

Colabor to Acquire Summit Food Service Distributors Inc. and Will Enter into Long-Term Distribution Agreement with Cara

Boucherville, Quebec, December 12, 2006 – Colabor Income Fund (TSX: CLB.UN) (the “**Fund**”) announced today that Colabor Limited Partnership will enter into a definitive agreement to purchase the assets of Summit Food Service Distributors Inc. (“**Summit**”), one of Canada’s largest distributors to the foodservice industry, from Cara Operations Limited (“**Cara**”) for \$115 million in cash (the “**Acquisition**”).

Concurrent with the acquisition of Summit, Colabor has entered into a 10-year distribution agreement with Cara to service all Cara brands within Ontario and Quebec. Cara is the largest operator of full-service restaurants in Canada and is a leading caterer to the air travel industry. Cara’s brands include Swiss Chalet, Harvey’s, Kelsey’s Neighbourhood Bar and Grill, Montana’s Cookhouse and Milestone’s Grill and Bar. Sales of Summit to Cara represented approximately 55% of Summit’s total revenue for the twelve-month period ended September 17, 2006. Over the last several years Summit has achieved significant growth in revenues due in part to the growth of the Cara brands.

“The combination with Summit achieves one of Colabor’s key strategic objectives of growing its business nationally,” said Gilles C. Lachance, President and CEO of Colabor. “We have demonstrated that we can execute well organically. We are now ready to bring Colabor to its next phase of development, and the acquisition of Summit is the ideal opportunity to further grow our business in Ontario, Canada’s largest food service market.”

Summit, with net sales of \$428 million for the twelve-month period ended September 17, 2006, is a leading distributor of brand name products to the foodservice industry in Ontario and Quebec. Summit distributes in excess of 8,000 products from warehouses in Ottawa, London and Mississauga to over 3,000 customers including Cara, other chain and street restaurants, and institutional accounts such as hospitals, schools and governmental institutions. Summit’s product range includes frozen products, dry staples, dairy products, produce, meat, seafood, poultry, disposables and sanitation products.

Don Robinson, President and CEO of Cara, stated, “Summit has a strong management team in place with a proven track record and has operated highly autonomously within Cara. Like Colabor, Summit has achieved an impressive record of financial performance by providing customers with a wide selection of products, superior service and competitive pricing. Through this transaction, Cara gains a partner focused on supporting Cara’s growth plans.”

Transaction Highlights

Creation of a Leading Player in the Food Service Industry. With this Acquisition, Colabor secures a key position in the strategically important and attractive Ontario foodservice market and establishes itself as one of the leading players in the Canadian food service distribution industry. Pro forma the combined businesses would have generated net sales and adjusted EBITDA (pre-synergies) of approximately \$827 million and \$27.3 million, respectively, for the twelve-month period ended September 8, 2006.

Significant Increase in Purchasing Power and Cost Savings. Management believes that Colabor will benefit from cost-saving opportunities and other synergies through the integration of its existing operations with those of Summit. With pro forma revenue of approximately \$827 million, Management of Colabor believes that the combined businesses will realize important procurement

savings and expects annual recurring synergies from procurement savings and other initiatives of approximately \$2.2 million, which are expected to be realized within 12 months of the closing of the Acquisition.

Accretive to Distributable Cash per Unit. Management believes that the Acquisition will increase the Fund's basic distributable cash per unit from \$1.16 to \$1.44 (24% accretive) or the Fund's fully diluted distributable cash per Unit from \$1.16 to \$1.26 (8% accretive) for the twelve-month period ended September 8, 2006, after taking into account the expected synergies resulting from the combination.

Opportunities to Increase Distributable Cash through Revenue Growth. Management believes there are significant opportunities to grow revenue and distributable cash per Unit following the Acquisition. Over the past five years, revenue at Cara's full-service restaurant brands have grown at a combined rate of over 10% per year. As part of its corporate strategy, Cara has renewed its focus on branded restaurants and intends to aggressively grow the number of new operating units over the next several years. Summit's long-term relationship with Cara in Ontario and Quebec uniquely positions Colabor to benefit from Cara's future growth. In addition, Colabor will now be in a better position to pursue business from competitors to Cara, who may have historically been reluctant to deal with Summit due to Cara's ownership of the company.

Long-Term Contractual Relationships. Summit has built a strong customer base by providing consistent quality of products, efficiency in delivery and superior customer service at competitive prices. Including the long-term distribution agreement with Cara, over 70% of Summit's business will be subject to contractual agreements.

Strong and Stable Generation of Free Cash Flow. Summit has a long history of generating steady, sustainable and growing sales and EBITDA. Net sales and EBITDA have grown at a compounded annual growth rate of approximately 8% since 1998. Sales and EBITDA growth has been driven by the expansion of Cara's full service restaurant business and by capturing new non-Cara business. Management expects low capital requirements going forward due to the recent investments in warehouse capacity and systems. Management estimates Summit's maintenance capital expenditures to be approximately \$1.1 million on an annual basis.

Superior Combined Management. The Fund is expected to benefit from the combination of the Colabor and Summit management teams, both of which have significant industry experience and have successfully managed and developed two of the leading food service distribution companies in Canada. In addition, both teams have had experience in successfully integrating acquired businesses, which will be a significant advantage as Colabor moves towards combining the businesses.

Transaction at a Glance

The Acquisition will substantially increase Colabor's market capitalization and enhance its liquidity and financial resources. The combined businesses would have generated pro forma revenues and EBITDA of \$827.0 million and \$27.3 million, respectively, for the twelve-month period ended September 8, 2006.

(in thousands of dollars)	<u>Colabor</u>	<u>Summit</u>	<u>Combined Businesses</u>
Net Sales	\$399,225	\$427,744	\$826,969
Adjusted EBITDA	\$14,168	\$13,108	\$27,276
Adjusted EBITDA Margin	3.5%	3.1%	3.3%
Employees	143	530	673
End-user Points of Sale (through Affiliated Wholesalers for Colabor)	25,000	3,000	28,000
Warehouse space (square	371,120	310,000	681,120

feet)

Acquisition and Financing Details

Under the terms of the transaction, which has been approved by each of Cara's Board of Directors and the Fund's Board of Trustees, Colabor has agreed to pay Cara \$115 million in cash for the assets of Summit and assume certain liabilities of Summit. The transaction is expected to close on or about January 8, 2007 (the "Closing") subject to various conditions, including the receipt of all necessary regulatory approvals.

The Fund today also announced it has entered into an agreement with a syndicate of underwriters led by National Bank Financial Inc. and Scotia Capital Inc., for a public offering, on a bought deal basis, of 2,825,000 Subscription Receipts at a price of \$8.85 per Subscription Receipt for gross proceeds of \$25 million and \$50 million principal amount of 7.0% Extendible Convertible Unsecured Subordinated Debentures. Cara has agreed to subscribe for 1,130,000 Units for gross proceeds of \$10 million on a private placement basis concurrent with the closing of the Acquisition.

National Bank Financial Inc is acting as financial advisor and exclusive agent to Colabor. Scotia Capital Inc. is acting as financial advisor to Cara.

October 31, 2006 Proposal

On October 31, 2006, the Canadian Minister of Finance announced new Federal Government (the "Government") fiscal considerations, (the "October 31, 2006 Proposal") which, if enacted as announced, would include the introduction of a tax on certain income earned by a "specified investment flow-through" ("SIFT") trust or SIFT partnership. The tax, along with other accompanying measures, is intended to apply as of 2011 to SIFTs, such as the Fund, that were publicly traded as of October 31, 2006. The October 31, 2006 Proposal permits "normal growth" for SIFTs throughout the transition period. However "undue expansion" of a SIFT could cause the tax deferral period to be revisited and the October 31, 2006 Proposal to be effective at a date earlier than 2011.

Colabor was in an advanced stage of negotiations with Cara for the acquisition of Summit when the October 31, 2006 Proposal was announced. It is uncertain whether the transaction will be viewed by the Government as an "undue expansion" of a SIFT. Notwithstanding this uncertainty, management of Colabor believes the acquisition of Summit constitutes a strategic acquisition for Colabor and is consistent with the Fund's objectives of generating sustainable, predictable and growing distributable cash. Further, the Summit acquisition positions Colabor to take advantage of opportunities in the sector while strengthening the financial and operational base of Colabor. Should the acquisition and its consequential funding be interpreted by the Government as "undue expansion" of a SIFT, the Fund could lose the benefit of the tax deferral period announced on October 31, 2006 and become subject to taxation. Under this scenario, management of Colabor expects that the Fund will be able to maintain its annual distributions to unitholders at the current level of \$1.076 per Unit. For illustrative purposes, management estimates that pro forma tax payable on income amounts earned by the Fund for the twelve-month period ended September 8, 2006 would have been approximately \$3.0 million, resulting in pro forma basic cash available for distribution per Unit of \$1.24 and pro forma fully diluted cash available for distribution per Unit of \$1.04, including expected annual synergies. It is management's opinion that the transaction would be accretive to the Fund's cash available for distribution per Unit, on both a basic and fully-diluted basis after incorporating a taxation on income amounts earned by the Fund, for the first full year of operations following the closing of the Acquisition.

The offering of the Subscription Receipts and Debentures is being made in all provinces of Canada by means of a short-form prospectus. This press release is not an offering of securities for sales in the United States. The Subscription Receipts and Debentures have not been registered under the U.S. Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or applicable exemption from the registration requirements.

About Colabor Income Fund

Colabor is a wholesaler of food and non-food products that it purchases and supplies to wholesale distributors who, in turn, sell them to their retail (grocery stores, convenience stores, etc.) and food-service customers (cafeterias, restaurants, hotels, restaurant chains, etc.). Colabor is one of the largest wholesalers in Canada and the largest in Quebec, with net sales of \$399.2 million for the twelve-month period ended September 8, 2006.

Forward-looking Statements

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