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Attention: Business/Financial Editors

HARDWOODS DISTRIBUTION INCOME FUND

TRADING SYMBOL: **Toronto Stock Exchange – HWD.UN**

Hardwoods Distribution Income Fund Announces Changes in Subsidiary Holding Structure in Canada, and Amendment to Canadian Credit Agreement

Langley, B.C., February 2, 2009 / CNW/ –Hardwoods Distribution Income Fund (the “Fund”) today completed changes within its legal holding structure in Canada. The changes were made to address the potential impact on unitholders of being allocated taxable income in 2009, at a time when the Fund is not presently making monthly cash distributions to unitholders. Concurrent with making this structural change, an amendment was also made to the Fund’s Canadian credit agreement, which will allow for reduced banking fees in 2009.

Highlights

- Under the structure of the Fund, the Fund is required to allocate its undistributed earnings to unitholders on an annual basis. On November 3rd, 2008, the Fund announced it had suspended monthly distributions to unitholders until such time as market conditions were more favourable.
- As a result of this decision, the Fund recognized the objective to minimize the impact of non-cash taxable income that may be allocated to taxable unitholders in 2009. In particular, to address the concern that a unitholder may be allocated taxable income in 2009, without receiving cash distributions with which to satisfy the resulting tax liability that might arise to them.
- Accordingly, the Fund reorganized how it holds its’ 80% indirect ownership in

Hardwoods Specialty Products LP (“Hardwoods LP”), which carries on the business of Hardwoods in Canada. The Fund’s ownership interest in Hardwoods LP is now held by a corporate subsidiary of the Fund which has approximately \$16 million of tax pools available to it to reduce to zero any taxable income from Hardwoods LP that would otherwise be allocable to unitholders of the Fund in 2009. In addition, as Hardwoods LP earnings will now flow through a corporation and be subject to corporate taxation, the income trust tax commencing in 2011 is now expected to impose no additional taxes on the Fund.

- Concurrent with making these structural changes, the Fund also reduced the size of its Canadian credit facility to \$12 million, from a previous maximum of \$22 million. The reduction in facility size was initiated in order to save approximately \$20,000 in standby fees payable to the bank on unused borrowing capacity in 2009. The revised facility maximum of \$12 million is considered sufficient to satisfy the current working capital financing needs of Hardwoods LP, which at December 31, 2008 had borrowings of less than \$1 million.

“The changes announced today have accomplished two key objectives for us,” said Maurice Paquette, President and CEO of Hardwoods.

“First, we have adjusted the Fund’s internal structure to minimize negative tax implications that might have arisen to unitholders during a period when the Fund is not presently making distributions. We are working diligently to make the necessary adjustments to successfully manage our business through the difficult conditions presented by the current economic downturn. While we make these adjustments, we did not want our taxable unitholders to be placed in the unenviable position of receiving taxable income without distributions with which to pay their tax bill. Today’s structural changes should ensure that situation does not arise in 2009.”

“Secondly, reducing expenses is a key priority for our business at this time. As our bank facility size far exceeded our financing needs in Canada, we chose to reduce our bank line there in order to save on standby fees. This is consistent with our overall cost reduction focus,” said Paquette.

About the Fund

Hardwoods Distribution Income Fund is an unincorporated, open-ended, limited purpose trust established to hold, indirectly, an 80% interest in 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. At December 31, 2008, Hardwoods operated 29 distribution centres 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 Hardwoods LP earnings will now flow through a corporation and be subject to corporate taxation, the income trust tax commencing in 2011 is now expected to impose no additional taxes on the Fund; the reduction in facility size will save approximately \$20,000 in standby fees payable to the bank on unused borrowing capacity in 2009; the revised facility maximum of \$12 million is considered sufficient to satisfy the current working capital financing needs of Hardwoods LP.

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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