

Attention Business/Financial Editors:
Hardwoods Distribution Income Fund Completes Internal Reorganization and
Announces Anticipated Benefits

TRADING SYMBOL: Toronto Stock Exchange - HWD.UN

LANGLEY, BC, March 31 /CNW/ - Hardwoods Distribution Income Fund (the "Fund") today completed an internal reorganization giving rise to a number of benefits for the Fund. The internal reorganization was undertaken in response to the Canadian government's move to tax existing income trusts, and involved the refinancing of inter-corporate debt in the form of notes issued and held by subsidiaries of the Fund. The reorganization does not have any effect upon the management or business activities of the Fund's operating subsidiaries.

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Highlights

- As a result of the reorganization, it is expected that the approximately two-thirds of the Fund's earnings generated in the US, which are already subject to tax in the US, will not be subject to additional Canadian taxes under the Canadian government's new tax regime.
- The approximately one-third of the Fund's earnings generated in Canada will be subject to the new tax regime commencing in 2011, but tax pools have been identified which are expected to result in the Fund paying no additional taxes under the new tax regime until at least 2013.
- The estimated impact of the reorganization on the Fund's first quarter 2008 financial results is:
 - \$0.8 million of current tax recovery, and \$6.6 million of future tax recovery, for a total tax benefit to the Fund of \$7.4 million or \$0.514 per unit;
 - One-time professional fees associated with the reorganization of \$0.6 million, or \$0.042 per unit, to be included in selling and administrative expenses;
 - Overall, a \$6.8 million, or \$0.472 per unit, positive impact to first quarter 2008 net earnings.
- Timing of the identified tax recoveries in the Fund's cash flow from operating activities will depend in part on future performance of the business, but is anticipated to occur between 2008 and 2013.
- The reorganization broadens the Fund's options for financing its US business and provides greater flexibility to pursue long-term growth opportunities.

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"The reorganization has accomplished two key objectives for us," said Maurice Paquette, President and CEO of Hardwoods.

"First, we have adjusted the Fund's internal structure in response to the federal government's decision to tax income trusts. Since the trust tax was first proposed in late 2006, we have indicated we anticipate the new tax would have substantially less impact on us than on other trusts that operate principally or exclusively in Canada. That's because approximately two-thirds of our business is conducted in the US and is already subject to US taxation. As reported previously, we believed we would be able to re-organize our legal structure prior to 2011 such that we would not expose our US-sourced income to additional taxes associated with the new Canadian trust tax. The moves made today execute that earlier announced strategy."

"Secondly, the reorganization gives our US operating subsidiary additional flexibility to access debt that was not available previously. As a result, we are now better positioned to take advantage of opportunities to grow our business, either organically or through acquisitions, as we work to provide long-term value to unitholders," said Paquette.

The Fund expects to realize tax benefits on both sides of the border as a consequence of the completed reorganization. In the US, a foreign exchange loss associated with refinancing of the internal notes is expected to create a tax pool available to shelter approximately \$10.3 million of US taxable income. Based on statutory income tax rates in effect for the Fund's US subsidiary, this amounts to an estimated \$3.6 million tax benefit available to the Fund. This \$3.6 million benefit is comprised of an estimated \$0.8 million current income tax recovery and \$2.8 million future income tax benefit. These tax recoveries are expected to be realized in the Fund's cash flows from operating activities between 2008 and 2010.

In Canada, tax pools of approximately \$14.0 million have been identified. Based on tax rates under the newly enacted Canadian income trust tax, this amounts to an additional \$3.8 million anticipated tax benefit available to the Fund. This \$3.8 million is a future income tax benefit expected to be realized in the Fund's cash flows from operating activities between 2011 and 2013.

"We are pleased to have completed this reorganization as planned," added Paquette. "We have identified \$7.4 million in income tax recoveries available to the Fund, and have incurred \$0.6 million in professional fees to effect the desired transactions. Taken together, we estimate a positive impact on net earnings of \$6.8 million, or \$0.472 per unit, in our first quarter 2008 results."

About the Fund

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"). The Fund was launched on March 23, 2004, with the completion of an initial public offering of 14,410,000 shares.

About 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. The company currently operates a network of 35 distribution centres comprising 1.3 million square feet of warehouse and distribution space in the U.S. and Canada.

Forward Looking Information

Certain statements in this press release contain forward-looking information within the meaning of applicable securities laws in Canada ("forward-looking information"). The words "anticipates", "believes", "budgets", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "schedule", "should", "will", "would" and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words.

The forward-looking information in this press release includes, but is not limited to, our expectation that: as a result of the reorganization, it is expected that the approximately two-thirds of the Fund's earnings generated in the US, which are already subject to tax in the US, will not be subject to additional Canadian taxes under the Canadian government's new tax regime; the approximately one-third of the Fund's earnings generated in Canada will be subject to the new tax regime commencing in 2011, but tax pools have been identified which are expected to result in the Fund paying no additional taxes under the new tax regime until at least 2013; the estimated impact of the reorganization on the Fund's first quarter 2008 financial results is \$0.8 million of current tax recovery and \$6.6 million of future tax recovery,

for a total \$7.4 million, or \$0.514 per unit, of tax benefits recorded by the Fund, and one-time professional fees associated with the reorganization of \$0.6 million, or \$0.042 per unit, to be included in selling and administrative expenses; timing of the identified tax recoveries in the Fund's cash flow from operating activities will depend in part on future performance of the business, but is anticipated to occur between 2008 and 2013; and, the reorganization broadens the Fund's options for financing its US business and provides greater flexibility to pursue long-term growth opportunities.

The purpose of the financial oriented forward looking information is to allow readers to understand the anticipated financial effect of the reorganization undertaking by us and such information may not be appropriate for other purposes.

The forecasts and projections that make up the forward-looking information are based on assumptions which include, but are not limited to: there are no material exchange rate fluctuations between the Canadian and US dollar that affect the amount of cash we have available to distribute to our unitholders in Canadian dollars; we do not lose any key personnel; there are no decreases in the supply of, demand for, or market values of hardwood lumber or sheet goods that harm our business; we do not incur material losses related to credit provided to our customers; our products are not subjected to negative trade outcomes; we are able to sustain our level of sales and EBITDA margins; we are able to grow our business and to manage our growth; there is no new competition in our markets that leads to reduced revenues and profitability; we do not become subject to more stringent regulations; importation of products manufactured with hardwood lumber or sheet goods does not increase and replace products manufactured in North America; the downturn in the general state of the economy does not worsen and impact upon our results; our management information systems upon which we are dependent are not impaired; our insurance is sufficient to cover losses that may occur as a result of our operations; the financial condition and results of operations of our business upon which we are dependent is not impaired; and, there are no changes in tax laws or the interpretation thereof.

The forward-looking information is subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. The factors which could cause results to differ from current expectations include, but are not limited to: exchange rate fluctuations between the Canadian and US dollar could affect the amount of cash we have available to distribute to our unitholders in Canadian dollars; we depend on key personnel, the loss of which could harm our business; decreases in the supply of, demand for, or market values of hardwood lumber or sheet goods could harm our business; we may incur losses related to credit provided to our customers; our products may be subject to negative trade outcomes; we may not be able to sustain our level of sales or EBITDA margins; we may be unable to grow our business or to manage any growth; competition in our markets may lead to reduced revenues and profitability; we may become subject to more stringent regulations; importation of products manufactured with hardwood lumber or sheet goods may increase, and replace products manufactured in North America; our results are dependent upon the general state of the economy; we are dependent upon our management information systems; our insurance may be insufficient to cover losses that may occur as a result of our operations; our credit facilities contain restrictions on our ability to borrow funds and restrictions on distributions that can be made; there are tax risks associated with an investment in our units including changes in tax laws and the interpretation thereof; our future growth may be restricted by the payout of substantially all of our operating cash flow; and, other risks described in our Annual Information Form and our other continuous disclosure documents.

All forward-looking information in this press release is qualified in its entirety by this cautionary statement and, except as may be required by law, we undertake no obligation to revise or update any forward-looking information as a result of new information, future events or otherwise after the date hereof.

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