



**PRESS RELEASE**  
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UPDATE ON TAX POSITION OF COLABOR INCOME FUND

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**BOUCHERVILLE (Québec)**, January 11, 2008 – On January 8, 2007, Colabor Income Fund (“**Colabor**”) completed the acquisition of the assets of Summit Food Service Distributors Inc. (“**Summit**”) from Cara Operations Ltd. (the “**Acquisition**”) which enabled Colabor to secure a key position in the strategically important and attractive Ontario market and establish itself as one of the leading players in the Canadian foodservice distribution industry. The Acquisition was announced, financed and completed after the Minister of Finance of Canada announced, on October 31, 2006, a new taxation regime for specified investment flow-through entities (“**SIFTs**”), commonly known as income trusts and publicly traded partnerships, which imposes a tax on SIFTs in much the same manner as on corporations beginning with the 2007 taxation year. However, existing SIFTs would benefit from certain transitional rules and would only become taxable under the new SIFTs rules starting in 2011 provided they do not implement “undue expansion”.

On the same day, October 31, 2006, Cara Operations Ltd. (“**Cara**”) informed Colabor Income Fund (“**Colabor**”) that Colabor Limited Partnership had been selected as the preferred bidder for the acquisition of the assets of Summit Food Service Distributors Inc. (“**Summit**”).

For the next following weeks, Colabor sought indications from the Department of Finance, in the form of a comfort letter or otherwise, as to what would be viewed as “undue expansion”. However, given the lack of response from the Department of Finance and the opportunity presented by the Summit acquisition to allow Colabor to expand in an accretive way its business in accordance with its business plan, Colabor elected to pursue negotiations with Cara and, on December 12, 2006, Colabor entered into an agreement to purchase the assets of Summit.

On December 14, 2006 Colabor filed a preliminary short-form prospectus to issue subscription receipts and convertible debentures as part of the financing of the Summit acquisition. On December 15, 2006, the Department of Finance issued its guidance which sets out its interpretation of what would be “normal growth” and conversely what would not be “undue expansion”.

On June 12, 2007, the new taxation regime announced on October 31, 2006 was enacted.

Colabor had many exchanges with the Department of Finance’s representatives with the objective of having the financing pursuant to the short-form prospectus be a “prescribed transaction”.

Recently, the Department of Finance recently informed Colabor that “after much deliberation, it has been decided not to prescribe” the financing. Consequently, Colabor will not benefit from the

transitional rules which would have allowed Colabor to only become taxable starting in 2011. Therefore, Colabor will be taxable starting January 1, 2007.

As a consequence of Colabor being subject to tax, all of its distributions made since January 1, 2007 which would otherwise have been taxable as ordinary income will be taxed as dividends eligible to the enhanced dividend tax credit. This will represent a significant effective tax rate reduction for unitholders of Colabor that are subject to tax.

The financial statements of Colabor for the year ended December 31, 2007 will reflect this new tax status and provide for an amount of approximately \$3 million of taxes in 2007, the payment of which will be funded from cash from ongoing operations. This Acquisition is accretive to Colabor's cash available for distributions per unit on both a basic and fully diluted basis after paying taxes on its income. Colabor is confident to realize the \$2.2 million of synergies announced at the time of the Acquisition and will maintain its annual distributions to unitholders at the current level of \$1.076 per unit.

“Now, after so many months, we know where we stand. We consider unfair the decision to deprive Colabor of the transition period until 2011 allowed to SIFTs. We could complain or argue about it but we have to move forward. Instead and more than ever, we will concentrate our energies on growing Colabor's business and create value for our unitholders” mentioned Gilles C. Lachance President and Chief Executive Officer which also noted that: “We have a solid business plan and Summit was the cornerstone of our expansion plan. Given the results so far, the acquisition of Summit has proven to be the right decision and has allowed Colabor to attain a key position within the Ontario food service market. Now Colabor ranks amongst Canadian leaders.”

### **About Colabor Income Fund**

Colabor is a wholesaler and distributor of food and non-food products serving the retail (grocery stores, convenience stores, etc.) and food-service (cafeterias, restaurants, hotels, restaurant chains, etc.) markets.

### **Forward-looking Statements**

This news release may contain forward-looking statements reflecting the opinions or present expectations of Colabor Income Fund or Colabor Limited Partnership concerning their performance as well as their respective business activities and future events. These statements are subject to a number of risks, uncertainties and assumptions. Actual results or events may differ.

Further information can be found in the disclosure documents filed by Colabor Income Fund with the securities regulatory authorities, available at [www.sedar.com](http://www.sedar.com).

**FOR ANY ADDITIONAL INFORMATION, PLEASE CONTACT**

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