COLABOR GROUP INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

85-DAY PERIOD (1ST QUARTER)
FOR THE YEAR ENDING DECEMBER 31, 2011

MAY 4, 2011

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1. Scope of MD&A and Notice to Investors

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 85-day period (1st quarter) for the year ending December 31, 2011. These financial statements are in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been published on SEDAR at the following sites: www.sedar.com and www.colabor.com. Additionally, the financial statements for this quarter reflect the transition from generally accepted accounting principles (GAAP) to IFRS and the notes to the financial statements provide an explanation of the effect of the transition on the January 1, 2010 and December 31, 2010 balance sheets.

Colabor's fiscal year comprises thirteen periods, the first three quarters comprise three periods each and the fourth quarter includes four periods. The Company's year end is December 31. As a result, the Company's sales and operating profits have been proportionately the smallest in the first quarter and the largest in the fourth quarter, as sales of goods are considerably higher in the other quarters and because the fourth quarter has 33% more operating days than the other quarters of the year.

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

In reviewing Colabor's financial statements, investors should consider that the statement of comprehensive income includes significant depreciation expenses for property, plant and equipment and amortization expense for intangible assets resulting from Colabor's acquisitions in recent years, for deferred taxes and a non-cash portion of the implicit interest on debentures. The depreciation, amortization and non-cash transactions have a major impact on the basic and diluted earnings per share calculation. Investors often compare this basic and diluted earnings per share amount, which is frequently lower than the annual dividend of $1.08 per share. *For a more in-depth analysis of Colabor, investors should analyze the cash flows per share calculations in Section 6.3 (Operating Profit – Earning per Share) in the MD&A as they are a better indication of the Company's ability to support its annual dividend.*

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 Colabor'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 was 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 had 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 had 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.

Additional information

The shares of Colabor Group Inc. are traded on the Toronto Stock Exchange under the symbol GCL-T, while its convertible debentures are traded under the symbol *GCL.DB* and *GCL.DB.A*.

Additional information on GCL, and previously the Fund, may be found on SEDAR at www.sedar.com and on its information site www.colabor.com.

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 segments:

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.

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.

Over 90% of this Segment's sales are covered by long-term contracts.

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, Mississauga and Cambridge 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, Mr Sub, Zehrs, 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.

This division, with about 525 employees, operates four distribution centres, including the London head office, where administrative services are located.

These warehouses cover a total of 454,476 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)
Cambridge: 109,460 square feet

2. *Bertrand Food Distributor (Bertrand)*

Bertrand is a major distributor to foodservice and retail customers in the Québec City and Saguenay regions. Bertrand, which employs approximately 325 people, distributes over 12,000 products from its two strategically located warehouses in Lévis and Saguenay, totalling 231,000 (could be expanded to 331,000 square feet) 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.

3. *RTD Distributions (RTD)*

RTD specializes in distributing food and non-food products to grocery stores, convenience stores, hotels, restaurants and institutions in the Lower St. Lawrence, Gaspésie, part of the North Shore and the Lower North Shore and in north-eastern New Brunswick. RTD operates a 120,000 square-foot distribution centre in Rimouski and offers over 10,000 products to about 2,500 customers across its territory with a fleet of more than 50 trucks. It has about 260 employees.

4. *Les Pêcheries Norref Québec Inc. (Norref)*

Norref is a fresh fish and seafood products importer and distributor in the province of Quebec and the Ottawa region and is recognized as the leading importer and distributor of this type in Quebec.

Norref operates from a 40,000 square-foot warehouse in Montréal, and distributes a full range of fresh and frozen fish products as well as ready-to-eat fish and seafood meals. Its diversified client base is comprised of restaurants, hotels, grocery stores, caterers and fish stores.

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.

<u>Over 50% of the sales activities of the two segments is secured by long-term agreements and manufacturers' and suppliers' cost increases which can be passed on to customers, thereby significantly reducing risk.</u>

5. Main Resources And Competencies:

5.1 Board of Directors

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, Corporate Purchasing	Colabor Group Inc.
Denis Melançon	Vice-President and General Manager	Colabor Group Inc., Bertrand Division and RDT
Louise Laforce	Vice-President Human Resources	Colabor Group Inc.
Michel Delisle	Vice-President Information Technology	Colabor Group Inc.
Geneviève Brouillette, CA	Vice-President and General Manger	Colabor Limited Partnership, Wholesale Division and Norref

5.3 Human Resource Development

The Board of Directors is pursuing 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 Highlights for the First Quarter

Results for the first quarter of Colabor's 2011 fiscal year should be read taking the following significant events into account:

- The Company's sales and profit margins were impacted by the difficult economic situation prevailing in Eastern Canada which led to intense competition among players in the foodservice distribution sector.
- The loss, in February 2010, of a major contract with a fast food restaurant chain, had a significant impact on sales, even though the profitability on this contract was very low. The impact on sales is $8.2 million. This is the last quarter during which lost sales relating to the contract will be compared with the prior year.
- The issuance, in April 2010, of $50 million in convertible debentures, bearing interest of 5.7% for a seven-year term, at a conversion price of $16.85. The purpose of this issue was to make it possible for the Company to finance its acquisitions using its banking facilities at a relatively low capital cost.
- The acquisition in September 2010, of RTD Distributions.
- As a result of a more than 30% increase in the price of fuel since the start of the year, households have less disposable income for eating out and the Company's operating expense increased substantially.
- The acquisition of Pêcheries Norref at the end of February, which contributed $6.5M to sales for the quarter.

6.2 Executive Summary of Performance

Quarter ended March 26, 2011 (compared with 2010 quarter)

- 0.7% decrease in comparable sales (overall increase in sales of 6.2%)
- Decrease in EBITDA percentage from 3.1% to 2.1%
- Decrease in net income of $1,885,000 to $52,000
- Debt/EBITDA ratio: 1.93:1.00 (banking syndicate's requirement: <3.00:1.00)
- Finance costs coverage ratio: 5.69:1.00 (required: >3.50:1.00)
- Dividend payout ratio of 192%

Stock transactions during the quarter

- Conversion of $668,000 of debentures issued in 2007 into 65,169 common shares
- Share price: as at January 1, 2011: $12.22; Share price: as at March 25, 2011: $12.68
- Share price increase from January 1 to March 25, 2011: 3.76%
- Dividend: a $6.2M dividend was paid on January 15, 2011 to shareholders of record on December 31, 2010

6.3 Comprehensive Income

Comprehensive income, and its comparison with the comparable period of 2010, should be read in conjunction with the *Current Economic Situation* section presented further on in this MD&A and the following facts:

- On September 21, 2010, the Company concluded the acquisition of the assets of RTD. The RTD division's financial results are included in the Company's results, but not in 2010.
- A decrease in sales of about $8.2 million for the quarter following the loss of a major contract in the Summit division, as explained in the 2009 third and fourth quarter reports; this is the last quarter that the loss of sales from this contract will be compared with the previous year.
- On February 28, 2011, the Company concluded the acquisition of the shares of Pêcheries Norref Québec Inc. This acquisition contributed $6.5 million in sales for the quarter.
- The first quarter of 2011 comprises 85 days, compared with 86 days for 2010.

Comprehensive Income (unaudited, in thousands of dollars, except per share amounts)

	2011-03-26 (85 days)		2010-03-27 (86 days)		Variance	
	$		$		$	%
Sales of goods	**239,416**	**100.00%**	**225,355**	**100.00%**	**14,061**	**6.24%**
Operating expenses	234,512	97.95%	218,466	96.94%	16,046	7.34%
Profit before the following items	4,904	2.05%	6,889	3.06%	(1,985)	-28.81%
Depreciation of property, plant and equipment	714	0.30%	688	0.31%	26	3.78%
Amortization of intangible assets	2,637	1.10%	2,345	1.04%	292	12.45%
	3,351	1.40%	3,033	1.35%	318	10.48%
Operating profit	1,553	0.65%	3,856	1.71%	(2,303)	-59.73%
Finance costs	1,484	0.62%	1,310	0.58%	174	13.28%
Profit before tax	69	0.03%	2,546	1.13%	(2,477)	-97.29%
Tax expense						
Current		0.00%		0.00%		N/A
Deferred	17	0.01%	609	0.27%	(592)	-97.21%
	17	0.01%	609	0.27%	(592)	-97.21%
Profit or loss and total comprehensive income attributable to the owners	52	0.02%	1,937	0.86%	(1,885)	-97.32%
Cash flows per share	$0.13		$0.27			
Basic and diluted earnings per share	$0.00		$0.10			

Sales

Sales consist of:

For the Wholesale Segment: Gross sales 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 and sales to other customers, less rebates, as provided in individual agreements with these customers. Net sales are allocated between foodservice sales and retail sales.

For the Distribution Segment: Gross sales to customers from the London, Mississauga, Ottawa, Cambridge, Lévis, Saguenay, Rimouski and Montréal (since the acquisition of Norref) warehouses less rebates, as provided in individual agreements with these customers.

Inter-segment sales are then eliminated. These are primarily sales by the Wholesale Segment to Summit, Bertrand and RTD in the Distribution Segment.
The following table provides readers with a comparison, for the quarter, of comparable sales and sales from acquisitions with the same period in the prior year.

Additionally, because the 2011 first quarter comprises 85 days, whereas the first quarter of 2010 had 86 days, sales for 2010 have been adjusted based on the number of days in 2011 to display the actual organic growth.

Sales (unaudited, in thousands of dollars)

	26-03-2011 (85 days)			27-03-2010 (86 days)							
	Comparable sales	Sales subsequent to acquisitions	Total sales	Comparable sales	Adjustment for one day	Loss of a customer	Total sales	Variance Comparable sales		Variance Actual sales	
	$	$	$	$	$	$	$	$	%	$	%
Wholesale Segment	94,948		94,948	95,486	1,123		96,609	(538)	N/A	(1,661)	N/A
Eliminations	(17,733)	(4,934)	(22,667)	(17,490)	(206)		(17,696)	(243)	N/A	(4,971)	N/A
	77,215	(4,934)	72,281	77,996	917		78,913	(781)	-1.0%	(6,632)	-8.4%
Distribution Segment	135,785	31,353	167,138	136,527	1,703	8,212	146,442	(742)	N/A	20,696	N/A
Eliminations		(3)	(3)						N/A	(3)	N/A
	135,785	31,350	167,135	136,527	1,703	8,212	146,442	(742)	-0.5%	20,693	14.1%
	213,000	26,416	239,416	214,523	2,620	8,212	225,355	(1,523)	-0.7%	14,061	6.2%

The *Current Economic Situation...* section presented further on in this MD&A provides an overview of the context in which the Company and its competitors operate.

The first quarter indicates an overall decrease of 0.7% or $1.5M in comparable sales, split evenly between the Wholesale Segment and the Distribution Segment.

While the economy has not recovered and it will be some time before it does recover, this slight decline in organic sales is cause for cautious optimism regarding the coming quarters.

Wholesale Segment

This segment, which serves primarily distributors in Quebec and the Atlantic Provinces, experienced an organic decline of 1% in comparable sales for the quarter. However, the sales table indicates a reduction in actual sales of 8.4% or $6.6M. This decrease is primarily attributable to the elimination, for accounting purposes, of Wholesale Segment sales to Bertrand, RTD and Summit.

Distribution Segment

This Segment shows a slight organic decline in sales of 0.5% and an increase in actual sales of $20.7M primarily as a result of sales following the acquisitions of RTD and Summit net of the loss of a customer in Ontario. Despite the difficult economic situation, the Summit Division's sales continue to improve.

Income before the following (which corresponds to earnings before financial expenses, depreciation, amortization and income taxes (EBITDA))

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.

Operating expenses

The main expenses consist of salaries and employee benefits, delivery costs for the Distribution Segment and occupancy costs relating to the Company's distribution centres. These expenses include a considerable portion of fixed costs which have a significant impact on operating profit.

The profitability ratio, that is EBITDA to sales, slipped from 3.1% in 2010 to 2.1% this year, primarily as a result of the following:

- In order to retain its customers, the Company had to cut back its gross margin on sales to offset intense competition.

- It has to absorb its fixed costs, mainly occupancy and delivery costs, while dealing with lower volumes, and the 1st quarter of the year is the one in which the seasonal impact is the greatest.
- A more than 30% increase in the price of fuel since the start of the year caused an approximate $300,000 increase in costs on a comparative basis. The Company already has fuel surcharge policies. Despite these, the Company cannot absorb 100% of such increase.

Depreciation of Property, Plant and Equipment and Amortization of Intangible Assets

Respective increases of $26,000 and $292,000 in the above items compared to the same quarter in the previous year are mainly due to the additional depreciation and amortization resulting from the acquisitions of RTD and Norref.

Finance costs

The finance costs increase is primarily attributable to the April 2010 issue of $50M in convertible debentures.

Tax expense

Although the $17,000 tax expense is not significant for the quarter, it is the income item that is most affected by the transition to IFRS.

The Company converted from an income fund structure to a corporation through an arrangement agreement with ConjuChem Biotechnologies Inc. (“ConjuChem”) in August 2009. As part of the transaction, the Company acquired approximately $39M in future tax assets. When recognizing this transaction in accordance with GAAP, the Company recognized future tax assets and an offsetting $5M disbursement (price paid for the tax losses) and deferred tax credits, which made it possible to eliminate current taxes and recognize a minimal deferred tax expense.

On the transition to IFRS, the Company had to transfer the deferred tax credit balance, shown in liabilities on the balance sheet, to retained earnings. The Company must now recognize a tax expense equivalent to the Company’s tax rates that will be presented under *Deferred tax expense.* However, until it can benefit from the tax losses acquired, it will not have a current tax expense.

The new treatment will impact profit or loss and the calculation of basic earnings per share.

Earnings per share

In reviewing Colabor's financial statements, investors should consider that the statement of comprehensive income includes significant depreciation and amortization expenses for property, plant and equipment and intangible assets resulting from Colabor's acquisitions in recent years, deferred tax expenses (described above) and a non-cash portion of the implicit interest on debentures included in finance costs. The depreciation, amortization and non-cash transactions have a major impact on the basic and diluted earnings per share calculation. Investors often compare this basic and diluted earnings per share amount, which is frequently lower than the annual dividend of $1.08 per share approved by the Board of Directors. *For a more in-depth analysis of Colabor, investors should also analyze basic cash flows per share, which are indicated below.*

Cash flows per share

Cash flows per share (unaudited, in thousands of dollars, except for per share data)

	2011-03-26 (85 days)	2010-03-27 (86 days)
	$	$
Profit or loss	52	1,937
Deferred taxes	17	609
Depreciation of property, plant and equipment	714	688
Amortization of intangible assets	2,637	2,345
Non-cash portion of the implicit interest on debentures included in finance costs	215	247
Purchase of property, plant and equipment	(639)	(419)
Operating cash flows before change in working capital items	2,996	5,407
Weighted average number of shares outstanding	22,984,463	19,762,282
Cash flows per share	$0.13	$0.27
Quarterly portion of annual dividend	$0.25	$0.25
Dividend to cash flows per share ratio	192%	92%

Basic and Diluted Earnings per Share

Earnings per Share (unaudited, in thousands of dollars except per share data)

	2011-03-26 (85 days)	2010-03-27 (86 days)
	$	$
Income used for consolidated basic and diluted earnings per share	52	1,937
Weighted number of shares outstanding to calculate basic and diluted earnings per share	22,984,463	19,762,282
Basic and diluted earnings per share	$0.00	$0,10

6.4 Financial Position

Consolidated Statements of Financial Position (unaudited, in thousands of dollars)

	2011-03-26	2010-12-31
	$	$
ASSETS		
Current		
Trade and other receivables	96,856	82,540
Recoverable tax assets	2,637	2,694
Inventory	64,158	69,669
Prepaid expenses	2,398	1,196
Current assets	166,049	156,099
Non-current		
Equity investment in Colabor Investments Inc., at cost	8,569	8,569
Property, plant and equipment	14,166	10,920
Intangible assets	152,654	136,995
Goodwill	97,089	78,423
Deferred tax assets	2,850	3,273
Non-current assets	275,328	238,180
Total assets	441,377	394,279
LIABILITIES AND EQUITY		
LIABILITIES		
Current		
Bank overdraft	11,349	10,709
Trade and other payables	75,273	69,365
Dividends payable		6,204
Rebates payable	14,864	14,283
Balances of purchase price	12,723	13,236
Deferred revenue	715	491
Bank borrowing		24,308
Convertible debentures	13,332	13,905
Current portion of long-term debt	170	307
Current liabilities	128,426	152,808
Non-current		
Bank borrowing	70,581	
Balances of purchase price	1,143	1,143
Convertible debentures	45,635	45,500
Pension obligations	576	642
Current liabilities	117,935	47,285
Total liabilities	246,361	200,093
EQUITY		
Capital stock	178,645	177,960
Convertible debenture conversion options	2,383	2,415
Contributed surplus	441	771
Shares held for the stock-based compensation plans	(481)	(936)
Retained earnings	14,028	13,976
Total equity attributable to owners	195,016	194,186
Total liabilities and equity	441,377	394,279

The March 26, 2011 financial situation was prepared in accordance with IFRS and is compared with the financial situations as at January 1, 2010 and December 31, 2010, which have also been converted to IFRS. Note 18 to the interim consolidated financial statements for the quarter ended March 26, 2011 explains the changes.

The main change in the March 26, 2011 balance sheet, compared to the December 31, 2010 balance sheet, relates to the presentation in non-current liabilities (instead of current liabilities) of bank borrowing. As at December 31, 2010, the bank borrowing had been presented as current liabilities as the Company had not renewed its credit facilities that were to expire on April 28, 2011. The Company has since renewed its facility for five years.

Convertible debenture characteristics

5.7% convertible debentures, maturing on April 30, 2017, issued on April 27, 2010

On April 27, 2010, the Company issued debentures bearing annual interest of 5.70%, payable semi-annually on April 30 and October 31 each year, starting on October 31, 2010 for a seven-year term.

The debentures are convertible at the holder's option into common shares of the Company at a conversion rate of 59.347 common shares per $1,000 principal amount of debentures, which is equal to a conversion price of $16.85 per common share. The debentures will mature on April 30, 2017 and may be early redeemed by the Company, in certain circumstances, after April 30, 2015, as explained in greater detail in the prospectus relating to the financing.

The Company's net proceeds after deducting underwriters' fees of $2,000,000 and $500,000 in other estimated costs were $47,500,000. An amount of $45,125 000 was recognized in liabilities and an amount of $2,375 000 was recognized in shareholders' equity as an option to convert debentures.

Convertible debentures 7%, maturing on December 31, 2011, issued on January 4, 2007.

The debentures are convertible at the holder's option into common shares of the Company at a conversion rate of 97.561 common shares per $1,000 principal amount of debentures, which is equal to a conversion price of $10.25 per common share. The debentures will mature on December 31, 2011and may be early redeemed by the Company, in certain circumstances.

During the quarter ended March 26, 2011, debentures with a par value of $668,000 were converted into 65,169 shares of the Company. The $654,000 carrying amounts of these debentures and the related $31,000 conversion option were recognized in capital stock.

6.5 Cash Flows

Credit Facilities

The Company has entered into a new five-year agreement with a banking syndicate for operating credit facilities for an authorized amount of $150M secured by a first ranking hypothec on the Company's assets.

Under the terms of the credit agreement, the Company 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 finance costs greater than 3.50:1.00.

Based on the banking syndicate's method of calculation, the debt/EBITDA ratio is 1.93:1.00 and the finance costs coverage ratio is 5.69:1.00 times.

Dividends

A $6,204,000 dividend was paid on January 15, 2011 to shareholders of record on December 31, 2010 and a $6,225,000 dividend was paid on April 15, 2011 to shareholders of record on March 31, 2011.

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 $0.2691 per share and will comply with the banking syndicate's ratio requirements.

Consolidated Statements of Cash Flows (unaudited, in thousands of dollars)

	2011-03-26 (85 days)	2010-03-27 (86 days)
	$	$
Operating activities		
Profit before tax	69	2,546
Depreciation of property, plant and equipment	714	688
Amortization of intangible assets	2,637	2,345
Finance costs	1,484	1,310
Stock-based compensation plan expenses	125	102
	5,029	6,991
Net change in cash flows	1,151	2,690
Cash flows from operating activities	6,180	9,681
Investing activities		
Acquisition of a business, net of cash acquired	(42,831)	
Payment of balances of purchase price	(2,013)	
Purchase of property, plant and equipment and intangible assets	(639)	(419)
Cash flows from investing activities	(45,483)	(419)
Financing activities		
Bank borrowing	46,245	12,766
Repayment of long-term debt	(137)	(173)
Dividends paid	(6,204)	(7,453)
Finance costs	(1,484)	(1,310)
Non-cash portion of implicit interest on debentures included in finance costs	215	247
Amortization of prepaid financing expenses included in finance costs	28	28
Cash flows from financing expenses	38,663	4,105
Net change in bank overdraft	(640)	13,367
Bank overdraft, beginning of period	(10,709)	(17,126)
Bank overdraft, end of period	(11,349)	(3,759)

Readers should bear in mind that Colabor Group Inc. has a 15.6% interest in Colabor Investments Inc., which owns 5,087,349 shares in Colabor Group Inc. (see *Related Party Transactions*).

Normal course issuer bid

On October 25, 2010, the Company's Board of Directors authorized a normal course issuer bid program to purchase for cancellation, until October 27, 2011, up to 500.000 common shares, representing about 2.9% of the outstanding common shares. Under the terms of this bid, the shares will be purchased at market price.

Since the program was authorized, the Company did not redeem any shares.

7. Contractual Obligations

('000)		Payments due per period			
Contractual obligations	Total	Less than 1 year	From 1 to 3 years	From 4 to 5 years	5 years and more
Bank borrowings	$70,581	$-	$-	$-	$70,581
Long-term debt	$170	$170			
Balances of purchase price	$13,866	$12,723	$1,143		
Convertible debentures (par value)	$63,599	$13,599			$50,000
Operating leases and service contracts	$93,221	$13,081	$24,375	$18,665	$37,100
Total	$241,437	$39,573	$25,518	$18,665	$157,681

Debentures maturing in 2011

These debentures may be converted into shares until December 31, 2011, or redeemed, with advance notice, at a price that is equivalent to the principal plus accrued and unpaid interest.

Debentures maturing in 2017

These debentures may be converted into shares until December 31, 2017.

The debentures are redeemable between April 30, 2015 and April 30, 2016, with advance notice, at a price that corresponds to the principal plus accrued and unpaid interest, provided the current market price is at least 125% of the conversion price.

After April 30, 2016, they are redeemable, with advance notice, at a price that is equivalent to the principal plus accrued and unpaid interest.

8. Summary of Past Quarters

	Under IFRS	Under Canadian GAAP before the transition to IFRS						
('000)	2011-03-26	2010-12-31	2010-09-11	2010-06-19	2010-03-27	2009-12-31	2009-09-12	2009-06-20
	(85 days)	(111 days)	(84 days)	(84 days)	(86 days)	(110 days)	(84 days)	(84 days)
	$	$	$	$	$	$	$	$
Sales	239,416	347,141	234,309	245,155	225,355	364,973	276,841	283,722
EBITDA	4,904	13,984	7,578	8,981	6,873	15,073	10,026	9,977
Net income	52	5,868	3,885	4,202	2,277	9,002	4,710	1,744
Basic earnings per share/unit	$0.00	$0.26	$0.18	$0.20	$0.12	$0.53	$0.30	$0.14

Readers should bear in mind that results for quarters prior to September 12, 2009 were achieved in an income fund structure. Results for the quarter ended September 12, 2009 include 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.

9. 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 25.9% interest and a diluted 20.8% interest in Colabor LP.

Subsequent to the conversion to a corporation and the conversion of debentures, Investments now holds an undiluted 22.0% and a diluted 18.6% interest in Colabor Group Inc., which enables it to exercise significant influence over GCL.
However, following the acquisition of Bertrand and RTD, Colabor Group Inc. now holds 15.6% of Colabor Investments Inc., which has a 5,087,349 share investment in Colabor Group Inc.

Related party transactions include the following:

- Sales to customers controlled by directors, which are on the same terms and conditions as sales to Company's other customers.

- 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 computer services.

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

Related party transactions (unaudited, in thousands of dollars)

	2011-03-26 (85 days)	2010-03-27 (86 days)
	$	$
Sales to customers controlled by directors	2,770	2,663
Rebates	2,595	2,659
Rent	468	468
Computer services	128	223

10. Off-balance Sheet Transactions

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

11. 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 continues to experience one of the most severe economic downturns of the past 40 years Although there appears to be some improvement in the economy, in our opinion, the recovery will be slow and the 2011 year will be also be difficult in terms of competition between foodservice distributors, all the more so since the food sector is generally the last sector to fully regain its robustness. Additionally, the phasing out of the governments' economic recovery plans will result in reduced government contributions to economic growth. Most governments have announced budget deficit reduction measures, including, among others, increases in commodity taxes, which may translate into decreased public administration spending, thereby potentially creating some uncertainty in the minds of consumers, who will reign in their discretionary spending.

Additionally, as a result of a more than 30% increase in the price of fuel since the start of the year, households have less disposable income for eating out.

Colabor has prepared its business plan, described below, and believes that the current situation could offer more business opportunities that it is prepared to analyse for their potential to contribute to a strategic 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

Despite a slowdown in the organic growth in the Wholesale Segment, management is convinced 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. Also, 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 and the upcoming expected acquisition of SKOR Food Group.

The Company could also acquire affiliated-wholesalers' networks in Quebec and in the Atlantic Provinces. This was the case with the recent acquisitions of RTD Distributions and Edfrex. 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, fish, fruit and vegetables, packaged goods, natural and organic products and ethnic products distribution network, as was the case with the recent acquisition of Pêcheries Norref.

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 income.

12. 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 acquisition of

Edfrex concluded after the end of this quarter, RTD Distributions in 2010 and Bertrand in 2008. However, there is no assurance that Colabor LP would 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 Colabor Investments Inc. 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, operating results 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 Bruce Edmeades, Bertrand, RTD Distributions and Edfrex acquisitions.

- *Integration of acquired companies*

  While some acquisitions are 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 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

The 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 Flows* section.

Climate change

Colabor has very little climate change risk exposure.

13. 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 events and actual economic conditions. 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. This impairment test consists of a comparison of 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 among others. 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 3 to 10 years for relationships with other customers. Trademarks are not amortized.

14. Disclosure Controls and Procedures and Internal Control Over Financial Reporting

Disclosure controls and procedures (DC&P) are designed to provide reasonable assurance that all the information required is accumulated and communicated to the Group's management which ensure the information is reported appropriately. Internal control over financial reporting (ICFR) is a process designed to provide reasonable assurance regarding the completeness and reliability of financial reporting in accordance with IFRS.

The President and Chief Executive Officer, and the Vice-President and Chief Financial Officer are responsible for the implementation and maintenance of DC&P and ICFR, in accordance with the guidance in Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings. They are supported in this task by the Disclosure Committee and the Audit Committee.

The President and Chief Executive Officer and the Vice-President and Chief Financial Officer caused to be evaluated under their supervision the effectiveness of DC&P as at March 26, 2011 and, based on that evaluation, concluded that they were effective at that date and adequately designed.

Also as at March 26, 2011, the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer caused to be evaluated under their supervision the effectiveness of ICFR and, based on that evaluation, concluded that it was effective at that date and adequately designed.

The DC&P evaluation was performed using the control framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The evaluation of the design and effectiveness of ICFR was performed in accordance with the COSO control framework for entity level and financial controls, and Control Objectives for Information and Related Technologies (COBIT) for general IT controls.

Given the inherent limitations of any control systems, management's evaluation of controls can only provide reasonable, not absolute assurance that all control issues that may result in material misstatement, if any, have been detected.

Changes to Internal Controls over Financial Reporting

On September 21, 2001, the Company completed the acquisition of the assets of RTD Distributions Ltée and on February 28, 2011 completed the acquisition of all of the outstanding shares of Les Pêcheries Norref Québec Inc. The Company availed itself of provision NI 52-109 3.3(1)(b) for these two acquisitions which permits exclusion of these acquisitions in the DC&P and ICFR evaluation for a maximum period of 365 days. The following information summarizes the two acquisitions for the quarter ended March 26, 2011.

Sales:	$32.2M
Net earnings:	$0.2M
Current assets:	$24.0M
Non-current assets:	$8.4M
Current liabilities:	$15.0M
Non-current liabilities:	$4.5M

During the quarter year ended March 26, 2011, with the exception of the previously described acquisitions, no changes to internal controls over financial reporting affected materially, or are reasonably likely to materially affect, internal controls over financial reporting.

15. Conversion to International Financial Reporting Standards ("IFRS")

The Company's financial statements are prepared in accordance with IFRS. Note 18 to the interim consolidated financial statements for the quarter ended March 26, 2011 explains the transition to IFRS.

16. Subsequent Events

Acquisition of Edfrex

On March 30, 2011, the Company acquired substantially all of the assets of Edfrex Inc. ("Edfrex"), a distributor affiliated with Colabor in New Brunswick. The assets acquired include, among others, a 2.49% interest in Colabor Investments Inc. Edfrex is a foodservices distributor operating primarily in New Brunswick. The approximate transaction amount of $5.2M is subject to certain post-closure adjustments. The Edfrex acquisition is consistent with Colabor's objectives of expanding its geographic scope and clientele.

The Edfrex acquisition was financed from the Company's existing facilities.

Acquisition of Skor

The Company and The Skor Food Group Inc. ("Skor") announced on March 22, 2011 that they have entered into a support agreement (the "Support Agreement") pursuant to which Colabor has agreed to make an offer (the "Offer"), by way of a take-over bid, to acquire all of the issued and outstanding common shares of Skor for $1.33 in cash per share, including common shares issued pursuant to the exercise of outstanding options of Skor for a total amount of about $35.6M.

Skor’s Board of Directors has agreed to unanimously recommend that SKOR shareholders tender their shares to the Offer. Skor’s two principal shareholders, together controlling approximately 60% of the common shares outstanding, have entered into an agreement with Colabor pursuant to which they have agreed to irrevocably tender their SKOR shares to the Offer. The transaction is expected to close in May 2011.

Skor is a foodservices distributor operating in Ontario. The skor acquisition meets Colabor's objectives of broadening its product and client base and expanding its presence in Ontario.