revenue on construction contracts is carried as deferred contract revenue in the financial statements. Any excess of costs and estimated earnings over progress billings on construction contracts is carried as costs and estimated earnings in excess of billings in the financial statements.

These revenue recognition policies are considered by management to provide an appropriate measure of the extent of the work accomplished during the financial reporting period.

(d) Bonds and preferred share investments:
Bonds and preferred share investments are classified as held-for-trading financial instruments (see notes 5 and 17), which are carried at fair value. The fair value of bonds and preferred share investments are based on their quoted market prices at the balance sheet date without any deduction for estimated future selling costs.

(e) Property and equipment:
Property and equipment are recorded at cost and are amortized over their estimated useful lives as follows:

i. Diminishing balance method:	
Buildings	5% and 10%
Automotive and contractor’s equipment	30% - 40%
Furniture, fixtures and office equipment	20% - 55%
ii. Straight line method:	
Leasehold improvements	over the lease term

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

(f) Translation of US subsidiaries:
US subsidiaries are considered to be integrated operations and as a result, their accounts have been translated into Canadian dollars as follows:

i. Monetary assets and liabilities at the exchange rate in effect at the balance sheet date;
ii. Non-monetary assets and liabilities at exchange rates prevailing at the time of the transaction;
iii. Amortization expense at the exchange rate in effect at the time the related assets are acquired; and
iv. Revenues and expenses at the average exchange rate prevailing during the year.

Net foreign exchange gain included in construction costs and general and administrative expenses is $156 (September 30, 2009 - $77).

(g) Income taxes:
The Fund is a mutual fund trust as defined under the Income Tax Act (Canada) ("Tax Act") and, accordingly, is not currently subject to taxation on its income to the extent that its income is distributed to its Unitholders. Income tax obligations related to distributions of the Fund are obligations of the Unitholders.

The Fund and its subsidiaries use the asset and liability method of accounting for income taxes. Current income taxes are recognized for the estimated income taxes payable for the current year. Future income taxes are recognized at enacted or substantively enacted rates expected to apply when items included in the income statement for the current year are expected to be reported for income tax purposes. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment.

Valuation allowances are established when necessary to reduce any future tax asset to the amounts expected to be realized.

(h) Basic and diluted earnings per unit:
The Fund's basic and diluted earnings per unit calculation are based on the weighted average number of units outstanding.

(i) Derivative financial instruments:
Derivative financial instruments when utilized are comprised of forward foreign exchange contracts which the Fund's operating companies enter into during the regular course of business. Derivative financial instruments are classified as held-for-trading financial instruments and are carried at fair value, with changes in fair value recognized in the consolidated statements of income and comprehensive income.

(j) Medium-term incentive plan:
The Fund determines compensation expense on phantom units based on their intrinsic value, considered to be the market value of the Fund's units. At each reporting period, changes in market value of unvested phantom units are recognized in income throughout the vesting period of the phantom units.

(k) Financial instruments:
Financial assets and liabilities classified as held-for-trading are measured at fair value at each reporting period with any changes in fair value during the reporting period being included in income. Financial assets and liabilities classified as loans and receivables and other liabilities are measured at amortized cost, using the effective interest rate method, which approximates fair value. The Fund will recognize changes in the fair value of loans and receivables only if realized, or when impairment in the value of the asset occurs. The Fund has not classified any assets or liabilities as held-to-maturity or available for sale (see note 17).

The Fund had no "other comprehensive income or loss" transactions during the period and no opening or closing balances for accumulated other comprehensive income or loss.

(l) Goodwill:
Goodwill is the excess of the purchase price paid for acquired operations over the fair value of the net assets acquired. Amounts recorded in Goodwill are not amortized, but are subject to a fair value impairment test to be performed at least annually to ensure that the fair value of Goodwill remains greater than, or equal to, the carrying value. Goodwill impairment is assessed based on a comparison of the fair value of a reporting unit to the underlying carrying value of the reporting unit's net assets, including Goodwill. Any excess of the carrying value over fair value will be charged to income in the period in which the impairment is determined.

(m) Intangible assets:
Non-competition agreements, customer relationships and contract Backlog represent intangible assets acquired in a business acquisition that meet the specified criteria for recognition. These assets are recorded at fair value and are amortized on a straight-line basis over the estimated useful life of the assets with periods ranging from five years for non-competition agreements and customer relationships to one year for contract Backlog. Computer software is recorded at cost and will be amortized over two years.

(IN THOUSANDS OF DOLLARS)

3. Future Accounting Changes:

In February 2008, the Canadian Accounting Standards Board confirmed that Canadian Generally Accepted Accounting Principles ("GAAP") for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS"). For the Fund, IFRS will be effective for interim and annual financial statements commencing on January 1, 2011. Comparative financial results will also be required with respect to the 2010 fiscal year.

4. Discontinued operations

In February 2009, the Fund decided that it would wind down its Seattle, Washington branch. During the remainder of 2009, the Fund ceased securing any new construction work and focused its attention towards completing all contracts which were in progress at the time of the decision. In the first quarter of 2010, the operations of the Seattle branch ceased as the Fund substantially completed all construction activity. Accordingly, certain figures for 2010 and 2009 relating to the financial position and operating results have been re-classified to assets, liabilities and operating results of discontinued operations in accordance with CICA Handbook Section 3475, "Disposal of Long-Lived Assets and Discontinued Operations". The following table summarizes the reclassifications for 2010 and 2009:

Balance Sheet Items	**September 30 2010**	December 31 2009
Accounts receivable	**$ 258**	$ 1,004
Future income tax asset	**1,400**	1,333
	1,658	2,337
Accounts payable	**$ 764**	$ 2,233

Income Statement Items	For the nine months ended September 30	
	2010	2009
Revenue:		
Construction revenue	**$ -**	$ 11,825
Construction costs, general & administrative expenses	**-**	15,725
Income before income taxes	**-**	(3,900)
Income tax expense (note 10)	**-**	(1,078)
Net loss for the period	**$ -**	$ (2,822)

(IN THOUSANDS OF DOLLARS)

5. Bonds and preferred share investments

	September 30 2010	December 31 2009
Investments:		
Preferred shares	$ **11,895**	$ 8,721
Corporate bonds	**19,148**	2,949
Total	$ **31,043**	$ 11,670

Included in investment and other income for the nine months ended September 30, 2010 is a gain/(loss) of ($26) (September 30, 2009 – $3,745), representing the unrealized mark-to-market adjustment, and a gain/(loss) of ($8) (September 30, 2009 – ($2,256)) representing a realized loss on the disposal of common share and income trust investments.

6. Accounts receivable

	September 30 2010	December 31 2009
Progress billings on construction contracts	**$ 176,698**	$ 116,930
Holdbacks receivable	**74,054**	76,183
Other	**1,945**	1,299
	$ 252,697	$ 194,412

Holdbacks receivable represent amounts billed on construction contracts which are not due until the contract work is substantially completed and the applicable lien period has expired.

Interest income relating to the accretion of accounts receivable using the effective interest rate method included in investment and other income for the nine months ended September 30, 2010 is $1,101 (September 30, 2009 – $1,575). Interest expense relating to the accretion of accounts payable using the effective interest rate method included in construction costs and general and administrative expenses for the nine months ended September 30, 2010 is $572 (September 30, 2009 – $938).

(IN THOUSANDS OF DOLLARS)

7. Property and equipment

	September 30, 2010		
	Cost	**Accumulated Amortization**	**Net Book Value**
Land	**$ 172**	**$ -**	**$ 172**
Buildings	**2,035**	**433**	**1,602**
Leasehold improvements	**2,386**	**1,546**	**840**
Automotive and contractor's equipment	**10,781**	**6,774**	**4,007**
Furniture, fixtures and office equipment	**1,761**	**1,166**	**595**
	$ 17,135	**$ 9,919**	**$ 7,216**

	December 31, 2009		
	Cost	Accumulated Amortization	Net Book Value
Land	$ 172	$ -	$ 172
Buildings	2,565	403	2,162
Leasehold improvements	2,407	1,326	1,081
Automotive and contractor's equipment	9,865	5,551	4,314
Furniture, fixtures and office equipment	1,746	1,077	669
	$ 16,755	$ 8,357	$ 8,398

8. Intangible assets

	September 30, 2010		
	Cost	**Accumulated Amortization**	**Net Book Value**
Non-competition agreements	**900**	**480**	**420**
Customer relationships	**1,900**	**1,014**	**886**
Contract backlog	**800**	**800**	**-**
Computer software	**1,115**	**57**	**1,058**
	$ 4,715	**$ 2,351**	**$ 2,364**

	December 31, 2009		
	Cost	Accumulated Amortization	Net Book Value
Non-competition agreements	900	345	555
Customer relationships	1,900	729	1,171
Contract backlog	800	800	-
Computer software	612	-	612
	$ 4,212	$ 1,874	$ 2,338

The aggregate amortization expense for intangible assets for the nine months ended September 30, 2010 totaled $477 (September 30, 2009 – $487). The intangible assets, other than computer software, are primarily a result of the acquisition of Rideau Construction.

9. Credit arrangements

The Fund has an authorized operating line of credit totaling $81,500 with a Canadian chartered bank. The line was drawn for outstanding letters of credit of $31,790 (December 31, 2009 - $15,421).

The letters of credit represent performance guarantees primarily issued in connection with design-build construction contracts related to secured Public Private Partnership projects. These letters of credit are supported through the hypothecation of certain financial instruments having a market value of $37,799 (December 31, 2009 - $19,580).

10. Income taxes

The Fund is taxed as a mutual fund trust for Canadian income tax purposes, and accordingly, is not currently taxable on its income to the extent that its income is distributed to Unitholders (see note 2(g)). The trustees intend to distribute all taxable income of the Fund to the Unitholders and to deduct such distributions for Canadian income tax purposes. Income taxes related to the undistributed income of the Fund and the taxable incomes of the corporate subsidiaries of the Fund are reflected as an income tax expense in the consolidated financial statements.

The application of the SIFT Rules to SIFTs existing on October 31, 2006, which include the Fund, is deferred until 2011 provided there is no "undue expansion" of the SIFT before that time as determined in accordance with guidelines released by the Department of Finance (Canada) on December 15, 2006 (the "Guidelines"). Pursuant to the Guidelines, a SIFT generally will be permitted to increase its equity in each of 2007 through 2010 by the greater of, in each year, $50 million and a specified percentage of the SIFT's October 31, 2006 market capitalization (40% in 2007 and 20% in each of the years 2008 through 2010). Market capitalization, for these purposes, is to be measured in terms of the value of the Fund's issued and outstanding publicly-traded units. Any increase in equity in excess of these amounts may be considered "undue expansion" for purposes of the Guidelines and the SIFT Rules.

The SIFT rules have resulted in a change in which the earnings of the Fund, after 2011, will be subject to income tax regardless of whether amounts are distributed to the Unitholders or not. On March 12, 2010, the Board of Trustees approved, in principle, the Fund's intention to convert the Fund into a publicly-traded corporation at the end of the Fund's 2010 fiscal year, subject to Unitholders' approval which was obtained at the Fund's annual general meeting held in May 2010. It is planned to have the conversion transactions structured to accomplish the transfer on a tax deferred basis for both the Fund and its Unitholders.

(IN THOUSANDS OF DOLLARS)

	For the nine months ended	
	September 30 2010	September 30 2009
Provision for income taxes		
Income tax expense is comprised of:		
Current income taxes	**$ 7,635**	$ 12,102
Future income taxes (reduction)	**464**	(280)
	8,099	11,822
Income taxes from discontinued operations	**-**	(1,078)
	$ 8,099	$ 10,744
Income tax rate reconciliation		
Combined federal and provincial income tax rate	**29.6%**	29.4%
Increases (reductions) applicable to:		
Income of the Fund taxed directly to Unitholders	**(12.1)**	(9.3)
Non-deductible portion of mark-to-market adjustments	**0.1**	(1.0)
Non-deductible portion of loss on disposal of investments	**0.0**	0.6
Effect of changes of valuation allowance	**0.0**	(0.4)
Other	**(0.2)**	0.4
Effective rate	**17.4%**	19.7%

	September 30 2010	December 31 2009
Components of future income tax		
Future income tax assets:		
Timing of recognition of offering costs	**$ 47**	$ 200
Provisions and reserves	**4,703**	5,472
Operating loss carried forward	**1,400**	1,333
Other	**-**	221
	6,150	7,226
Less future income tax asset - discontinued operations	**1,400**	1,333
Less future income tax asset - long-term	**2,437**	2,750
Future income tax asset - current	**2,313**	3,143
Future income tax liabilities:		
Timing of recognition of construction profits	**(5,072)**	(5,516)
Intangible assets	**(335)**	(443)
Future income tax liability - current	**(5,407)**	(5,959)
Net future income tax liability - current	**$ (3,094)**	$ (2,816)

11. Other long-term liabilities

	September 30 2010	December 31 2009
Medium Term Incentive Plan	**$ 10,852**	$ 11,655
Other deferred compensation	**-**	8
	10,852	11,663
Less current portion	**1,784**	2,072
	$ 9,068	$ 9,591

(IN THOUSANDS OF DOLLARS)

The Fund introduced a Medium Term Incentive Plan (MTIP) in 2007 that provides for the granting of phantom units with unit appreciation rights. The phantom units provide the holder with the opportunity to earn cash benefit in relation to the value of a specified number of underlying notional trust units. MTIP awards vest with the employee on November 30 of the third year following the year to which the award relates. Compensation expense during the vesting period is measured based on both the changes in market price of the Fund's units and notional distributions which are equivalent to actual distributions declared on the Fund's units during each reporting period.

12. Unitholders' capital

The Fund is authorized to issue an unlimited number of units and each Unitholder participates pro rata in any distribution from the Fund. The Fund has issued and has outstanding 14,051,282 units as of September 30, 2010 and December 31, 2009.

The regular monthly distributions and special distributions are declared and paid to Unitholders at the discretion of the Board of Trustees.

On March 12, 2010, the Board of Trustees approved, in principle, the Fund's intention to convert the Fund to a publicly-traded corporation at the end of the Fund's 2010 fiscal year, subject to Unitholders' approval which was obtained at the Fund's annual general meeting held in May 2010. It is planned to have the transactions structured to accomplish the conversion on a tax deferred basis for both the Fund and its Unitholders.

13. Capital disclosures

The Fund's capital management objectives are to:

- Ensure that the Fund has the financial capacity to support its current and anticipated volume and mix of business and to manage unforeseen operational and industry developments.
- Ensure that the Fund has sufficient financial capacity to support the execution of its longer-term growth strategies.
- Provide its investors with the maximum long-term returns on equity and to generate sufficient cash flow to sustain Unitholder distributions.

In the management of capital, the Fund defines capital as Unitholders' equity. Unitholders' equity is primarily comprised of the Fund's working capital.

The Fund manages its capital within the investment policy approved by the Board of Trustees. The Fund makes changes to capital based on changes in business conditions and the mix of construction contracts. In order to maintain or adjust the capital structure, the Fund may adjust the amount of distributions paid to Fund Unitholders, issue new Fund units, and to a lesser degree may adjust capital expenditures.

As a component of working capital, the Fund maintains significant balances of cash and cash equivalents and investments in liquid securities. These cash, cash equivalent and investment balances are intended to cover net current liabilities, fund current distributions payable to Unitholders and provide capital to support surety and contract security requirements related to the current and near-term Backlog of construction projects.

Backlog is not a term found in the CICA Handbook. Backlog (also referred to in the construction industry as "work on hand") is the total value of all contracts awarded to the Fund, less the total value of work completed on these contracts as of the date of the most recently completed quarter. This includes all contracts that have been awarded to the Fund whether the work has commenced or will commence in the normal course.

The amount of Unitholders' equity and working capital at September 30, 2010, September 30, 2009, and December 31, 2009 is as follows:

(thousands of dollars)

		September 30, 2010	September 30, 2009	December 31, 2009
Unitholders' equity	$	**154,785**	128,648	135,349
Working capital	$	**142,542**	114,261	122,160

(IN THOUSANDS OF DOLLARS)

14. Leases

Future minimum annual lease payments relating to lease commitments on buildings and equipment over the next five years are:

		Operating Leases
2010 (three months)	$	467
2011		1,779
2012		1,365
2013		902
2014		451
Thereafter		76
	$	5,040

Expenses under lease commitments on buildings and equipment are $1,298 (September 30, 2009 - $1,082).

15. Commitments and contingent liabilities

(a) Commitments:
Outstanding surety lien bonds issued on behalf of the Fund in connection with liens by subcontractors and suppliers totaled $7,100 (December 31, 2009 - $2,155).

(b) Contingencies:

i. Various claims and litigation arise in the normal course of the construction business. It is management's opinion that adequate provision has been made for any potential settlements relating to such matters and that they will not materially affect the financial position or future operations of the Fund.

ii. The Fund is contingently liable for the usual contractor's obligations relating to performance and completion of construction contracts. These include the Fund's contingent liability for the performance obligations of its subcontractors. Where possible and appropriate, the Fund obtains performance bonds or alternative security from subcontractors. However, where this is not possible, the Fund is exposed to the risk that subcontractors will fail to meet their performance obligations. In that eventuality, the Fund would be obliged to complete the subcontractor's contract, generally by engaging another subcontractor and the cost of completing the work could exceed the original subcontract price. The Fund makes appropriate provision in the financial statements for all known liabilities relating to subcontractor defaults.

16. Segmented information

The Fund has determined that it operates in one business segment – the construction industry. The Fund and its subsidiaries operate in Canada and during the first quarter of 2010 has discontinued its operations in the United States (see note 4).

17. Financial instruments

The Fund's cash, bankers' acceptances and short-term deposits, bonds and preferred share investments have been classified as held-for-trading. Accounts receivable are classified as loans and receivables. The Fund's bank overdraft, if any, accounts payable, loan payable, distributions payable to Unitholders, obligations under capital lease and other deferred compensation have been classified as other financial liabilities. The basis of the determination of the fair value of the Fund's financial instruments is more fully described in note 2(k).

(IN THOUSANDS OF DOLLARS)

A. Classification and fair value of financial instruments:

Financial Assets Held-for-Trading: (Recorded at fair value)

		September 30 2010		December 31 2009
Cash and Cash Equivalents:				
Cash	$	172,665	$	174,854
Bankers' acceptances and short-term deposits		13,000		28,909
		185,665		203,763
Bonds, Share and Income Trust Investments:		31,043		11,670
		216,708		215,433

Loans and Receivables and Other Liabilities: (Recorded at face value or amortized cost)

Loans and Receivables:				
Accounts receivable	$	252,955	$	195,416
Other Liabilities:				
Accounts payable		255,787		232,855
Distributions payable to Unitholders		2,108		2,108
Other		-		8
		257,895		234,971
Total Financial Instruments	$	211,768	$	175,878

Amortized cost is a reasonable approximation of fair market value due to the short-term nature of these financial instruments.

Income Statement Impact of Financial Instruments:

		September 30 2010		September 30 2009
Financial Assets Held-for-Trading:				
Interest income earned on cash and cash equivalents	$	656	$	690
Dividend income earned on short-term investments		337		392
Income earned on trust investments and bonds		578		94
Unrealized gain (loss) on share and income trust investments		(26)		3,745
Realized gain (loss) on disposal of share and income trust investments		(8)		(2,256)
Realized gain (loss) on foreign currency		156		-
		1,693		2,665
Loans and Receivables and Other Liabilities:				
Interest expense on loans payable		-		(1,643)
Interest income relating to accretion on holdback receivables		1,101		1,575
Interest expense relating to accretion of holdback payables		(572)		(938)
		529		(1,006)
Impact of Financial Instruments on Income	$	2,222	$	1,659

(IN THOUSANDS OF DOLLARS)

The following table presents information about the Fund's financial assets measured at fair value as of September 30, 2010 and indicates the fair value hierarchy of inputs utilized by the Fund to determine such fair value:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	September 30, 2010			
Cash	**$ 172,665**	**$ -**	**$ -**	**$ 172,665**
Bankers' acceptances and short term deposits	**-**	**13,000**	**-**	**13,000**
Preferred shares	**11,895**	**-**	**-**	**11,895**
Bonds	**-**	**19,148**	**-**	**19,148**
Total Financial Assets Held-for-Trading	**$ 184,560**	**$ 32,148**	**$ -**	**$ 216,708**
	December 31, 2009			
Cash	$ 174,854	$ -	$ -	$ 174,854
Bankers' acceptances and short term deposits	-	28,909	-	28,909
Preferred shares	8,721	-	-	8,721
Bonds	-	2,949	-	2,949
Total Financial Assets Held-for-Trading	$ 183,575	$ 31,858	$ -	$ 215,433

There were no transfers between levels during the period.

B. Risk Management

In the normal course of business, the Fund is exposed to a number of risks related to financial instruments that can affect its operating performance. These risks and the actions taken to manage them are as follows:

i.) Credit Risk:

Credit risk relates to the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet their contractual obligation.

With respect to accounts receivable, concentration of credit risk is limited due to the geographic dispersion of revenues and a diversified customer base. Before signing any construction contract and during the course of the construction project, the Fund goes to considerable lengths to satisfy itself that the customer has adequate resources to pay as construction work is completed. If a customer was unable or unwilling to pay the amount owing, a lien registered against the project would normally provide some security that the amount owed would be realized.

Bankers' acceptances, short-term deposits and corporate bonds are subject to minimal credit risk as they are placed with only major Canadian financial institutions and Canadian corporations with a requisite strong credit rating as issued by rating agencies. As is reasonably practical, these investments are placed with a number of different Canadian financial institutions thereby reducing the Fund's exposure to a default by any one financial institution. At September 30, 2010 and December 31, 2009, the Fund held no asset backed commercial paper.

The credit risk associated with foreign exchange contracts arises from the possibility that a counterparty to a foreign exchange contract in which the Fund has an unrealized gain fails to perform according to the terms of the contract. The counterparty to these contracts is a major Canadian financial institution.

The Fund has no material impaired receivables. Accounts receivable outstanding for greater than 90 days and considered past due by the Fund's management represent 5.7% (December 31, 2009 – 7.3%) of the balance of progress billings on construction contracts receivable at September 30, 2010. Management has recorded an allowance of $nil (December 31, 2009 - $48) against these past due receivables, net of amounts recoverable from others.

ii.) Liquidity Risk:

Liquidity risk relates to the risk that the Fund will not be able to meet its financial obligations as they fall due.

As a component of working capital, the Fund maintains significant balances of cash and cash equivalents and investments in liquid securities including corporate bonds. These investments exceed net current liabilities and support surety and contract security requirements related to construction projects. In addition, the Fund has authorized a line of credit totaling $81,500, supported by hypothecation of certain financial instruments, with a Canadian chartered bank.

Substantially all of the Fund's obligations are classified as current liabilities, due within one year and are consistent with construction business normal trade terms. As disclosed in note 11, payments required pursuant to the Fund's Medium Term Incentive Plan granted in 2007, 2008 and 2009 are due on the vesting date of November 2010, 2011 and November 2012, respectively, or upon retirement, if earlier.

iii.) Market Risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Fund's income or the value of its holdings in liquid securities.

With respect to exposure to fluctuations in foreign exchange rates, the Fund's exposure relates to branch operations in the US and the occasional purchase of construction materials and supplies in US dollars. The Fund utilizes forward foreign exchange contracts to buy or sell US dollars at future dates which align with the underlying foreign denominated cash flow expectations of the Fund. These contracts have maturities of less than two years and relate exclusively to the US currency. The foreign exchange position is monitored by management monthly and it is reported to the Board of Trustees at least quarterly. The Fund does not engage in speculative trading of foreign exchange futures or forward foreign exchange contracts. At September 30, 2010 and December 31, 2009, the Fund was not a party to foreign exchange contracts.

As the Fund has no amounts of interest-bearing debt, the Fund's exposure to interest rate fluctuations relative to financial instruments is minimal. As disclosed in note 19 to the financial statements, the Fund has fully retired the non-recourse fixed rate loan facility used to finance the Youth Justice Facility project. The Fund is exposed to the risk that the value of corporate bonds will fluctuate due to changes in the prevailing levels of market interest rates. As of September 30, 2010, the Fund did not have significant exposure to interest rate risk.

The Fund has exposure to fluctuations in the market prices of its preferred shares. Investments are made only in securities authorized in the investment guidelines approved by the Fund's Board of Trustees. The Fund's CFO and CEO must authorize all transactions and detailed reports summarizing the performance of the investment portfolio are made to the Board of Trustees quarterly. As at September 30, 2010, a one-percent change in the market price of the investments will change income before income taxes by approximately $119 (December 31, 2009 – $87).

18. Joint Ventures

The Fund's investments in joint ventures are accounted for using the proportionate consolidation method, whereby the consolidated financial statements reflect, line by line, the pro rata share of each of the assets, liabilities, revenues and expenses and cash flows from the joint ventures. The Fund's investments are in unincorporated joint ventures and therefore expenses do not include any allowance for income taxes as the joint venture partners are responsible for income taxes. The consolidated financial statements include the proportionate share in joint ventures. The following are the Fund's proportionate share of the joint ventures financial statements.

(IN THOUSANDS OF DOLLARS)

		September 30 2010		December 31 2009
Balance Sheet:				
Current assets	$	**41,348**	$	76,952
Property and equipment		**93**		613
Current liabilities		**29,200**		48,833
Retained earnings		**12,241**		28,732

		For the nine months ended		
		September 30 2010		September 30 2009
Income and Comprehesive Income:				
Construction revenue	$	**83,279**	$	131,639
Investment and other income		**591**		399
Construction and general and administrative expense		**(60,304)**		(109,817)
Amortization		**(56)**		(37)
Net income		**23,510**		22,184
Statement of Cash Flow:				
Cash flow from operating activities	$	**23,310**	$	21,994
Changes in non-cash working capital		**7,945**		(166)
Cash flow used in investing activities		**464**		(86)
Cash flow from financing activities		**(40,000)**		-
Net increase (decrease) in cash flow		**(8,281)**		21,742

The Fund and its joint venture partners have provided contract security in the form of letters of credit, related to the construction activities of the joint ventures. The Fund has issued letters of credit in the amount of $21,362 (September 30, 2009 - $14,219).

The Fund is contingently liable for the obligations of the joint ventures. The assets of the joint ventures are available for the purpose of satisfying such obligations.

The Fund enters into transactions in the normal course of operations with its joint ventures, which are measured at the exchange amount, being the amount of consideration established and agreed to by the parties involved. At September 30, 2010, the Fund has included in accounts receivable $794 (December 31, 2009 - $2,116) owing from its joint ventures.

19. Youth Justice Facility project

During 2007, the Fund was awarded a $93,246 fixed price build-finance project from Infrastructure Ontario (IO). The Fund arranged $84,562 in debt financing. In 2009, the Fund received additional draws under the debt facility of $8,125. During the second quarter of 2009, the Fund achieved substantial completion of the project, and subsequently used the proceeds received from IO to repay the loan balance in full. Interest was paid quarterly in arrears. Interest expense on the loan during the nine months ended September 30, 2010 of $nil (September 30, 2009 - $1,643) is included in construction costs and general and administrative expenses.

20. Comparative figures

Certain comparative figures have been reclassified to report the net loss resulting from the wind down of Seattle branch operations as discontinued operations (see Note 4).

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