

Attention Business/Financial Editors:

Hardwoods Distribution Income Fund Announces New Canadian Credit Facility

Toronto Stock Exchange - HWD.UN

LANGLEY, BC, Aug. 7 /CNW/ - Hardwoods Distribution Income Fund (the "Fund") (TSX: HWD.UN) today announced it has entered into a new revolving credit facility available to the Fund's Canadian operating subsidiary, Hardwoods Speciality Products LP ("Hardwoods LP"). The Fund owns an 80% indirect interest in Hardwoods LP. The new credit facility replaces Hardwoods LP's previous credit facility, which was set to expire in November 2009.

New Canadian Credit Facility Highlights

- The new credit facility provides financing of up to \$15.0 million (\$12.0 million previously), and is for a three-year term maturing August 7, 2012.
- The new credit facility can be drawn down to meet short-term financing requirements such as fluctuations in non-cash working capital, or to make capital contributions to the Fund's U.S. operating subsidiary
- The new credit facility permits borrowings up to 85% of the book value of certain eligible accounts receivable (80% previously), and up to the lesser of 85% of appraised value or 65% of the book value of eligible inventory (60% previously)
- Hardwoods LP will be subject to one financial covenant under the new credit facility: a Fixed Charge Coverage Ratio ("FCCR"). Calculated for Hardwoods LP on a trailing 12-month basis, the FCCR is not to be less than 1.1. The calculation of the FCCR is as follows:
(EBITDA - capital expenditures - cash taxes) / (interest expense)
- Distributions from Hardwoods LP are permitted to be made to the extent that after giving effect to the distribution, the FCCR covenant is in compliance, and the amount of distributions made on a trailing 12-month basis does not exceed Distributable Cash plus cash on hand during the same 12-month period
- Interest will be charged at a rate of prime rate plus 2.0% on prime rate loans, and Bankers' Acceptances plus 3.5% on BA revolver loans
- Hardwoods LP paid the lender a one-time closing fee of \$75,000 plus closing costs to enter into the new facility. The fee and closing costs will be amortized over the three-year term of the credit facility.

"We are pleased to have replaced our expiring Canadian bank arrangement with a new three-year agreement that offers excellent terms," commented Maurice Paquette, Hardwoods' President and CEO. "The new credit facility provides competitive lending rates to our business in the current credit environment, and has fewer and less restrictive financial covenants than our previous

arrangement. Combined with the new U.S. credit facility which we entered into in 2008, Hardwoods now has committed bank financing in place on both sides of the border through to late 2011," said Paquette.

The description of the Canadian credit facility set out above is qualified in its entirety by the specific terms of the Credit Agreement, a copy of which will be filed at www.sedar.com.

About Hardwoods

Hardwoods Distribution Income Fund is an unincorporated, open-ended, limited purpose trust established to hold, indirectly, the securities of Hardwoods Specialty Products LP and Hardwoods Specialty Products USLP (collectively, "Hardwoods"). Hardwoods is one of North America's largest distributors of high grade hardwood lumber and sheet goods to the cabinet, moulding, millwork, furniture and specialty wood products industries.

%SEDAR: 00020372E For further information: Rob Brown, Chief Financial Officer, Phone: (604) 881-1990, Fax: (604) 881-1995, Email: robbrown@hardwoods-inc.com