

Attention Business/Financial Editors:
Hardwoods Distribution Income Fund Announces New U.S. Credit Facility

Trading Symbol: Toronto Stock Exchange - HWD.UN

LANGLEY, BC, Sept. 30 /CNW/ - Hardwoods Distribution Income Fund (the "Fund") (TSX: HWD.UN) today announced it has entered into a new \$31.0 million (US\$30 million) revolving credit facility available to the Fund's U.S. operating subsidiary, Hardwoods Speciality Products USLP ("Hardwoods USLP"). The Fund owns an 80% indirect interest in Hardwoods USLP. The new credit facility replaces Hardwoods USLP's previous credit facility.

<<

New US Credit Facility Highlights

- The new credit facility was entered into with Hardwoods USLP's existing lender, Bank of America, for a three year term maturing September 30, 2011
- The new credit facility permits borrowings up to 85% of the book value of certain eligible accounts receivable (80% previously) and up to 65% of the book value of eligible inventory (55% previously)
- Hardwoods USLP will be subject to one financial covenant under the new credit facility, a Fixed Charge Coverage Ratio ("FCCR"). Calculated for Hardwoods USLP on a trailing-twelve-month basis, the FCCR shall not be less than 0.75 until June 30, 2009, and not less than 1.00 thereafter. The calculation of the FCCR is as follows:

(EBITDA - capital expenditures - cash taxes)/(interest expenses + distributions)
- Distributions from Hardwoods USLP are permitted to be made to the extent that after giving effect to the distribution, the FCCR covenant is in compliance, and at least US\$4.0 million of unused borrowing capacity is available in Hardwoods USLP
- Interest will be charged at a rate of prime rate plus 0.5% on prime rate loans, and LIBOR plus 2.00% on LIBOR revolver loans, until December 31, 2009. These rate spreads are approximately 25 basis points higher than Hardwoods USLP was paying immediately prior to entering into the new credit facility. After December 31, 2009, rates will be adjusted based upon Hardwoods USLP's FCCR performance
- A one-time closing fee was paid to the lender with respect to entering into the new facility of US \$112,500 plus closing costs, which will be amortized over the three year term of the credit facility

>>

"We have enjoyed strong support and service from our U.S. bankers, and are pleased to have entered into a new credit arrangement with them that provides us with committed U.S. bank financing through to late 2011," commented Maurice Paquette, Hardwoods' President and CEO. "The new credit facility increases our available borrowing base, has fewer and less onerous covenant requirements, and provides competitive interest rates in the current challenging credit environment," said Paquette.

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(at)hardwoods-inc.com/ (HWD.UN.)

CO: Hardwoods Distribution Income Fund

CNW 19:05e 30-SEP-08