COLABOR INCOME FUND

MANAGEMENT'S DISCUSSION & ANALYSIS

114-DAY (4th QUARTER) AND YEAR
ENDED DECEMBER 31, 2007

February 27, 2008

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TABLE OF CONTENTS

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1. Scope of MD&A

This Management's Discussion & Analysis (MD&A) of Colabor Income Fund (the "Fund") discusses the operating results, cash flows and financial situation for the 114-day period ended December 31, 2007 (4th quarter) and the 365-day period then ended. 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.

The Fund'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 Fund'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 and amortization (EBITDA) and the concept of standardized distributable cash. Since these concepts are not defined in Canadian GAAP, they may not be comparable with those of other funds.

The Fund's financial statements for the 114-day (4th quarter) and 365-day periods ended December 31, 2007 include the results of the Summit Division only since January 8, 2007. Accordingly, the results for the same periods for the prior year include only results for the Boucherville Division.

2. Forward-looking Statements

The MD&A is intended to assist unitholders 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 the Fund's actual results and the projections or expectations set out in the forward-looking statements are described under *Risks and Uncertainties*.

3. General

The Fund

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

The Fund owns a 66% interest in Colabor, Limited Partnership ("Colabor LP"), a limited partnership established under the laws of Quebec pursuant to a limited partnership agreement dated May 19, 2005, and amended June 28, 2005. The Fund carries out its business activities through Colabor LP.

Additional Information
Additional information on Colabor Income Fund may be found on SEDAR at www.sedar.com and on its information sites: www.colaborincomefund.com; www.colabor.com and www.summitfoods.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 food-service (cafeterias, restaurants, hotels, restaurant chains, etc.) markets.

It currently carries out its activities through two divisions:

Boucherville Division

The Boucherville Division's sales consist of food, food-related and non-food products that it purchases and supplies to wholesale distributors that, in turn, distribute the products to over 25,000 customers operating in the retail or foodservice market segments in Quebec and the Atlantic provinces. Approximately 90% of this Division'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 Division 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 Division operates a 371,120 square-foot distribution centre in Boucherville that employs 150 people and could be expanded to 650,000 square feet.

Summit Division

On January 8, 2007, Colabor LP acquired substantially all of the assets of Summit Food Service Distributors Inc. ("Summit"), one of the major foodservice distributors in the industry in Canada, from Cara Operations Limited ("Cara"). 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, current consumption dry products, dairy products, produce, meat, seafood, poultry and sanitation products.
This Division services the Ontario market primarily, but also distributes Cara restaurant products in Quebec.

Approximately 75% of its sales are covered by long-term contracts.

This Division generates gross profit on sales as follows:

a) From profit on its 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 based on terms of sale, and iii) net advertising funds received in connection with promotional activities.

This Division, with approximately 500 employees, operates three distribution centers, 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)

A significant percentage of the sales activities of the Fund's two divisions is secured by long-term agreements and manufacturers' and suppliers' cost increases which can be passed on to customers, thereby significantly reducing its risk.

5. Main Resources and Competencies

5.1 Board of Trustees

The members of the Board of Trustees are listed below:

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

5.2 Management

Gilles C. Lachance	President and Chief Executive Officer	Colabor, Limited Partnership
Michel Loignon CA	Chief Operating Officer	Colabor, Limited Partnership
Jack Battersby	President and Chief Executive Officer	Colabor, Limited Partnership, Summit Division
Marko Potvin	Vice-President – Purchase and Merchandising	Colabor, Limited Partnership

6. Performance Analysis

6.1 Results of Operations

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

	2007-12-31 (114 days – 4th quarter) (unaudited)		2006-12-31 (114 days – 4th quarter) (unaudited)		Variance	
	$		$		$	%
Sales	279,703	100.00%	137,119	100.00%	142,584	104%
Earnings before the following items	12,776	4.57%	5,799	4.23%	6,977	120%
Financial expenses	2,019	0.72%	269	0.20%	1,750	651%
Amortization of property, plant and equipment	1,053	0,38%	291	0.21%	762	262%
Amortization of intangible assets	2,179	0.78%	993	0.72%	1,186	119%
	5,251	1.88%	1,553	1.13%	3,698	238%
Earnings before income taxes and non-controlling interest	7,525	2.69%	4,246	3.10%	3,279	77%
Income taxes						
Current	2,715	0.97%			2,715	
Future	6,290	2.25%			6,290	
	9,005	3.22%			9,005	
Earnings (loss) before non-controlling interest	(1,480)	-0.53%	4,246	3.10%	(5,726)	-135%
Non-controlling interest	2,510	0.90%	1,989	1.45%	521	26%
Net earnings (loss)	**(3,990)**	-1.43%	**2,257**	1.65%	**(6,247)**	**-277%**
Basic and diluted net earnings (loss) per unit	($0.41)		$0.39			

	2007-12-31 (365 days)		2006-12-31 (365 days)		Variance	
	$		$		$	%
Sales	838,068	100.00%	400,398	100.00%	437,670	109%
Earnings before the following items	30,548	3,65%	14,061	3.51%	16,487	117%
Financial expenses	6,731	0.80%	843	0.21%	5,888	698%
Amortization of property, plant and equipment	3,354	0,40%	927	0.23%	2,427	262%
Amortization of intangible assets	6,993	0,84%	3,225	0.81%	3,768	117%
	17,078	2.04%	4,995	1.25%	12,083	242%
Earnings before income taxes and non-controlling interest	13,470	1,61%	9,066	2.26%	4,404	49%
Income taxes						
Current	2,715	0.32%		0.00%	2,715	
Future	6,290	0.75%		0.00%	6,290	
	9,005	1.07%		0.00%	9,005	
Earnings before non-controlling interest	4,465	0,54%	9,066	2.26%	(4,601)	-51%
Non-controlling interest	4,650	0.55%	4,255	1.06%	395	9%
Net earnings (loss)	**(185)**	-0.01%	**4,811**	1.20%	**(4,996)**	**-104%**
Basic and diluted net earnings (loss) per unit	($0.02)		$0.83			

Net Sales

Net sales consist of:

For the Boucherville Division: Gross sales to customers from the Boucherville warehouse and direct sales to affiliated wholesalers, less rebates of about 3% of the affiliated wholesalers' sales, as provided in the agreement between Colabor LP and the affiliated-wholesalers.

For the Summit Division: Gross sales to customers from the London, Mississauga and Ottawa warehouses less rebates, as provided in individual agreements with these customers.

Sales (in thousands of dollars)

	2007-12-31 (114 days – 4th quarter) (unaudited)		2006-12-31 (114 days – 4th quarter) (unaudited)		Variance	
	$	%	$	%	$	%
Boucherville Division						
Retail	48,690	17.4%	47,226	34.4%	1,464	3.1%
Foodservice	99,302	35.5%	89,893	65.6%	9,409	10.5%
	147,992	52.9%	137,119	100.0%	10,873	7.9%
Summit Division						
Foodservice	131,711	47.1%	0	0.0%	131,711	N/A
	279,703	100.0%	137,119	100.0%	142,584	104.0%

	2007-12-31 (365 days)		2006-12-31 (365 days)		Variance	
	$	%	$	%	$	%
Boucherville Division						
Retail	130,633	15.6%	127,210	31.8%	3,423	2.7%
Foodservice	296,035	35.3%	273,188	68.2%	22,847	8.4%
	426,668	50.9%	400,398	100.0%	26,270	6.6%
Summit Division						
Foodservice	411,400	49.1%		0.0%	411,400	N/A
	838,068	100.0%	400,398	100.0%	437,670	109.3%

Boucherville Division

Historically, the 4th quarter has always been the best quarter of the year, since it comes on the heels of the Colabor Exhibition held in September each year for the past 20 years. This year, sales related to this event improved by over 30% to more than $60 million.

Retail

Sales of products for the retail market increased by 3.1% during the quarter, compared to the previous-year quarter, primarily as a result of the recruitment of two new major customers by one of the affiliated wholesalers during the third quarter. As a result of the addition of these new customers, in 2008, sales should increase significantly in this sector, which had experienced no growth in prior years. Sales in this sector are mainly to convenience stores and small-sized grocery stores, located mostly outside the greater Montréal area.

Foodservice

Organic growth in the affiliated wholesalers' foodservice sales continues to outpace industry levels, which is an indication that affiliated wholesalers are continuing to increase their market share compared with their competitors.
The 10.5% increase in sales for the quarter and 8.4% for the 365-day period ended December 31, 2007, compared with previous periods is higher than the 4.1% (including inflation) growth over 2006 anticipated by the Canadian Restaurant and Foodservices Association.

Summit Division

The acquisition of Summit has made it possible to double the Fund's overall sales and has met management expectations.

Earnings Before Financial Expenses and Amortization (EBITDA)

The Fund posted solid results in the fourth quarter, with an approximate 120% increase in EBITDA over the same quarter of the 2006 fiscal year. The increase in earnings is higher than the 104% improvement in sales. The situation for the fiscal year is similar, with the 117% increase in EBITDA outpacing the 109% increase in sales. These two statistics are a clear indication of the Fund's ability to generate earnings through the synergies achieved from its acquisitions.

Gross Profit and Synergies

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

- *Boucherville* Division*:* 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.
  Summit Division: 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.

Gross profit rose from $26.2 million in 2006 to over $80.6 million in 2007, primarily due to the acquisition of Summit and the resulting synergies.

Synergies:

As mentioned in the December 21, 2006 short form prospectus, the Fund's management has expected that synergies from the acquisition of Summit would be about $2.2 million (before certain integration costs). These synergies were primarily to result from streamlining and negotiating new supply agreements with suppliers and combining certain programs, such as property insurance, group insurance and others.
The Fund's management is proud to announce that these synergies have been achieved. It has successfully integrated Summit and is ready to consider other acquisitions.

Amortization of Intangible Assets

This item increased as a result of the amortization, over 10- and 15-year periods, of customer relationships following the Summit acquisition.

Income Taxes

The acquisition of the assets of Summit Food Service Distributors Inc. was finalized and carried out on January 8, 2007. Under the new tax regime for "specified investment flowthrough" ("SIFT") entities, also called listed income trusts and partnerships, SIFTs are now subject to a similar tax treatment as corporations. This new tax treatment is applicable in the fiscal year 2007. However, existing SIFTs on October 31, 2006 could benefit from certain transitional rules and would not be taxable under the new rules until 2011, provided they had not undergone an "undue expansion". As indicated in its decision rendered at the end of 2007, the Department of Finance considered the Summit acquisition transaction as an undue expansion. Accordingly, the Fund does not benefit from the transitional rules and is therefore subject to the new SIFT tax regime as of the 2007 taxation year.

The financial statements presented above include current income taxes of $2.7 million at the combined federal-provincial rate of 34% and future income taxes of $6.3 million.

The Fund recognized the taxes as soon as the Finance Department rendered its decision.

6.2 Cash Flow

Consolidated Cash Flows (in thousands of dollars)

	2007-12-31 (114 days - 4th quarter) (unaudited)	2006-12-31 (114 days - 4th quarter) (unaudited)	2007-12-31 (365 days)	2006-12-31 (365 days)
	$	$	$	$
OPERATING ACTIVITIES				
Net earnings (loss)	(3,990)	2,257	(185)	4,811
Non-cash items				
Amortization of property, plant and equipment	1,053	291	3,354	927
Amortization of intangible assets	2,179	993	6,993	3,225
Amortization of deferred financing costs	24		81	
Non-controlling interest	2,510	1,989	4,650	4,255
Future income taxes	6,290		6,290	
Compensation cost from long-term incentive plan	67	47	211	128
Amortization of debenture transaction cost	262		835	
	8,395	5,577	22,229	13,346
Changes in operating assets and liabilities				
Accounts receivable	4,525	963	5,041	(2,585)
Withholding taxes recoverable	1,917	(23)	1,620	(1,620)
Inventory	(4,324)	(92)	1,869	(1,545)
Prepaid expenses	1,096	(296)	910	(311)
Accounts payable and accrued liabilities	(8,838)	(419)	(2,984)	6,872
Income taxes payable	605		605	
Rebates payable	4,433	3,903	448	6,689
Deferred revenue	(806)	(828)	(280)	476
Accrued benefit liability for employee benefits	(53)		(53)	
	(1,445)	3,208	7,176	7,976
Cash flows from operating activities	6,950	8,785	29,405	21,322
INVESTING ACTIVITIES				
Business acquisition			(109,048)	
Property, plant and equipment	(885)	(281)	(1,469)	(744)
Cash flows from investing activities	(885)	(281)	(110,517)	(744)
FINANCING ACTIVITIES				
Bank loan	(6,920)	(6,424)	19,999	(4,623)
Financing expenses	(245)		(245)	
Distributions paid to unitholders	(3,550)	(2,072)	(10,265)	(6,042)
Distributions paid on exchangeable Colabor LP units	(1,825)	(1,825)	(5,476)	(5,419)
Repayment of notes payable				(6,195)
Repayment of long-term debt	(156)	(156)	(468)	(468)
Repayment of security deposits				(468)
Purchase of units held by the Fund for long-term incentive plan			(238)	(448)
Disposal of units held by the Fund for long-term incentive plan	12		12	
Issue of debentures			48,000	
Issue of units			24,761	
Units and debentures issue costs			(1,404)	
Cash flows from financing activities	(12,684)	(10,477)	74,676	(23,663)
Net change in bank overdraft	(6,619)	(1,973)	(6,436)	(3,085)
Bank overdraft, beginning of period	(3,154)	(1,364)	(3,337)	(252)
Bank overdraft, end of period	(9,773)	(3,337)	(9,773)	(3,337)

Credit Facilities

The Fund has entered into a three-year agreement with a banking syndicate for operating credit facilities for an authorized amount of $70 million secured by a first ranking hypothec on the Fund'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 2.50:1.00 and (ii) a prescribed ratio of EBITDA to interest expenses greater than 4.00:1.00.
Based on the banking syndicate's method of calculation, the debt/EBITDA ratio is 0.89:1 1.14:1and the interest coverage ratio is 4.54 times for the 365-day period ended December 31, 2007.

During the quarter, the operating credit was reduced by $6.9 million to $23.4 million.

Distributions

In management's opinion, cash flows from operating activities and the funds from operating credits are sufficient to support planned acquisitions of property, plant and equipment, working capital requirements, monthly cash distributions of $0.0897 per unit and current income taxes and will comply with the banking syndicate's ratio requirements.

6.3 Standardized Distributable Cash

Information about standardized distributable cash has been prepared, in all material respects, in accordance with National Policy 41-201 – *Income Trusts and Other Indirect Offerings* published by the Canadian Securities Administrator in July 2007 and in accordance with the guidelines on disclosures in management's discussion and analysis in *Standardized Distributable Cash in Income Trusts and Other Flow-through Entities*, released in July 2007 as well by the Canadian Institute of Chartered Accountants.

Standardized distributable cash is a non-GAAP measure and is a general indication of net cash from operations, which the enterprise may distribute to unitholders, at its discretion.

Colabor's business is subject to normal industry seasonal fluctuations due to weather conditions and holiday periods. Sales are generally lower at the beginning of the year due to lower consumer spending following the Christmas holiday season. They then increase gradually during the spring and summer months as sales of food consumed away from home increase and reach their peak in the last four months of the fiscal year following the Colabor Exhibition at the end of September for the Boucherville Division and, for the Summit Division, as a result of purchases at the Sell-A-Rama which is also held at that time.
The Fund declares monthly distributions to unitholders of record on the last day of each month and pays the distributions on or around the 15th of the following month. The annual distribution per unit is $1.076.
The following table shows the changes in standardized distributable cash and distributed distributions for the fourth quarter of 2007 and the cumulative results for the 365-day period

ended December 31, compared with the same periods in 2006. It also provides information since the creation of the Fund, that is, as at June 28, 2005.

Standardized Distributable Cash (in thousands of dollars)

	2007-12-31 (114 days - 4th quarter) (unaudited)	2006-12-31 (114 days - 4th quarter) (unaudited)	2007-12-31 (365 days)	2006-12-31 (365 days)	Since the creation of the Fund 2005-06-28
	$	$	$	$	$
Cash flows from operating activities	6,950	8,785	29,405	21,322	71,121
Acquisition of property, plant and equipment	(885)	(281)	(1,469)	(744)	(2,535)
Standardized distributable cash	**6,065**	**8,504**	**27,936**	**20,578**	**68,586**
Distributions paid on units	3,550	2,072	10,265	6,042	18,821
Distributions paid on exchangeable Colabor LP units	1,825	1,825	5,476	5,419	13,109
Distributed cash	**5,375**	**3,897**	**15,741**	**11,461**	**31,930**
Weighted average number of units					
Units	9,848,537	5,775,000	9,747,732	5,775,000	7,349,697
Exchangeable Colabor LP units	5,087,439	5,087,439	5,087,439	5,087,439	5,087,439
	14,935,976	10,862,439	14,835,171	10,862,439	12,436,136
Standardized distributable cash per unit	**$0.41**	**$0.78**	**$1.88**	**$1.89**	**$5.51**
Cash distributed per unit	**$0.36**	**$0.36**	**$1.06**	**$1.06**	**$2.56**
Ratio of distributed cash to standardized distributable cash	**88.6%**	**45.8%**	**56.3%**	**55.7%**	**46.6%**

7. Commitments

('000)		**Payable per period**			
Commitments	**Total**	**Less than 1 year**	**1 to 3 years**	**4 to 5 years**	**5 years and more**
Long-term debt	$1,677	$468	$936	$273	$ -
Debentures	$49,528			$49,528	
Operating lease and service contract	$59,211	$6,559	$11,625	$10,262	$30,765
Total	$110,416	$7,027	$12,561	$60,063	$30,765

8. Summary of Past Quarters

('000)	2007-12-31	2007-09-08	2007-06-16	2007-03-24	2006-12-31	2006-09-08	2006-06-16	2006-03-24
	(114 days)	(84 days)	(84 days)	(83 days)	(114 days)	(84 days)	(84 days)	(83 days)
	$	$	$	$	$	$	$	$
Net Sales	279,703	195,488	200,210	162,667	137,119	91,285	98,531	73,463
EBITDA	12,776	6,798	6,327	4,647	5,799	3,215	3,323	1,724
Net earnings (loss)	(3,990)	1,736	1,523	546	2,257	1,062	1,165	327
Basic and diluted net earnings (loss) per unit	($0.41)	$0.18	$0.15	$0.06	$0.39	$0.18	$0.20	$0.06

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

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 the Colabor Investments Inc. ("Investments") as exchangeable Colabor LP units.
Subsequent to the Summit acquisition, Investments now holds an undiluted 34% interest and a diluted 24.7% interest in Colabor LP, which enables it to exercise significant influence over the Fund.

Related party transactions include the following:

- Sales to customers controlled by trustees of the Fund which are on the same terms and conditions as sales to other customers of the Fund;

- 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 Fund leases the building in which its head office and the Boucherville distribution centre are located from Investments;.

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

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

The following table presents amounts per category and period.

Related Party Transactions (in thousands of dollars)

	2007-12-31 (114 days) (unaudited)	2006-12-31 (114 days) (unaudited)	2007-12-31 (365 days)	2006-12-31 (365 days)
	$	$	$	$
Net sales to customers controlled by trustees	5,195	14,341	22,236	41,955
Rebates	4,349	4,016	12,451	11,641
Rent	624	624	2,028	2,028
IT services	221	350	622	809

10. Off-balance Sheet Transactions

The Fund does not have any off-balance sheet transaction obligations.

11. Development Strategies and Outlook

The Fund'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 Québec and in the Atlantic Provinces:

In light of the Boucherville Division's organic growth in sales, as described under *Results of Operations,* 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 Fund to gain a foothold in Ontario, one of the most important food services market in Canada.

The Funds could acquire other distributors operating in Ontario, and use its business model to integrate any new acquisitions.

Geographic expansion:

At this time, the Fund is not present in Western Canada. Since this region is experiencing the fastest economic growth in the country, there is no doubt that expansion into this region could be beneficial, although it must be considered carefully in light of the availability-of-labour issues.

Additionally, a prerequisite to expansion in this region is developing a solid customer base before investing in new infrastructure.

Related sectors:

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

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

Convenience stores and small-sized grocery stores:

The Fund 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.

Each of these opportunities and prospects would make it possible for the Fund to significantly increase its purchasing power and ability to generate cost savings in order to increase its distributable cash per unit through the growth of its operating revenue.

12. Risks and Uncertainties

The Fund's activities are subject to numerous risks and uncertainties that are described in detail in the Fund's Annual Information Form. In addition to those risks, the Fund wishes to emphasize the industry-related risks that could impact profitability and return on investments 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 Fund'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. 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, the 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 Fund's sales and have an adverse effect on its financial condition and results of operations as well as on the amount of cash available for distribution to unitholders. 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*

  Subsequent to the Summit acquisition, sales to Cara (including franchisees of Cara) represented a significant portion of the Fund's sales. The loss of Cara as 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 Fund's financial condition, business, 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.

Return on Investment

A return on an investment in Colabor Income Fund is not comparable to the return on an investment in a fixed-income security. The return is based on many assumptions. Although the Fund intends to continue distributing its available cash to Unitholders, distributions may be reduced or suspended. The distributed amount depends on numerous factors, in particular, the inherent industry risks described above and other risks described in the Funds' Annual Information Form. Additionally, the market value of the units could drop significantly if the Fund is unable to respect its cash distribution objectives, in particular, non-compliance with the financial ratio requirements under the credit agreement described under the *Cash* section.

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. 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 Fund 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 Fund's business with its carrying amount. If the carrying amount of the business exceeds its fair value, the Fund 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 and of 15 years for customer relationships with Cara. Trademarks are not amortized.

14. Controls over Reliability and Timeliness of Disclosures

To ensure that the consolidated financial statements and the MD&A present fairly, in all material respects, the financial position of the Fund and its operating results, it is the responsibility of management to establish and maintain controls and reporting processes and internal control over financial disclosures. The Canadian Securities Administrators' adoption of regulations for reinforcing investors' confidence, in particular Multilateral Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*, led the Fund to review its processes for filing these documents in 2005.

A policy on the disclosure of information provides a framework for financial reporting process in annual and interim filings, and other reports filed or sent in accordance with securities legislation. The policy identifies important information and validates related reporting. The disclosure committee ensures compliance with this policy. The committee members reviewed the main documents filed with regulatory organizations to ensure that significant information relating to all transactions was reported on a timely basis.

Controls and Reporting processes

The preparation of the financial statements and MD&A was based on a framework of controls and reporting processes implemented by management. The design and operation of these controls and processes were evaluated during the 2007 fiscal year to ascertain their effectiveness.

As at December 31, 2007, the evaluation confirmed the effectiveness of the both the design and operation of controls and reporting processes. This evaluation was consistent with the control framework recognized by the *Committee of Sponsoring Organizations of the Treadway Commission* (COSO) adopted by Colabor Income Fund 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*. In light of the inherent limitations of any control system, the Fund'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 Fund'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.
The financial statements and MD&A were reviewed by the Audit Committee and the Board of Trustees, who approved them prior to publication.

Internal Controls over Financial Reporting

The Fund's Audit Committee supervised the evaluation of the design of internal controls over financial reporting supporting the Fund's main transactions and accounting processes. This work served to document, control and improve the design of internal controls.

As was the case for the evaluation of controls and reporting processes, the evaluation of the design of internal controls over financial reporting was 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 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Fund’s financial statements in accordance with GAAP. Tests performed during 2008 will make it possible to evaluate the effectiveness of internal controls over financial reporting. Management will use the results of these tests if it is required to report on the effectiveness of internal controls over financial reporting in accordance with Multilateral Instrument 52-109.

Changes in internal controls over financial reporting

During the fiscal year ended December 31, 2007, Colabor LP completed the acquisition of the assets of Summit Food Service Distributors Inc. and replaced the management system in the Boucherville Division. It is reasonable to believe that these two events had a significant impact on these controls.

The Fund’s management carried out specific work further to these changes, (documentation and evaluation of the design of controls), which allow it to conclude that internal controls over financial reporting were designed to provide reasonable assurance that financial disclosures are reliable.