COLABOR GROUP INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

84-DAY PERIOD (3rd QUARTER)
ENDED SEPTEMBER 12, 2009 FOR THE YEAR ENDING
DECEMBER 31, 2009

OCTOBER 7, 2009

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1. Scope of MD&A

This Management's Discussion & Analysis ("MD&A") of Colabor Group Inc. ("GCL", the "Company" or "Colabor") (formerly Colabor Income Fund (the "Fund") discusses the operating results, financial situation and cash flows for the 84-day period (3rd quarter) ended September 12, 2009. These financial statements are in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The financial statements have been published on SEDAR at www.sedar.com.

GCL's fiscal year comprises thirteen 28-day periods. Three quarters comprise three 28-day periods each and the fourth quarter includes four 28-day periods. The Company's year end is December 31.

This report also contains information that is a non-GAAP measure of performance, such as the concept of earnings before financial expenses, amortization and income taxes (EBITDA). Since these concepts are not defined in Canadian GAAP, they may not be comparable with those of other companies.

2. Forward-Looking Statements

The MD&A is intended to assist shareholders in understanding the nature and extent of changes and trends, as well as risks and uncertainties. Consequently, actual results may differ significantly from information reported or inferred in these statements. The main factors that could result in a significant difference between GCL's actual results and the projections or expectations set out in the forward-looking statements are described herein under Risks and Uncertainties.

3. General

Corporate arrangement resulting in the creation of Colabor Group Inc.

The Fund is an unincorporated, open-ended, limited purpose trust that was established under the laws of the Province of Quebec under a Declaration of Trust dated May 19, 2005. The Fund's units were traded on the Toronto Stock Exchange under the symbol *CLB.UN*.

On July 8, 2009, the Fund announced its intention to convert from an income trust structure to a corporation (the "Conversion"). In order to effect the Conversion, on that date, Colabor entered into an arrangement agreement (the "Arrangement Agreement") with ConjuChem Biotechnologies Inc. ("ConjuChem") in order to conclude the Conversion pursuant to a statutory plan of arrangement of ConjuChem (the "Plan of Arrangement") under Section 192 of the *Canada Business Corporations Act* ("CBCA") and the Conversion was completed on August 25, 2009, further to the approval of the unitholders of the Fund, which was obtained at a special meeting held on August 19, 2009.

Rationale and Benefits of the Conversion

Recent amendments to the federal income tax rules relating to specified investment flow-through trusts ("SIFTs") allow for the conversion of a trust to a corporation to be effected on a tax deferred basis if completed prior to 2012.

Key benefits for the Fund of implementing the Conversion include:

- Greater access to equity capital markets and widening of potential investor base in light of the decreasing importance of the public business income trust market;
- GCL will have an estimated equivalent of about $130M in tax losses following the Conversion;
- The Plan of Arrangement provides for an effective and efficient method to convert from an income trust to a corporation under existing legislation; and
- The Conversion resulted in a simplified capital structure, as a result of the elimination of a remaining minority interest in Colabor LP, and a more efficient corporate structure that will reduce overhead and administrative costs.

Other elements considered included the fact that GCL expects to be able to pay a quarterly dividend that will, on a quarterly basis, equal the Fund’s pre-conversion cash distribution, the absence of negative tax impacts from the Conversion given the Fund’s current tax status, and, lastly, the Conversion is tax deferred such that no income tax will be payable by the Fund or its unitholders as a result of the Conversion.

Details of the Conversion

Following implementation of the Arrangement, the Fund's unitholders received one common share of GCL for every trust unit of the Fund held on the effective date of the Conversion. Furthermore, the exchangeable Colabor LP units held by Colabor Investments Inc. were acquired by GCL pursuant to the Arrangement in consideration of GCL common shares; Colabor Investments Inc., holds in the aggregate, 26% of GCL common shares following the acquisition of its exchangeable units. The elimination of the remaining minority interest in Colabor LP resulted in a simplified capital structure and an increase of approximately $50M of the market capitalization of GCL compared to the previous market capitalization of the Fund.

After the Conversion, outstanding convertible debentures of the Fund, amounting to $49M, became convertible into common shares of GCL on the same terms and conditions as were applicable to their conversion into trust units of the Fund prior to the Conversion.

Following completion of the Conversion, GCL indirectly owns and operates the existing businesses of Colabor LP and its subsidiaries, and the existing trustees of the Fund and management of Colabor LP became the directors and management of GCL.

It is expected that GCL will make its first dividend payment to its shareholders in January 2010 for the period from the completion of the Arrangement to December 31, 2009.

Complete details of the terms of the Plan of Arrangement are set out in the Arrangement Agreement and the Fund's Information Circular about the Plan of Arrangement dated July 21, 2009 which the Fund filed on the SEDAR Internet site at www.sedar.com.

Additional Information

The shares of Colabor Group Inc. are traded on the Toronto Stock Exchange under the symbol *GCL,* while its convertible debentures continue to be traded under the symbol *CLB.DB*.

Additional information on GCL, and previously the Fund, may be found on SEDAR at www.sedar.com and on its information sites: www.colaborincomefund.com (currently under reconstruction), www.colabor.com, www.summitfoods.com and www.dbertrand.ca. The information on these last sites is not incorporated by reference in the MD&A.

4. Corporate Profile

Activities

Colabor was founded in 1962 and is a wholesaler and master food distributor serving the retail (small-sized grocery stores, convenience stores, etc.) and foodservice (cafeterias, restaurants, hotels, restaurant chains, etc.) markets.

It currently carries out its activities through two divisions:

Wholesale Segment:
Sales of this Segment consist of food, food-related and non-food products that it purchases and supplies to wholesale distributors that, in turn, distribute these products to over 25,000 customers operating in the retail or foodservice market segments in Quebec and the Atlantic provinces. Approximately 90% of this Segment's sales are covered by long-term contracts.

Products are sold either directly from its distribution centre ("warehouse sales") or through direct delivery from manufacturers and suppliers to the warehouses of wholesale distributors ("direct sales").

This Segment generally sells its products at the manufacturers' and suppliers' list price. Accordingly, it generates gross profit on sales as follows:

(a) From a profit on warehouse sales:
Through a mark-up of the cost price of its private brand-name products and by making purchases from manufacturers and suppliers before a price increase and subsequently selling such products at the manufacturer's new price. There is no profit margin on direct sales.

(b) Primarily from rebates from suppliers:
These rebates consist of: (i) agreements with suppliers relating principally to distribution agreements, central billing, truck load allowance and other incentives, (ii) rebates received from suppliers based on buying volumes, (iii) cash discounts on purchases based on terms of sale, and (iv) net advertising funds received in connection with promotional activities.

This Segment operates a 371,120 square-foot distribution centre in Boucherville that employs about 150 people and could be expanded to 650,000 square feet.

Distribution Segment
This Segment includes the following operating activities:

1. *Summit Food Service Distributors (Summit)*

Summit distributes more than 8,000 products from warehouses in Ottawa, London and Mississauga to more than 3,000 customers, including Cara (Swiss Chalet, Harvey's, Kelsey's Neighbourhood Bar and Grill, Montana's Cookhouse and Milestone's Grill and Bar), Compass, Extendicare, other foodservice chains and independent restaurants as well as to institutions, including hospitals, schools and government institutions. Summit's product line includes frozen products, dry staples, dairy products, meat, seafood, poultry and sanitation products.
This division services primarily the Ontario market, but also distributes Cara restaurant products in Quebec.

Prior to the acquisition of Bruce Edmeades Foodservice Distribution described below, this division, with about 500 employees, operated three distribution centres, including the London head office, where administrative services are located.
These warehouses cover a total of 345,016 square feet, allocated as follows:
Toronto: 127,961 square feet
London: 113,595 square feet (could be expanded)
Ottawa: 103,460 square feet (could be expanded)

On March 17, 2008, Colabor completed the acquisition of substantially all of the assets of Bruce Edmeades Foodservice Distribution, one of the leading foodservice distributors in the Canadian industry with annual revenues exceeding $230M for the year ended December 31, 2007.

Bruce Edmeades offers about 9,000 products and operates mainly out of an approximately 130,000 square-foot, HACCP-certified warehouse in Cambridge, Ontario. It distributes to customers primarily in Southern Ontario, but also across Canada, servicing several large and well-known customers, including Wendy's, Mr. Sub and Zehrs and other customers operating in the restaurant, healthcare and education industries.

During 2008, Bruce Edmeades was integrated into the Summit Division.

2. *Bertrand, distributeur en alimentation (Bertrand)*

On April 28, 2008, Colabor acquired all the outstanding shares of *Gestion Bertrand & Frères Inc.* (now called *Bertrand, distributeur en alimentation*), a leading independent food distributor in Eastern Quebec and one of Colabor's most important affiliated-wholesalers.

Bertrand, whose sales is approximately $160M annually, is a major distributor to foodservice and retail customers in the Québec City and Saguenay regions. Bertrand, which employs approximately 400 people, distributes over 12,000 products from its two strategically located warehouses in Lévis and Saguenay, totalling 231,000 and 133,000 square feet, respectively. Bertrand's customers consist primarily of foodservice operators, specialty food stores, institutional accounts such as healthcare institutions, schools and universities, certain other retail customers, in all reaching approximately 4,000 customers. With a complete product offering, including frozen products, dry staples, dairy products, fresh meat, fresh fish and seafood, poultry, fresh fruits and vegetables, disposables and sanitation products as well as meat processing and preparation services, Bertrand therefore offers its customers a "one-stop-shop" solution.

The Distribution Segment generates gross profit on sales as follows:

(a) From a profit on warehouse sales:
Generated primarily from a mark-up of the cost price of products pursuant to rates negotiated with its customers.

(b) From rebates from suppliers:
These rebates consist of: (i) rebates received from suppliers based on buying volumes, (ii) cash discounts on purchases and (iii) net advertising funds received in connection with promotional activities.
Almost 50% of this Segment's sales are covered by long-term contracts.

A significant proportion of the sales activities to its <u>two segments</u> is secured by long-term agreements and manufacturers' and suppliers' cost increases which can be passed on to customers, thereby significantly reducing risk.

5. Main Resources and Competencies

5.1 Board of Trustees

The members of the Board of Directors are listed below:

Director	Role	Occupation
Jacques Landreville	Chairman	Corporate Director
Richard Lord	Chairman, Human Resources and Corporate Governance Committee	President and Chief Executive Officer, Quincaillerie Richelieu Ltée
Robert Panet-Raymond	Chairman, Audit Committee	Corporate Director
Claude Gariépy	Director	Executive Vice-President and Chief Executive Officer, Familiprix Inc.
Donald Dubé	Director	President, Edfrex Inc.

5.2 Management

Gilles C. Lachance	President and Chief Executive Officer	Colabor Group Inc.
Michel Loignon CA	Vice-President and Chief Financial Officer	Colabor Group Inc.
Jack Battersby	President	Colabor Limited Partnership, Summit Division
Marko Potvin	Vice-President, Purchasing and Marketing	Colabor Limited Partnership
Denis Melançon	Vice-President and General Manager	Bertrand, distributeur en alimentation, subsidiary of Colabor Limited Partnership
Louise Laforce	Vice-President Human Resources	Colabor Limited Partnership
Michel Delisle	Vice-President Information Technology	Colabor Limited Partnership
Geneviève Brouillette	Vice-President and General Manger	Colabor Limited Partnership, Wholesale Division

5.3 Human Resource Development

During the 2008 fiscal year, the Board of Directors initiated a succession planning process. through the Human Resources and Corporate Governance Committee and with the assistance of an external human resources consulting firm.

6. Performance Analysis

6.1 Executive Summary of Performance

84-day period ended September 12, 2009 compared to 84-day period ended September 6, 2008

- Slight increase in EBITDA despite an $11.6M or 4% drop in sales;
- EBITDA on sales ratio up from 3.47% in 2008 to 3.62%.
- Net earnings rose $2.4M.

Cumulative 255-day period ended September 12, 2009 compared to cumulative 250-day period ended September 6, 2008

- Sales up 9.4%
- EBITDA increased 11.8%
- Net earnings rose $3.6M.

6.2 Results of Operations

The results of operations below should be read in conjunction with the Current Economic Situation section presented further on in this MD&A and the following facts:

- As a result of the conversion to a corporation on August 25, 2009, the consolidated earnings preparation method has changed;

- Results subsequent to the Bruce Edmeades acquisition are only included since March 17, 2008 for the 2008 cumulative period, but are included since January 1 for the 2009 period;

- Results subsequent to the Bertrand, distributeur en alimentation acquisition are only included since April 28, 2008 for the 2008 cumulative period, but are included since January 1 for the 2009 period;

- The 2009 cumulative period includes 255 days compared to 250 days in 2008.

Consolidated Earnings (in thousands of dollars, except per unit amounts, unaudited)

		2009-09-12 (84 days)		2008-09-06 (84 days)		Variance	
		$		$		$	%
Sales		276,841	100.00%	288,446	100.00%	(11,605)	-4.02%
Earnings before financial expenses, amortization and income taxes		10,026	3.62%	10,014	3,47%	12	0.12%
Financial expenses		1,404	0.51%	1,813	0.63%	(409)	-22.56%
Amortization of property, plant and equipment		983	0,36%	975	0,34%	8	0.82%
Amortization of intangible assets		2,179	0.79%	1,633	0,57%	546	33.44%
		4,566	1.66%	4,421	1.54%	145	3.28%
		5,460	1.96%	5,593	1.93%	(133)	-2.38%
Restructuring and conversion to corporation expenses		2,125	0.77%			2,125	N/A
Earnings before income taxes and non-controlling interest		3,335	1.20%	5,593	1,94%	(2,258)	-40.37%
Income taxes	Current	(1,642)	-0.59%	1,224	0.42%	(2,866)	-234.15%
	Future	(1,008)	-0.36%	297	0.10%	(1,305)	-439.39%
		(2,650)	-0.95%	1,521	0.52%	(4,171)	-274.23%
Earnings before non-controlling interest		5,985	2.15%	4,072	1,42%	1,913	46.98%
Non-controlling interest		1,275	0.46%	1,761	0.61%	(486)	-27.60%
Net earnings		**4,710**	**1.69%**	**2,311**	**0.81%**	**2,399**	**103.81%**
Basic and diluted net earnings per unit		$0.30		$0.16			

		2009-09-12 (255 days)		2008-09-06 (250 days)		Variance	
		$		$		$	%
Sales		817,508	100.00%	747,196	100.00%	70,312	9.41%
Earnings before financial expenses, amortization and income taxes		27,727	3.39%	24,797	3.32%	2,930	11.82%
Financial expenses		4,391	0.54%	4,864	0.65%	(473)	-9.72%
Amortization of property, plant and equipment		2,739	0,34%	2,496	0.33%	243	9.74%
Amortization of intangible assets		6,556	0.80%	5,093	0.68%	1,463	28.73%
		13,686	1.68%	12,453	1.66%	1,233	9.90%
		14,041	1.71%	12,344	1.66%	1,697	13.75%
Restructuring and conversion to corporation expenses		2,125	0.26%		0.00%	2,125	N/A
Earnings before income taxes and non-controlling interest		11,916	1.46%	12,344	1.65%	(428)	-3.47%
Income taxes	Current	202	0.02%	2,543	0.34%	(2,341)	-92.06%
	Future	44	0.01%	1,490	0.20%	(1,446)	-97.05%
		246	0.03%	4,033	0.54%	(3,787)	-93.90%
Earnings before non-controlling interest		11,670	1.43%	8,311	1.11%	3,359	40.42%
Non-controlling interest		4,001	0.49%	4,262	0.57%	(261)	-6.12%
Net earnings		**7,669**	**0.94%**	**4,049**	**0.54%**	**3,620**	**89.40%**
Basic and diluted net earnings per unit		$0.52		$0.33			

Sales

Sales consist of:

For the Wholesale Segment: Gross sales to customers from the Boucherville warehouse and direct sales to affiliated-wholesalers, less rebates of 3% of the affiliated-wholesalers' sales, as provided in the agreement between Colabor LP and the affiliated-wholesalers.
For the Distribution Segment: Gross sales to customers from the London, Mississauga, Ottawa, Cambridge, Lévis and Saguenay warehouses less rebates, as provided in individual agreements with these customers.

Inter-segment sales are then eliminated.

The following tables present a comparison of sales for the third quarter and the cumulative period, allocated between comparable sales and sales from the acquisitions, with the prior year's comparable periods.

Because the 2009 cumulative period comprises 255 days, whereas the 2008 cumulative period has 250 days, sales for the 2009 cumulative period have been adjusted based on the number of days in 2008, i.e. 250 (see 2009-09-12 adjusted column), to display the actual organic growth.

Sales (in thousands of dollars, unaudited)

	2009-09-12 (84 days)			Comparable sales		
	Comparable sales	Sales attributable to acquisitions	Total sales	2008-09-06 (84 days)	Variance	
	$	$	$	$	$	%
Wholesale Segment						
Retail	30,101		30,101	29,350	751	2.6%
Foodservice	86,189		86,189	78,958	7,231	9.2%
	116,290		116,290	108,308	7,982	7.4%
Inter-segment elimination	(21,761)		(21,761)	(16,152)	(5,609)	N/A
	94,529		94,529	92,156	2,373	2.6%
Distribution Segment						
Foodservice	182,312		182,312	196,290	(13,978)	-7.1%
	276,841		276,841	288,446	(11,605)	-4.0%

	2009-09-12 (255 days)			Comparable sales					
	Comparable sales	Sales attributable to acquisitions	Total sales	2009-09-12 (adjusted)	2008-09-06 (250 days)	Variance		Variance (Total sales)	
	$	$	$	$	$	$	%	$	%
Wholesale Segment									
Retail	88,468		88,468	86,733	86,169	564	0.7%	2,299	2.7%
Foodservice	254,268		254,268	249,282	218,636	30,646	14.0%	35,632	16.3%
	342,736		342,736	336,015	304,805	31,210	10.2%	37,931	12.4%
Inter-segment elimination	(49,087)	(17,108)	(66,195)	(48,125)	(27,183)	(20,942)	N/A	(39,012)	N/A
	293,649	(17,108)	276,541	287,890	277,622	10,268	3.7%	(1,081)	-0.4%
Distribution Segment									
Foodservice	452,364	88,603	540,967	443,494	469,574	(26,080)	-5.6%	71,393	15.2%
	746,013	71,495	817,508	731,384	747,196	(15,812)	-2.1%	70,312	9.4%

Wholesale Segment:

For the 84-day period, net of inter-segment eliminations, sales of the Wholesale Segment were up $2,373,000, which represents overall organic growth of 2.6%, an interesting growth rate, despite the current economic situation. Considering that inter-segment eliminations of $21,761,000 are sales by the Wholesale Segment to the Summit and Bertrand divisions, which are foodservice divisions, it can be concluded that retail and foodservice each grew by 2.6%.

In the cumulative period, the 255-day period in 2009 was reduced to 250 days, the same number of days as in the 2008 period, and shows overall organic growth of 3.7%, with foodservice and retail contributing 5% and 0.7%, respectively.

Retail

Organic growth in this Segment is primarily attributable to the conclusion of a major distribution agreement, in the 4th quarter of 2008, between an affiliated-wholesaler and an integrated oil company.

Foodservice

Although half of this quarter was characterized by poor weather conditions, organic growth in sales to foodservice affiliated-wholesalers remained steady at 2.6% for the quarter and contributed to maintaining 5% growth for the cumulative period.

In light of the significant downturn of the Canadian economy in the first three quarters of 2009, organic growth in this Segment is a clear indication that affiliated-wholesalers are continuing to increase their market share over their competitors.

Distribution Segment

The Distribution Segment experienced a very difficult third quarter, with a 7.1% decline in sales for the quarter and a cumulative decrease of 5.6% in comparable sales from 2008.

The decline was primarily attributable to the Summit Division. Not only does this division operate in Ontario, the Canadian province hardest hit by the current economic recession, where all restaurant, fast food, cafeteria and independent restaurant segments are affected, it also suffered from the repercussions of poor weather in the first half of the quarter, which considerably reduced sales.

The drop in sales in the Bertrand division was less pronounced. It may be recalled that 2008 marked the 400^{th} anniversary of the founding of Québec City and there is no doubt that tourism activity is not as strong this year.

Earnings Before Financial Expenses, Amortization and Income Taxes (EBITDA)

Gross Profit and Synergies

Gross profit:
Gross profit is composed of the following items:

- Wholesale Segment: Profit on gross warehouse sales only, which consists primarily of a profit margin on private brand-name products and profit on inventory held. No profit margin is recognized on direct sales. Income is attributed on such sales for purposes of rebates from suppliers only.
  Distribution Segment: Product acquisition cost with a percentage mark-up that is market-driven or negotiated in current agreements.

- Rebates from suppliers
  A significant portion of Colabor's gross profit is derived from rebates from suppliers. These rebates consist of: (i) agreements with suppliers relating principally to distribution agreements, central billing, truck load allowance and other incentives, (ii) rebates received from suppliers based on buying volumes, (iii) cash discounts on purchases based on terms of sale, and (iv) net advertising funds received in connection with promotional activities.

Despite weak sales in the Distribution Segment, as described above, the Company managed to maintain and slightly increase its EBITDA thanks to a reorganization of its operations and by reducing some expenses. As a percentage of sales, EBITDA was 3.62%, compared to 3.47% for the same quarter last year.

The increase is attributable to the following:

- Organic growth was maintained in the Wholesale Segment which generated superior agreements with suppliers.

- Summit purchases from certain suppliers are now billed under the Wholesale Segment, which increases the profitability of supplier agreements, as such agreements tend to be more significant when negotiated by the Wholesale Segment.
- Since the start of the year, each division has reviewed its operations, which has led to a reduction in certain types of expenses.
- The Bertrand acquisition, which has already made it possible to generate a number of purchasing synergies.
- Profitability of the Cambridge distribution centre, operated by Summit and acquired from Bruce Edmeades, operated at a loss in 2008.

Restructuring and Conversion to a Corporation Expenses

As described under the General section, the Fund converted to a corporation on August 25, 2009. A number of expenses were incurred for this transaction, in particular, legal and accounting fees and the cost of registering on financial markets. Additional expenses were incurred to streamline the organization's overall legal structure.

The Company's management decided to expense these expenses in accordance with EIC-170, Conversion of an Unincorporated Entity to an Incorporated Entity, published by the Canadian Institute of Chartered Accountants.

Income Taxes

The acquisition of the assets of Summit Food Service Distributors Inc. by the Fund was finalized and carried out on January 8, 2007. Since this transaction was considered an "undue expansion" by the Department of Finance in its ruling rendered at the end of 2007, the Fund became taxed immediately in 2007 instead of in 2011.

As explained under the General section, on August 25, 2009, the Fund became a corporation as a result of a Plan of Arrangement with Biotechnologies ConjuChem Inc., and acquired approximately $130M in tax losses for $5M.

Since the start of the year, the Company had recorded income taxes, however, subsequent to the above transaction, it recognized a current and future income taxes recovery to immediately benefit from the loss-carryforwards acquired in the ConjuChem transaction.

Non-controlling Interest

Additionally, in connection with the conversion to a corporation described in the General section above, unitholders who had a non-controlling interest in the Fund converted their exchangeable Colabor LP units into shares of the Company and the Company therefore recorded the carrying amount of the non-controlling interest in capital stock.

The $1.275M recognized for the quarter is included in the period from June 9, 2009 to the conversion date of August 25, 2009 and, for the cumulative period, the amount is $4M.

No additional expenses will be recognized in earnings thereafter.

6.3 Balance Sheets

Consolidated Balance Sheets
(in thousands of dollars)

	2009-09-12 (unaudited)	2008-12-31
	$	$
ASSETS		
Current assets		
Accounts receivable	94,643	80,804
Inventory	65,368	73,233
Prepaid expenses	2,317	1,664
Future income taxes	7,951	
	170,279	155,701
Deferred financing expenses	195	279
Share investment in a private company, at cost	6,159	6,159
Property, plant and equipment	13,492	15,029
Intangible assets	136,763	143,319
Goodwill	72,317	69,574
Future income taxes	7,791	
	406,996	390,061
LIABILITIES		
Current liabilities		
Bank overdraft	3,956	7,714
Accounts payable and accrued liabilities	78,317	85,945
Income taxes payable	1,413	1,855
Balances of purchase price payable	10,081	10,103
Distributions payable	1,011	1,307
Distributions payable to holders of exchangeable Colabor LP units	353	456
Rebates payable	10,622	15,166
Deferred revenue	1,469	1,115
Deferred credit	6,928	
Instalments on long-term debt	682	707
	114,832	124,368
Bank loan	76,092	47,501
Balance of purchase price payable		3,750
Long-term debt	491	942
Debentures	46,410	45,725
Accrued benefit liability for employee benefits	772	772
Deferred credit	24,031	
Future income taxes		17,414
Non-controlling interest		29,713
	262,628	270,185
SHAREHOLDERS' EQUITY		
Capital stock	143,018	135,323
Option to convert debentures	2,314	2,315
Contributed surplus	284	349
Units held for the long-term incentive plan	(1,248)	(875)
Deficit		(17,236)
	144,368	119,876
	406,996	390,061

As a result of the conversion to a corporation, the recognition and presentation of certain balance sheet items was modified.

The main changes were:

- Recognition of a future income tax asset and deferred credit:
  Since the Company is virtually certain it will recover some $130M in tax losses acquired in connection with the Plan of Arrangement with ConjuChem, an income tax asset and the offsetting deferred credit were recognized on a current and long-term basis to reflect the recovery period of these assets.

- Future income taxes previously displayed in long-term liabilities have been offset by future income tax assets.

- The non-controlling interest reported under long-term liabilities has been fully eliminated by transferring this interest to capital stock.

- The deficit was totally eliminated through a reduction of capital stock further to a decision of the Board of Directors. The accounting treatment resulted because the accrued deficit resulted from distributions to unitholders in excess of the Fund's net earnings, since the Fund's cash distributions were greater than its net earnings under the income fund structure, which provided a return of capital.

6.4 Cash Flow

Consolidated Cash Flows (in thousands of dollars

	2009-09-12 (84 days) (unaudited)	2008-09-06 (84 days) (unaudited)	2009-09-12 (255 days) (unaudited)	2008-09-06 (250 days) (unaudited)
	$	$	$	$
OPERATING ACTIVITIES				
Net earnings	4,710	2,311	7,669	4,049
Non-cash items				
Amortization of property, plant and equipment	983	975	2,739	2,496
Amortization of intangible assets	2,179	1,633	6,556	5,093
Amortization of deferred financing expenses	29	29	84	72
Non-controlling interest	1,275	1,761	4,001	4,262
Future income taxes	(1,008)	297	44	1,490
Compensation cost from long-term incentive plan	122	96	351	258
Amortization of transaction costs related to debentures	231	210	699	624
	8,521	7,312	22,143	18,344
Changes in operating assets and liabilities				
Accounts receivable	2,674	(5,012)	(13,839)	(20,753)
Income taxes		350		(518)
Inventory	4,487	5,079	7,865	1,352
Prepaid expenses	398	(936)	(653)	(2,107)
Accounts payable and accrued liabilities	1,168	(766)	(7,628)	17,417
Income taxes payable	(2,930)		(442)	(605)
Rebates payable	(7,449)	(6,226)	(4,544)	(3,294)
Deferred revenue	(105)	1,082	354	1,442
	(1,757)	(6,429)	(18,887)	(7,066)
Cash flows from operating activities	6,764	883	3,256	11,278
INVESTING ACTIVITIES				
Business acquisition				(70,424)
Transaction with ConjuChem	(5,000)		(5,000)	
Payment of balances of purchase price	(2,500)		(6,515)	
Property, plant and equipment	(335)	(428)	(1,202)	(878)
Cash flows from investing activities	(7,835)	(428)	(12,717)	(71,302)
FINANCING ACTIVITIES				
Bank loan	5,652	4,607	28,591	38,591
Financing expenses				(225)
Distributions paid to unitholders	(2,614)	(3,921)	(10,456)	(8,783)
Distributions paid on exchangeable Colabor LP units	(913)	(1,369)	(3,651)	(3,651)
Repayment of long-term debt	(126)	(146)	(476)	(406)
Purchase of units held by the Fund for long-term incentive plan			(789)	(575)
Issue of trust units				38,022
Unit and debenture issue expenses				(1,150)
Cash flows from financing activities	1,999	(829)	13,219	61,823
Net change in bank overdraft	928	(374)	3,758	1,799
Bank overdraft, beginning of period	(4,884)	(7,600)	(7,714)	(9,773)
Bank overdraft, end of period	(3,956)	(7,974)	(3,956)	(7,974)

Credit Facilities

The Company has entered into a three-year agreement with a banking syndicate for operating credit facilities for an authorized amount of $100M secured by a first ranking hypothec on the Company's assets.

Under the terms of the credit agreement, the Fund is required to maintain (i) a prescribed ratio of total debt (excluding the debentures) to EBITDA less than 3.00:1.00 and (ii) a prescribed ratio of EBITDA to interest expenses greater than 3.50:1.00.

Based on the banking syndicate's method of calculation, the debt/EBITDA ratio is 1.92:1.00 and the interest coverage ratio is 6.36:1.00 times for the quarter.

During the quarter, the operating credit increased $5.7M to $76.1M. Cash in the amount of $5M was used to pay ConjuChem on the conversion to a corporation and $2.5M to repay a balance of sale price.

Distributions/Dividends

On September 15, 2009, the Fund made a final distribution to unitholders of record on August 31 on a prorata basis for the number of days in the period of August 1 to August 24 calculated on the previous monthly distribution of $0.0897 per unit.

Following its conversion to a corporation, Colabor will now make quarterly dividend payments. The next dividend will be calculated on an annual basis of $1.08 per share for the period of August 25 to December 31, 2009 and will be paid on January 15, 2010 to shareholders of record on December 31, 2009.

In management's opinion, cash flows from operating activities and the funds from operating credits are sufficient to support planned capital expenditures, working capital requirements, quarterly dividends of $0.27 per share and will comply with the banking syndicate's ratio requirements.

6.5 Standardized Distributable Cash

Management has decided that, in light of the conversion to a corporation, it is no longer appropriate to report distributable cash, which is a measure of profitability applicable to an income fund.

7. Summary of Past Quarters

('000)	2009-09-12	2009-06-20	2009-03-28	2008-12-31	2008-09-06	2008-06-14	2008-03-22	2007-12-31
	(84 days)	(84 days)	(87 days)	(116 days)	(84 days)	(84 days)	(82 days)	(114 days)
	$	$	$	$	$	$	$	$
Sales	276,841	283,722	256,945	398,906	288,446	278,721	180,029	279,703
EBITDA	10,026	9,977	7,724	15,472	10,014	9,428	5,355	12,776
Net earnings	4,710	1,744	1,215	4,326	2,311	1,147	591	(3,990)
Basic and diluted earnings per unit	$0.30	$0.12	$0.08	$0.33	$0.16	$0.09	$0.06	$(0.41)

Readers should consider the fact that the net loss for the 114-day period ended December 31, 2007 (4th quarter of 2007) was recognized after $9,005,000, consisting of current income taxes of $2 ,715,000 and future income taxes of $6,290,000, was recognized in full during that quarter as a result of the Finance Department's decision that the Fund is not eligible to benefit from the transitional rules for existing SIFTs on October 31, 2006. Accordingly, this should be taken into account when comparing results with those of previous and subsequent quarters.

Additionally, the quarter ended September 12, 2009 includes income tax recoveries calculated for the quarters ended June 20, 2009 and March 28, 2009 following conversion to a corporation and the acquisition of ConjuChem's tax losses.

8. Related Party Transactions

Following the initial public offering on June 28, 2005, the Fund had indirectly acquired a 53.2% interest in Colabor LP, with the remaining 46.8% interest in Colabor LP being held by Colabor Investments Inc. ("Investments") as exchangeable Colabor LP units.

Subsequent to the Summit and Bertrand acquisitions, Investments held an undiluted 26% interest and a diluted 21% interest in Colabor LP.

Subsequent to the conversion into a corporation, Investments now holds an undiluted 26% interest in Colabor Group Inc. and a diluted 21% interest in Colabor LP, which enables it to exercise significant influence over GCL.

Related party transactions include the following:

- Sales to a customer controlled by a director, which are on the same terms and conditions as sales to other customers of the Company.
- Rebates to affiliated- and preferred wholesalers of Investments at the rate of 3% of their sales, as provided in the agreement in effect until 2015;
- Until 2022, the Company leases the building in which its head office and the Boucherville distribution centre are located from Investments;

- Under an agreement expiring in 2015, the Company pays fees to a subsidiary of Investments for IT services;

- Bertrand uses a subsidiary of Investments for its IT development and support.

All of these transactions were concluded in the normal course of business and are measured at the exchange amount.

Related party transactions (in thousands of dollars)

	2009-09-12 (84 days) (unaudited)	2008-09-06 (84 days) (unaudited)	2009-09-12 (255 days) (unaudited)	2008-09-06 (250 days) (unaudited)
	$	$	$	$
Sales to a customer controlled by a director	4,567	3,709	11,831	10,889
Rebates	2,425	2,684	7,672	8,069
Rent	468	468	1,404	1,404
IT services	355	111	868	331

9. Off-balance Sheet Transactions

The Company does not have any off-balance sheet transaction obligations, other than a $2,028,000 bank letter of guarantee supporting one year of leasing the Boucherville distribution centre.

10. Current Economic Situation, Development Strategies and Outlook

Current Economic Situation

Colabor's activities are in Eastern Canada, principally in Quebec and Ontario. The Canadian economy is currently undergoing one of the most severe economic downturns in the past 40 years.

A Desjardins Economic Studies Bulletin's forecasts for the summer of 2009 indicated that there were some positive signs in Quebec pointing to a recovery in the fall. The real estate market is stabilizing, job losses are slowing and consumer confidence is improving.

In Ontario, however, the automobile industry restructuring will prolong the recession in the coming months. Because of its strong manufacturing base, this province is the hardest hit by the recession.

Colabor's management is well aware of this situation and has prepared a budget to deal with it. It has already taken the necessary measures to cope with the situation, in particular, freezing management salaries, reviewing processes and operating expenses and limiting capital spending solely to projects that will contribute to increasing productivity.

Nevertheless, Colabor is better able to resist a recession since it operates in the food distribution sector, an area that should be less affected than others. Moreover, management believes that 2009 could generate interesting profit.

Colabor has prepared its business plan, described below, and believes that the current recession could offer business opportunities that it is prepared to analyse for their potential to contribute to sound sales growth, with the objective of providing added value for the shareholders.

Development Strategies

The Company's management is firmly convinced that there are major channels which could be used to increase its penetration of the food services market in Canada.

Affiliated-wholesalers network in Quebec and the Atlantic Provinces:

In light of the Boucherville Division's organic growth in sales, as described under the Results of Operations section, it is clear that these loyal, entrepreneurial, customer-service-driven affiliated-wholesalers will continue to grow their market share in their respective regions.

Consolidation of food distribution services:

The Summit acquisition has made it possible for the Company to gain a foothold in Ontario, the most important foodservices market in Canada. The Company could acquire other distributors operating in Ontario and use its business model to integrate any new acquisitions. This strategy has proven beneficial with the Bruce Edmeades acquisition, for example.

The Company could also acquire affiliated-wholesalers' networks in Quebec and the Atlantic Provinces, as illustrated with the Bertrand acquisition. This would allow it to complete its distribution network in Eastern Canada.

Geographic expansion:

At this time, the Company is not present in Western Canada. Since this region was experiencing the fastest economic growth in the country in recent years, there is no doubt that expansion into this region could be beneficial, although it must be considered carefully in light of the labour availability issues. Additionally, a prerequisite to expansion in this region is developing a solid customer base before investing in new infrastructure.

Related sectors:

The Company's mission is to provide its customers with one-stop shopping in the food distribution services market.

In the future, the Company could add a meat, fruit and vegetables and packaged goods distribution network.

Convenience stores and small-sized grocery stores:

The Company believes that, in the medium term, there will be opportunities to acquire convenience store networks currently owned by major food chains wishing to return to their original niche, serving medium- and large-sized grocery stores.

Outlook

Despite the economic downturn, these acquisition opportunities would make it possible for the Company to significantly increase its purchasing power and ability to generate cost savings in order to increase its net earnings.

11. Risks and Uncertainties

The Company's activities are subject to numerous risks and uncertainties that are described in detail in its Annual Information Form. In addition to those risks, the Company wishes to emphasize the industry-related risks that could impact profitability and return on investments and that are beyond management's control.

Industry-related risks that could impact profitability and that are beyond management's control:

- *Dependence on affiliated-wholesalers*

  Sales generated by affiliated-wholesalers account for a significant portion of the Company's sales. The loss of a significant number of these wholesalers could have a negative impact on Colabor's earnings.
  This risk has been mitigated by the execution of agreements to amend the affiliate agreements to provide for an initial ten-year period, renewal provisions for two additional terms of five years and also provide for the granting of a right of first refusal by the affiliated-wholesalers to Colabor LP on their businesses and through the recent acquisition of Bertrand, one of its main customers. However, there is no assurance that Colabor LP will be able to finance the exercise of such right of first refusal. Moreover, incentives are built in the contractual relationships existing between the affiliated-wholesalers, Colabor LP and Investments to encourage the affiliated-wholesalers to increase their purchases from Colabor.

- *Absence of long-term agreements between affiliated-wholesalers and their customers*

  In accordance with general industry practice, affiliated-wholesalers do not normally enter into long-term agreements with their customers. As a result, customers may, without notice or penalty, terminate their relationship with the affiliated-wholesalers. In addition, even if customers should decide to continue their relationship with the affiliated-wholesalers, there is no guarantee they will purchase the same volume of products as in the past or that they will pay the same price for those products as they have in the past. Any loss of customers by the affiliated-wholesalers, or decrease in the volume purchased or the price paid by them for products, could affect the Company's sales and have an adverse effect on its financial condition and results of operations. In the past, affiliated-wholesalers, relying on their knowledge of their respective markets, have been able to differentiate themselves from their competitors by providing personalized services to their customers, in particular, flexible delivery schedules and a product line tailored to their customers' needs. In management's view, there will be no change in this regard in the future.

- *Customer choices*

  Colabor's success also depends on the continuing interests of customers in its products. A change in customer choices could affect demand for Colabor's products.

- *Dependence on Cara and other chains*

  Subsequent to the Summit acquisition, sales to Cara (including franchisees of Cara) represented a significant portion of the Company's sales. The loss of Cara as a customer, a decrease in purchases by Cara or a decrease in Cara's market share in the foodservice industry could have a material and adverse effect on the Company's financial condition, results of operations and liquidity. This risk has been mitigated by the execution of a ten-year distribution agreement, with a five-year renewal option with Cara and through the recent acquisition of Bruce Edmeades and Bertrand.

- *Integration of acquired companies*

  While some acquisitions will be managed with little change, some could result in major streamlining. Difficulties encountered with such integrations could have an impact on the Company's results.

- *Product recall*

  Colabor could have to deal with product recalls due to sanitation issues encountered by certain manufacturers, such as the listeriosis problems during 2008. Such recalls can trigger a decrease in sales of certain types of products for a period of time and cause a slump in sales figures. At this time, Colabor has the necessary mechanisms in place to quickly trace contaminated products, return them to the manufacturer and recover the cost of the contaminated products from these manufacturers.

Return on investment

A return on an investment in Colabor Group Inc. is not comparable to the return on an investment in a fixed-income security. The return is based on many assumptions. Although the Company intends to pay quarterly dividends, such dividends may be reduced or suspended. The dividends paid will depend on numerous factors, in particular, the inherent industry risks described above and other risks described in the Company's Annual Information Form. Additionally, the market value of the shares could decline significantly if the Company is unable to respect its dividend payment objectives, in particular, non-compliance with the financial ratio requirements under the credit agreement described under the Cash Flow section.

Climate change

Colabor has very little climate change risk exposure.

12. Significant Accounting Measurements

Some of the amounts in the financial statements are based on estimates made by management using its knowledge of current or anticipated economic events. Significant estimates relate exclusively to the allowance for excess or obsolete inventory, accounting for rebates from suppliers, goodwill and intangible assets.

- *Allowance for excess or obsolete inventory*

  Inventory is valued at the lower of net realizable value or cost calculated using the first-in first-out method. The Company records an allowance for obsolescence that is calculated on the basis of assumptions relating to future demand for its products and conditions in the markets in which its products are sold. The allowance, which reduces inventory to the net realizable value, is then applied against inventory in the balance sheet. Management has to make estimates and exercise judgement when determining these allowances. If actual market conditions are less favourable than management's assumptions, additional allowances may be required.

- *Accounting for rebates from suppliers*

  Colabor negotiates procurement contracts with its suppliers providing for the payment of rebates based on volumes purchased. The procurement contracts with suppliers are reviewed periodically and rebates adjusted according to prevailing market conditions.

- *Goodwill and intangible assets*

  Goodwill is the excess of the cost of an acquired enterprise over the net of the amounts assigned to assets acquired and liabilities assumed. Goodwill is not amortized. Each year, or more often if events or changes in circumstances indicate a decrease in fair value, it is tested for impairment. The impairment test involves comparing the fair value of the Company's business with its carrying amount. If the carrying amount of the business exceeds its fair value, the Company compares the fair value of any goodwill relating to the business to its carrying amount. An impairment loss equal to the amount of the excess is charged to earnings. The fair value of the business is calculated using discounted cash flows.

  Intangible assets include customer relationships and trademarks. Customer relationships are amortized on the straight-line basis over their estimated useful lives of 20 years for relationships with affiliated-wholesalers, 15 years for customer relationships with Cara and 10 years for relationships with other customers. Trademarks are not amortized.

13. Disclosure Controls and Processes

To ensure that the consolidated financial statements and MD&A present fairly, in all material respects, the financial position of the Company and the results of its operations, it is the responsibility of management to establish and maintain appropriate internal control over financial reporting. Internal control over financial reporting is a process designed by the President and Chief Executive Officer and the Chief Financial Officer, or under their supervision. It is implemented by the Board of Directors, management and other employees to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

A policy on the disclosure of information provides a framework for the financial reporting process in annual and interim filings, and other reports filed or sent in accordance with securities legislation. The Disclosure Committee ensures compliance with this policy.

In light of the inherent limitations of any control system, the Company's management acknowledges that control and reporting processes cannot prevent and detect all misstatements resulting from fraud or error. However, based on the work performed, the Company's management is able to provide reasonable assurance that important information is provided to it on a timely basis so it is able to report complete and reliable information to investors.

Controls and Reporting Processes

The preparation of the financial statements and MD&A is based on a framework of controls and reporting processes implemented by management. The design and operation of these controls and processes were subject to an evaluation that confirmed the effectiveness of both the design and operation of controls and reporting processes. This evaluation was consistent with the criteria in the control framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) adopted by the Company and in accordance with the guidance of the Canadian Securities Administrators described in Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings.
The financial statements and MD&A were reviewed by the Audit Committee and the Board of Directors, who approved them prior to publication.

Internal Controls over Financial Reporting

The Company's Audit Committee supervises the documentation, evaluation of the design and operation of internal controls over financial reporting supporting the Company's main transaction and accounting processes. This work serves to improve the design of internal controls.

As was the case for the evaluation of controls and reporting processes, the evaluation of the design and operation of internal controls over financial reporting is carried out in accordance with the COSO control framework and the guidance in Multilateral Instrument 52-109. Based on the work carried out, management concluded that internal control over financial reporting was designed and operating effectively to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements in accordance with GAAP.

Management also determined that there were no material weaknesses in the Company's internal control over financial disclosures as at September 12, 2009 other than controls and procedures relating to network access security and management and the inventory management system recently implemented by Bertrand, thereby limiting the transaction authentication process. The access security and management policies and procedures currently in effect in the other entities will be deployed and expanded to include Bertrand's activities during the fourth quarter of 2009.

Transition to International Accounting Standards

The Company will be required to adopt IFRS for its interim and annual financial statements as of January 1, 2011. Accordingly, the Company, with its external auditors, is currently undertaking the conversion of its consolidated financial statements to IFRS, following a detailed analysis of the differences between IFRS and the Company's accounting policies. In management's view, the preparation of the Company's financial statements using the new international standards will not result in major accounting policy changes that could impact the Company's consolidated financial statements.

The Company should be able to comply with the instructions of the Autorité des marchés financiers and the Canadian Institute of Chartered Accountants on the application dates stipulated by these entities.

14. Subsequent Event

On October 6, the Company's management was informed of the loss as of February 2010 of an important distribution agreement served by the Summit division with a fast-food chain. For the twelve months ended on September 12, 2009, sales to this customer totalled $135,735,000 or 11 % of sales of $1,216,414,000. EBITDA generated by this contract was $900,000 or 2 % of its EBITDA of $43,199,000.

The Company's management is to re-evaluate the operations of the Summit division and evaluate certain business opportunities that could help replace this contract.