

Attention Business/Financial Editors:  
Hardwoods Distribution Income Fund Announces 2009 First Quarter Results

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TRADING SYMBOL: Toronto Stock Exchange - HWD.UN

Hardwoods Distribution Income Fund will hold a conference call to discuss first quarter financial results on April 30, 2009 at 8:00 a.m. Pacific Time (11:00 am Eastern). The call can be accessed by dialing: 1-800-733-7571 or 416-644-3417. A replay will be available until May 14, 2009 at: 1-877-289-8525 or 416-640-1917 (Passcode 21304599 followed by the number sign)

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LANGLEY, BC, April 29 /CNW/ - Hardwoods Distribution Income Fund (the "Fund") today reported financial results for the three months ended March 31, 2009. The Fund's results are based on the performance of Hardwoods Specialty Products LP and Hardwoods Specialty Products USLP (collectively "Hardwoods") - one of North America's largest wholesale distributors of hardwood lumber and related sheet good products. Hardwoods serves over 2,000 industrial customers through a network of 29 distribution centres in the US and Canada.

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First Quarter Overview

(For the three months ended March 31, 2009)

- First quarter revenue declined 24.8% to \$53.4 million year-over-year
- Gross profit percentage of 18.0% declined from 19.2% in Q1 2008, but increased from 16.7% in Q4 2008
- Selling and administrative expenses decreased by 23.1% to \$8.7 million, from \$11.3 million in Q1 2008
- First quarter EBITDA, net earnings and distributable cash were lower year-over-year, but improved compared to Q4 2008
- The Fund reduced its bank indebtedness, net of cash, by \$5.1 million
- The Fund announced the closure of two additional satellite branches to take effect in the second quarter

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"Although first quarter results were generally weaker than a year ago, our bottom-line results improved compared to the fourth quarter as our cost-control efforts began to gain traction," said Maurice Paquette, Hardwoods' President and CEO.

"A key achievement was reducing our Selling and Administrative expenses by 23.1% compared to Q1 2008 and by 20.3% compared to Q4 2008. We also posted a gross margin of 18.0% in the first quarter, back within our target range of 18% to 19%. Although lower than a year ago, this was an improvement over the 16.7% gross margin we recorded in the fourth quarter of 2008. Our net income and distributable cash results also showed improvement in relation to the fourth quarter, but were still lower than a year ago.

"While we were encouraged by the progress on our bottom-line compared to the fourth quarter, first quarter economic conditions remained extremely challenging, particularly in the US residential construction market," added Mr. Paquette. "Our sales declined both year-over-year and on a sequential quarterly basis as a result of the reduced demand, lower pricing for hardwood lumber and our own price discounting as we worked to reduce inventories."

"In light of the continuing decline in sales activity, we initiated additional cost-cutting initiatives during the first quarter, including a further 13% reduction to our workforce. We also recently made the difficult decision to close two additional satellite branches located in Sacramento, California and Portland, Oregon."

"We also continued to focus upon strengthening our balance sheet, with

our emphasis on cash conservation and inventory reduction helping to reduce our debt by over \$5 million. This leaves us with just \$12.4 million of bank indebtedness (net of cash) financing \$59.9 million in operating working capital, and we expect to continue to position our balance sheet in the coming quarters to withstand a prolonged economic downturn," said Mr. Paquette.

"Overall, while we anticipate that market conditions will remain extremely challenging through 2009 and into 2010, we believe we are taking the right steps to align our business with the new economic realities."

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Summary of Results

Selected Unaudited Consolidated Financial Information  
(in thousands of Canadian dollars)

	For the three months Ended March 31, 2009	For the three months Ended March 31, 2008
Total sales	\$ 53,422	\$ 71,048
Sales in the US (US\$)	26,503	46,192
Sales in Canada	20,437	24,639
Gross profit	9,616	13,636
Gross profit %	18.0%	19.2%
Selling and administrative expenses	(8,700)	(11,318)
Realized gain on foreign currency contracts	-	595
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Earnings before interest, taxes, depreciation and amortization and non-controlling interest ("EBITDA")	\$ 916	\$ 2,913
Add (deduct):		
Amortization	(225)	(425)
Interest	(152)	(388)
Non-cash foreign currency gains (losses)	332	(1,201)
Non-controlling interest	474	408
Income tax recovery	522	8,222
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Net earnings (loss) for the period	\$ 1,867	\$ 9,529
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Basic and fully diluted earnings per Class A Unit	\$ 0.130	\$ 0.661
Average Canadian dollar exchange rate for one US dollar	1.2446	1.0047
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Distributable Cash and Cash Distributions

Selected Unaudited Consolidated Financial Information  
(in thousands of dollars except per unit amounts)

	3 months ended March 31, 2009 ----	3 months ended March 31, 2008 ----
Net cash provided by operating activities	\$ 5,414	\$ 2,597
Increase (decrease) in non-cash operating working capital	(4,704)	747
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Cash flow from operations before changes in non-cash operating working capital	710	3,344
Capital expenditures	(5)	(73)
Distributable Cash	\$ 705	\$ 3,271 (1)
Distributions relating to the period:		
Class A Units	\$ -	\$ 3,242
Class B Units (2)	-	-
Total Units	\$ -	\$ 3,242

Outstanding units and per unit amounts:		
Class A Units outstanding	14,410,000	14,410,000
Class B Units outstanding	3,602,500	3,602,500
Total Units outstanding	18,012,500	18,012,500

Distributable Cash per Total Units	\$ 0.039	\$ 0.182
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Distributions relating to the period:		
Class A Units	\$ -	\$ 0.225 (1)
Class B Units (2)	\$ -	\$ -
Total Units	\$ -	\$ 0.180
Payout ratio (3)	0.0%	99.1%

Cumulative since inception:	
Distributable Cash	76,322
Distributions relating to the period	66,754
Payout ratio (3)	87.5%

(1) Includes the cash distributions of \$0.075 per Class A Unit per month which relate to the operations of the Fund for January, February, and March 2008.

(2) On January 10, 2006, Hardwoods Specialty Products LP and Hardwoods Specialty Products US LP, limited partnerships in each of which the Fund owns an 80% interest, announced that quarterly distributions were suspended on the Class B LP and Class B US LP units. The Class B LP units and Class B US LP units represent a 20% interest in Hardwoods Specialty Products LP and Hardwoods Specialty Products US LP, respectively. No distributions are to be paid on the Class B LP units and Class B US LP units unless distributions in stipulated minimum amounts are paid on the units in the limited partnerships held by the Fund, and in certain other circumstances. Accordingly, no distributions have been declared since the third quarter of 2005 to the non-controlling interests. No liability for distributions payable to the non-controlling interests is reflected in the March 31, 2009 balance sheet.

(3) Payout ratio measures the ratio of distributions by the Fund relating to the period to Distributable Cash for the period.

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For the three months ended March 31, 2009, the Fund and its subsidiaries generated total Distributable Cash available to Class A and Class B Unitholders of \$0.7 million, or \$0.039 per unit. No distributions were paid to either the public unitholders (Class A Units) or to the Class B Units, resulting in a payout ratio of 0% for the first quarter. By comparison, the Fund generated total Distributable Cash of \$3.3 million or \$0.182 per unit in the same period of 2008. Distributions of \$3.2 million, or \$0.225 per unit were declared to the Class A Units and no distributions were paid to the Class B Units, for a payout ratio of 99.1% in the first quarter of 2008.

First quarter 2009 sales were \$53.4 million, down 24.8% from \$71.0 million in 2008. The change in sales reflects a 33.8% decrease in underlying sales activity, partially offset by a 9.0% increase in sales due to the positive effect of a weaker Canadian dollar. Sales in the United States, as measured in US dollars, decreased 42.6% to \$26.5 million, compared to \$46.2 million during the first quarter of 2008. This decline reflects the continuing impacts of the depressed housing market and recession in the general US economy, as well as the impact of lower prices for hardwood lumber products. Sales were down in all five of Hardwoods' US geographic regions. Sales in Canada, as measured in Canadian dollars, decreased by 17.1%, with sales down in all regions of the country as a result of weaker economic conditions.

First quarter gross profit was \$9.6 million, compared to \$13.6 million in Q1 2008. The change in gross profit reflects lower sales, as well as a decrease in gross profit percentage to 18.0%, from 19.2% a year ago. The lower gross margin reflects increased competition due to reduced market demand, as well as the discounting of some inventory in order to balance inventory levels to the reduced sales pace.

Selling and administrative expenses decreased by \$2.6 million, or 23.1%, to \$8.7 million, from \$11.3 million in Q1 2008. This improvement primarily reflects lower employee costs, lower bonus expense, reduced premises and sales costs and absence of one-time fees related to the Fund's internal restructuring in Q1 2008. These savings were partially offset by the negative impact of a weaker Canadian dollar on the conversion of S&A expenses at Hardwoods' US operations.

First quarter EBITDA was \$0.9 million, compared to \$2.9 million in 2008. The decrease in EBITDA primarily reflects lower gross profit and reduced gains on foreign currency contracts, partially offset by lower S&A expenses.

Net earnings for the first three months of 2009 were \$1.9 million, compared to \$9.5 million during the same period in 2008. The decrease in net earnings primarily reflects a \$7.7 million decrease in income tax recovery, and the \$2.0 million decrease in EBITDA, partially offset by an increase in unrealized foreign currency gain, reduced interest expense and lower amortization expense.

#### Outlook

Hardwoods anticipates that business conditions will remain extremely challenging through 2009, and into 2010. Demand for furniture, cabinets, recreational vehicles and other products that utilize hardwood lumber and sheet goods are currently at very low levels, and are expected to remain weak in the near-term as a result of the depressed US housing market and the global recession. Prices for hardwood lumber are also expected to remain at low levels, despite production curtailments by many lumber mills.

In this environment, Hardwoods continues to believe that its business risk is higher than normal, particularly in the following areas:

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1. Financing risk related to the ability of Hardwoods to debt-finance its operations has increased in the current tight credit environment. Hardwoods obtained an amendment to its US banking agreement in order to relax its financial covenant for the first quarter of 2009, but it is uncertain if Hardwoods US results will prove strong enough to remain in compliance with its bank agreement throughout 2009;

2. The risk of bad debts has increased as Hardwoods' customers face

reduced demand and pressure on credit availability in their own businesses;

3. The possibility that key suppliers could fail has increased, which could potentially disrupt Hardwoods' supply chain; and,

4. Demand for Hardwoods' products could weaken still further, given that US housing starts fell near historic lows in the first quarter of 2008 and the impact on Hardwoods sales often lags changes in the residential construction cycle by six-to-twelve months. The lag exists because kitchen cabinets and furniture, which are a key end-use for hardwood products, are purchased late in the building process.

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With the expectation of a prolonged economic downturn and an enhanced level of risk, Hardwoods' focus will remain on continued cost reduction as it works to align expenditures as closely as possible to sales levels. Inventory levels and working capital will also be tightly managed and management will continue to work to minimize customer credit risk. These initiatives, together with a continued focus on debt reduction, will help provide support to Hardwoods' balance sheet as it works through this downturn.

Simultaneously, Hardwoods will continue to aggressively pursue market opportunities for its growing lines of "green" building products, while also continuing to support its successful import program. The Fund's goal is to maintain a strong market position through the downturn and to emerge positioned to participate fully in the eventual recovery.

#### Non-GAAP Measures - EBITDA and Distributable Cash

References to "EBITDA" are to earnings before interest, income taxes, depreciation and amortization, mark-to-market adjustments on foreign currency contracts, goodwill and other intangible assets impairments, and the non-controlling interest in earnings. In addition to net income or loss, EBITDA is a useful supplemental measure of performance and cash available for distribution prior to debt service, changes in working capital, capital expenditures and income taxes.

References to "Distributable Cash" is to net cash provided by operating activities, before changes in non-cash operating working capital, less capital expenditures and contributions to any reserves that the Boards of Directors of our operating entities determine to be reasonable and necessary for the operation of the businesses owned by these entities.

We believe that, in addition to net income or loss, EBITDA and Distributable Cash are each a useful supplemental measures of operating performance that may assist investors in assessing their investment in units of the Fund. Neither EBITDA nor Distributable Cash are earnings measure recognized by GAAP and they do not have a standardized meaning prescribed by GAAP. Investors are cautioned that EBITDA should not replace net income or loss (as determined in accordance with GAAP) as an indicator of our performance, nor should Distributable Cash replace cash flows from operating, investing and financing activities or as a measure of liquidity and cash flows. The Fund's method of calculating EBITDA and Distributable Cash may differ from the methods used by other issuers. Therefore, the Fund's EBITDA and Distributable Cash may not be comparable to similar measures presented by other issuers. For reconciliation between EBITDA and net income or loss as determined in accordance with GAAP, and for reconciliation between Distributable Cash and net cash provided by operating activities as determined in accordance with GAAP, please refer to the Management Discussion and Analysis ("MD&A") included in the Fund's 2009 First Quarter Report to Unitholders, which will be filed at [www.sedar.com](http://www.sedar.com).

Additional guidance regarding disclosure of distributable cash and cash distributions was issued in 2007 in an interpretative release by the Canadian Institute of Chartered Accountants (the "CICA") in respect of "Standardized Distributable Cash in Income Trusts and other Flow Through Entities" and National Policy 41-201 of the Canadian Securities Administrators "Income

Trusts and other Indirect Offerings" (collectively, the "Interpretative Guidance"). For disclosure and discussion of the Fund's Standardized Distributable Cash in accordance with the Interpretive Guidance, please refer to the MD&A included in the Fund's 2009 First Quarter Report to Unitholders, which will be filed at [www.sedar.com](http://www.sedar.com).

#### 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 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: we will close two additional satellite branches located in Sacramento, California and Portland, Oregon; we expect to continue to position our balance sheet in the coming quarters to withstand a prolonged economic downturn; while we anticipate that market conditions will remain extremely challenging through 2009 and into 2010, we believe we are taking the right steps to align our business with the new economic realities; Hardwoods anticipates that business conditions will remain extremely challenging through 2009, and into 2010; demand for furniture, cabinets, recreational vehicles and other products that utilize hardwood lumber and sheet goods are currently at very low levels, and are expected to remain weak in the near-term as a result of the depressed US housing market and the global recession; prices for hardwood lumber are also expected to remain at low levels, despite production curtailments by many lumber mills; in this environment, Hardwoods continues to believe that its business risk is higher than normal, particularly in the following areas: (1) financing risk related to the ability of Hardwoods to debt-finance its operations has increased in the current tight credit environment and it is uncertain if Hardwoods US results will prove strong enough to remain in compliance with its bank agreement throughout 2009, (2) the risk of bad debts has increased as Hardwoods' customers face reduced demand and pressure on credit availability in their own businesses, (3) the possibility that key suppliers could fail has increased, which could potentially disrupt Hardwoods' supply chain, (4) demand for Hardwoods' products could weaken still further, given that US housing starts fell to historic lows in the first quarter of 2008 and the impact on Hardwoods sales often lags changes in the residential construction cycle by six-to-twelve months; with the expectation of a prolonged economic downturn and an enhanced level of risk, Hardwoods' focus will remain on continued cost reduction as it works to align expenditures as closely as possible to sales levels; inventory levels and working capital will also be tightly managed and management will continue to work to minimize customer credit risk; these initiatives, together with a continued focus on debt reduction, will help provide support to Hardwoods' balance sheet as it works through this downturn; simultaneously,

Hardwoods will continue to aggressively pursue market opportunities for its growing lines of "green" building products, while also continuing to support its successful import program; and the Fund's goal is to maintain a strong market position through the downturn and to emerge positioned to participate fully in the eventual recovery.

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 the Fund is able to generate in Canadian dollars; the Fund does 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 the business; the Fund does not incur material losses related to credit provided to customers; Hardwoods' products are not subjected to negative trade outcomes; the company is able to sustain its level of sales and EBITDA margins; Hardwoods' is able to grow its business and to manage its growth; there is no new competition in Hardwoods' markets that leads to reduced revenues and profitability; the Fund does 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 the Fund's results; Hardwoods' management information systems upon which it depends, are not impaired; Hardwoods' insurance is sufficient to cover losses that may occur as a result of operations; and, the financial condition and results of operations of the business upon which the Fund is dependent are not impaired.

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 the Fund has available to distribute to unitholders in Canadian dollars; Hardwoods' depends on key personnel, the loss of which could harm its business; decreases in the supply of, demand for, or market values of hardwood lumber or sheet goods could harm the business; Hardwoods' may incur losses related to credit provided to customers; Hardwoods' products may be subject to negative trade outcomes; the company may not be able to sustain its level of sales or EBITDA margins; Hardwoods may be unable to grow its business or to manage any growth; competition in the company's markets may lead to reduced revenues and profitability; the Fund 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; the Fund's results are dependent upon the general state of the economy; Hardwoods' is dependent upon its management information systems; the Fund's insurance may be insufficient to cover losses that may occur as a result of operations; the Fund's credit facilities contain restrictions on its ability to borrow funds and restrictions on distributions that can be made; there are tax risks associated with an investment in the Fund's units; the Fund's future growth may be restricted by the payout of substantially all of its operating cash flow; and, other risks described in the Fund's Annual Information Form and 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, the Fund undertakes 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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HARDWOODS DISTRIBUTION INCOME FUND  
Consolidated Balance Sheets  
(Expressed in thousands of Canadian dollars)

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March 31, December 31,

	2009	2008
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	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 587	\$ 85
Accounts receivable (note 6)	35,495	32,218
Income tax recoverable	615	2,316
Inventory (note 5)	28,232	30,868
Prepaid expenses	861	1,039
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	65,790	66,526
Long-term receivables (note 6)	3,553	3,639
Property, plant and equipment	1,997	2,168
Deferred financing costs	218	235
Future income taxes	32,103	30,782
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	\$ 103,661	\$ 103,350
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Liabilities and Unitholders' Equity		
Current liabilities:		
Bank indebtedness (note 7)	\$ 13,002	\$ 17,561
Accounts payable and accrued liabilities	5,260	3,365
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	18,262	20,926
Deferred gain on sale-leaseback of land and building	569	572
Non-controlling interests (note 8)	13,141	13,080
Unitholders' equity:		
Fund units	133,454	133,454
Deficit	(48,091)	(49,958)
Accumulated other comprehensive loss	(13,674)	(14,724)
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	71,689	68,772
Continuance of operations (note 1)		
Contingencies (note 15)		
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	\$ 103,661	\$ 103,350
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See accompanying notes to consolidated financial statements.

HARDWOODS DISTRIBUTION INCOME FUND  
Consolidated Statement of Earnings and Retained Earnings (Deficit)  
(Unaudited)  
(Expressed in thousands of Canadian dollars)

Three months ended March 31, 2009	Three months ended March 31, 2008
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Sales	\$	53,422	\$	71,048
Cost of sales		43,806		57,412
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Gross profit		9,616		13,636
Expenses:				
Selling and administrative		8,700		11,318
Amortization:				
Plant and equipment		224		239
Deferred financing costs		24		3
Other intangible assets		-		202
Deferred gain on sale - leaseback of land and building		(23)		(19)
Interest		152		388
Unrealized foreign exchange losses (gains)		(332)		606
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		8,745		12,737
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Earnings before non-controlling interests and income taxes		871		899
Non-controlling interests (note 8)		(474)		(408)
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Earnings before income taxes		1,345		1,307
Income expense (recovery) (note 13):				
Current		5		(791)
Future		(527)		(7,431)
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		(522)		(8,222)
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Net earnings for the period		1,867		9,529
Deficit, beginning of period		(49,958)		(6,150)
Distributions declared to Unitholders		-		(3,242)
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Retained earnings (deficit), end of period	\$	(48,091)	\$	137
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Basic and diluted earnings per Unit	\$	0.13	\$	0.66
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Weighted average number of Units outstanding		14,410,000		14,410,000
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See accompanying notes to consolidated financial statements.

HARDWOODS DISTRIBUTION INCOME FUND  
Consolidated Statement of Comprehensive Income  
(Unaudited)  
(Expressed in thousands of Canadian dollars)

	Three months ended March 31, 2009	Three months ended March 31, 2008
Net earnings for the period	\$ 1,867	\$ 9,529
Other comprehensive income:		
Unrealized gain on translation of self-sustaining foreign operations	1,050	2,069
Other comprehensive income	1,050	2,069
Comprehensive income	\$ 2,917	\$ 11,598

Consolidated Statement of Accumulated Other Comprehensive Loss  
(Unaudited)  
(Expressed in thousands of Canadian dollars)

	Three months ended March 31, 2009	Three months ended March 31, 2008
Accumulated other comprehensive loss, beginning of period	\$ (14,724)	\$ (21,565)
Other comprehensive income	1,050	2,069
Accumulated other comprehensive loss, end of period	\$ (13,674)	\$ (19,496)

HARDWOODS DISTRIBUTION INCOME FUND  
Consolidated Statements of Cash Flows  
(Unaudited)  
(Expressed in thousands of Canadian dollars)

	Three months ended March 31, 2009	Three months ended March 31, 2008
Cash flows provided by (used in) operating activities:		
Net earnings for the period	\$ 1,867	\$ 9,529
Items not involving cash:		
Amortization	225	425
Imputed interest income in employee loans	(39)	(14)

Gain on sale of property, plant and equipment	(10)	-
Unrealized foreign exchange losses (gains)	(332)	1,201
Non-controlling interests	(474)	(408)
Future income taxes	(527)	(7,389)
	710	3,344
Change in non-cash operating working capital (note 9)	4,704	(747)
Net cash provided by operating activities	5,414	2,597
Cash flows provided by (used in) investing activities:		
Additions to property, plant and equipment	(5)	(73)
Proceeds on disposal of property, plant and equipment	10	-
Decrease in long-term receivables, net	186	187
Net cash provided by investing activities	191	114
Cash flows provided by (used in) financing activities:		
Increase (decrease) in bank indebtedness	(5,103)	589
Distributions paid to Unitholders	-	(3,242)
Net cash provided by (used in) financing activities	(5,103)	(2,653)
Increase in cash	502	58
Cash, beginning of period	85	295
Cash, end of period	\$ 587	\$ 353
Supplementary information (cash amounts):		
Interest paid	\$ 152	\$ 388
Income taxes paid	-	11
Income taxes received	1,800	-
Transfer of accounts receivable to long-term customer notes receivable, net of write offs, being a non-cash transaction	-	2,235

See accompanying notes to consolidated financial statements.

HARDWOODS DISTRIBUTION INCOME FUND  
Notes to Consolidated Financial Statements  
(Unaudited)  
(Tabular amounts expressed in thousands of Canadian dollars)

For the periods ended March 31, 2009 and 2008

1. Nature and continuance of operations:

Hardwoods Distribution Income Fund (the "Fund") is an unincorporated, open ended, limited purpose trust established under the laws of the Province of British Columbia on January 30, 2004 by a Declaration of Trust. The Fund commenced operations on March 23, 2004 when it completed an initial public offering of Units and acquired an 80% interest in a hardwood lumber and sheet goods distribution business in North America (the "Business") from affiliates of Sauder Industries Limited ("SIL"). The Fund holds, indirectly, 80% of the outstanding limited partnership units of Hardwoods Specialty Products LP ("Hardwoods LP") and Hardwoods Specialty Products US LP ("Hardwoods USLP"), limited partnerships established under the laws of the Province of Manitoba and the state of Delaware, respectively.

In accordance with the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1400, General Standards of Financial Statement Presentation, the Fund is required to assess and disclose its ability to continue as a going concern. The Fund has forecast its financial results and cash flows for 2009. The forecasts are based on management's best estimates of operating conditions in the context of the current economic climate, today's capital market conditions and the depressed state of the housing and renovation markets in both Canada and the United States.

At December 31, 2008, preliminary financial results for a U.S. subsidiary of the Fund indicated that it would breach its fixed charge coverage ratio, the only financial covenant which it is subject to under its U.S. credit agreement. In the first quarter of 2009, the Fund's U.S. subsidiary and its lender amended their credit agreement with changes to be retroactively effective to the December 31, 2008 reporting period. Under the amendment, the Fund's U.S. subsidiary was compliant with its financial covenant at December 31, 2008 and March 31, 2009. However, due to the difficulty in predicting the continued severity and duration of the current economic and financial crisis, management is uncertain whether its U.S. subsidiary will remain in compliance with its financial covenant during the remainder of 2009. Further weakening of the housing and renovation market, or incurring significant customer or credit losses, could cause the U.S. subsidiary to violate its fixed charge coverage ratio in 2009. This could cause the Fund's U.S. subsidiary bank indebtedness to become immediately due and payable, and the Fund and its U.S. subsidiary may not be able to access funds under its revolving credit facility. In the event of such a circumstance, the Fund anticipates it would need to raise additional capital in the form of equity or debt to supplement or replace its existing credit facilities in order to have sufficient liquidity to meet its obligations in 2009.

The accompanying consolidated financial statements have been prepared assuming the Fund will continue as a going concern which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts should the Fund be unable to continue as a going concern.

## 2. Basis of presentation:

The Fund prepares its consolidated interim financial statements in accordance with Canadian generally accepted accounting principles on a basis consistent with those used and described in the annual consolidated financial statements for the year ended December 31, 2008. The disclosures contained in these consolidated interim financial statements do not include all the requirements of Canadian generally accepted accounting principles for annual financial

statements, and accordingly, these consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the period ended December 31, 2008. Certain comparative figures have been restated to conform to the current period's financial statement presentation.

3. Adoption of changes in accounting standards:

Effective January 1, 2009, the Fund adopted new CICA Handbook Section 3064, Goodwill and Intangible Assets. This section replaces CICA Handbook Section 3062, Goodwill and Intangible Assets, and establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. As the Fund did not have any goodwill or intangible assets at December 31, 2008, the adoption of this new standard did not impact the amounts presented in the financial statements.

4. Capital Disclosures:

The Fund's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Fund considers its capital to be bank indebtedness (net of cash) plus Unitholders' equity. The Fund's capitalization is as follows:

	March 31, 2009	December 31, 2008
Cash and cash equivalents	\$ (587)	\$ (85)
Bank indebtedness	13,002	17,561
Net debt	12,415	17,476
Unitholders' equity	71,689	68,772
Total capitalization	\$ 84,104	\$ 86,248

The Fund monitors on a monthly basis the ratio of net debt to earnings before interest, income taxes, depreciation and amortization ("EBITDA"). Net debt to EBITDA serves as an indicator of the Fund's financial leverage. The maximum ratio of net debt to EBITDA allowed under the Canadian credit facility is 2.50 times, and the minimum ratio of EBITDA to interest is 3.0 times. Under the U.S. credit facility a Fixed Charge Coverage Ratio ((EBITDA less capital expenditures less cash taxes)/(interest plus distributions)) is not permitted to be less than 0.50 for the quarter ended March 31, 2009, not less than 0.75 for the quarter ended June 30, 2009, and not less than 1.0 thereafter.

The terms of the agreements with the Fund's lenders provide that distributions cannot be made to its unitholders in the event that its subsidiaries did not meet the foregoing leverage as well as certain additional credit ratios. The Fund's operating subsidiaries were compliant with all required credit ratios under the US and Canadian credit facilities as at March 31, 2009, and accordingly there were no restrictions on distributions arising from compliance with financial covenants.

Distributions are one of the ways the Fund manages its capital. Distributions of the Fund's available cash are made to the maximum extent possible, subject to reasonable reserves established by the Trustees of the Fund. Distributions are made by the Fund having given consideration to a variety of factors including the outlook for the business, financial leverage, and the ratio of distributions to available cash of the Fund. There were no changes in the Fund's approach to capital management during the period ended March 31, 2009. On November 3, 2008 the Trustees of the Fund suspended further monthly distributions until such time as market conditions and the Fund's generation of cash has improved.

5. Inventory:

	March 31, 2009	December 31, 2008
Lumber	\$ 11,230	\$ 12,077
Sheet Goods	12,987	14,990
Specialty	2,580	2,356
Goods in-transit	1,435	1,445
	\$ 28,232	\$ 30,868

During the three months ended March 31, 2009 inventory write-downs totaling \$0.5 million (2008 - \$0.6 million) were recorded to reduce certain inventory items to their net realizable value.

Cost of sales for the three months ended March 31, 2009 were \$43.8 million, which included \$42.6 million of costs associated with inventory (2008 - \$57.4 million and \$56.0 million respectively). The other \$1.2 million (2008 - \$1.4 million) related principally to freight and other related selling expenses.

6. Receivables:

The following is a breakdown of the Fund's current and long-term receivables and represents the Fund's exposure to credit risk related to its financial assets:

	March 31, 2009	December 31, 2008
Accounts receivable		
Trade accounts receivable - Canada	\$ 10,770	\$ 8,404
Trade accounts receivable - United States	24,261	23,423
Sundry receivable	169	495
Current portion of long-term receivables	2,377	2,243
	37,577	34,565
Less: allowance for doubtful accounts	2,082	2,347
	\$ 35,495	\$ 32,218

	March 31, 2009	December 31, 2008
Long-term receivables		
Employee housing loans	\$ 1,511	\$ 1,507
Customer notes	3,797	3,772
Security deposits	622	603
	5,930	5,882
Less: current portion, included in accounts receivable	2,377	2,243
	\$ 3,553	\$ 3,639

The aging of trade receivables was:

	March 31, 2009	December 31, 2008
Current	\$ 21,088	\$ 17,037
Past due 31-60 days	6,146	6,696
Past due 61-90 days	2,609	3,706
Past due 90+ days	5,188	4,388
	\$ 35,031	\$ 31,827

The Fund determines its allowance for doubtful accounts based on its best estimate of the net recoverable amount by customer account. Accounts that are considered uncollectable are written off. The total allowance at March 31, 2009 was \$2.1 million (December 31, 2008 - \$2.3 million). The amount of the allowance is considered sufficient based on the past experience of the business, the security the Fund has in place for past due accounts and management's regular review and assessment of customer accounts and credit risk.

Bad debt expense for the three months ended March 31, 2009 was \$0.6 million which equates to 1.2% of sales (three month period ended March 31, 2008 - \$0.5 million, being 0.7% of sales). Historically bad debt as a percentage of sales has averaged approximately 0.7%.

7. Bank indebtedness:

	March 31, 2009	December 31, 2008
Checks issued in excess of funds on deposit	\$ 245	\$ 1,087
Credit facility, Hardwoods LP	767	265
Credit facility, Hardwoods USLP (March 31, 2009 - US\$9,506; December 31, 2008 - US\$13,308)	11,990	16,209

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\$ 13,002 \$ 17,561  
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In Canada, a subsidiary of the Fund has a revolving credit facility of up to \$12.0 million. In the US, a subsidiary of the Fund has a revolving credit facility of up to \$37.8 million (US\$30.0 million). These credit facilities can be drawn down to meet short-term financing requirements, including fluctuations in non-cash working capital. The amount made available under these credit facilities is limited to the extent of the value of certain accounts receivable and inventories held by subsidiaries of the Fund in Canada and the US respectively. At March 31, 2009 the Canadian and US credit facilities have \$11.2 million and \$8.8 million (US\$7.0 million), respectively of additional borrowing capacity, subject to the subsidiaries being able to continue to meet their respective financial covenants as described in note 4.

8. Non-controlling interests:

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Balance, January 1, 2009 \$ 13,080  
Interest in earnings:  
Interest in earnings before taxes 174  
Adjustment to non-controlling interest  
from subordination of Class B Unit Holders (648)  
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(474)  
Foreign currency translation adjustment of  
non-controlling interest in Hardwoods USLP 535  
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Balance, end of period \$ 13,141  
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The previous owners of the Business (note 1) have retained a 20% interest in Hardwoods LP and Hardwoods USLP through ownership of Class B Hardwoods LP units ("Class B LP Units") and Class B Hardwoods USLP units ("Class B USLP Units"), respectively. The Fund owns an indirect 80% interest in Hardwoods LP and Hardwoods USLP through ownership of all Class A Hardwoods LP units ("Class A LP Units") and Class A Hardwoods USLP units ("Class A USLP Units"), respectively.

The Class A LP Units and Class B LP Units and the Class A USLP Units and Class B USLP Units, respectively, have economic and voting rights that are equivalent in all material respects except distributions on the Class B LP Units and Class B USLP Units are subject to the subordination arrangements described below until the date (the "Subordination End Date") on which:

- the consolidated Adjusted EBITDA, as defined in the Subordination Agreement dated March 23, 2004, of the Fund for the 12 month period ending on the last day of the month immediately preceding such date is at least \$21,300,000; and
- cash distributions of at least \$29,540,000 (\$2.05 per Unit) have been paid on the Units and a combined amount of cash advances or distributions of at least \$7,385,000 has been paid on the Class B

LP Units and Class B USLP Units, being \$2.05 per combined Class B LP and Class B USLP Units (as adjusted for issuances, redemptions and repurchases of Units, LP Units and USLP Units subsequently and by converting the cash distributions or advances by Hardwoods USLP on the USLP Units at the rate of exchange used by the Fund to convert funds received by it in US dollars into Canadian dollars) for the 24 month period ending on the last day of the month immediately preceding such date.

The Subordinated End Date had not occurred at March 31, 2009.

Prior to the Subordination End Date, advances and distributions on the LP Units and the USLP Units will be made in the following order of priority:

- At the end of each month, cash advances or distributions will be made to the holders of Class A LP Units and Class A USLP Units in a combined amount that is sufficient to provide available cash to the Fund to enable the Fund to make cash distributions upon the Units for such month at least equal to \$0.08542 per Unit or, if there is insufficient available cash to make distributions or advances in such amount, such lesser amount as is available as determined by the board of directors of the general partners;
- At the end of each fiscal quarter of Hardwoods LP and Hardwoods USLP, including the fiscal quarter ending on the fiscal year end, available cash of Hardwoods LP and Hardwoods USLP will be advanced or distributed in the following order of priority:
  - First, in payment of the monthly cash advance or distribution to the holders of Class A LP Units and Class A USLP Units as described above, for the month then ended;
  - Second, to the holders of Class A LP Units and Class A USLP Units, to the extent that the combined monthly cash advances or distributions in respect of the 12 month period then ended (and not, for greater certainty, in any previous 12 month period) on Class A LP Units and Class A USLP Units were not made or were made in amounts less than a combined amount at least equal to \$1.025 per Unit, the amount of any such deficiency. As of March 31, 2009, the amount of such deficiency was \$10.5 million;
  - Third, to the holders of Class B LP Units and Class B USLP Units in a combined amount for one Class B LP Unit and one Class B USLP Unit equal, on a pro-rated basis, to the combined amount advanced or distributed on one Class A LP Unit and one Class A USLP Unit during such fiscal quarter or, if there is insufficient available cash to make advances or distributions in such amount, such lesser amount as is available;
  - Fourth, to the holders of Class B LP Units and Class B USLP Units, to the extent only that combined advances or distributions in respect of any fiscal quarter(s) during the 12 month period then ended (and not, for greater certainty, in any previous 12 month period) on one Class B LP Unit and one Class B USLP Unit were not made, or were made in amounts less, on a pro-rated basis, that the combined amount advanced or distributed on one Class A LP Unit and one Class A USLP Unit during such 12 month period, the amount of such deficiency. As of March 31, 2009, the amount of such deficiency was \$1.1 million.
  - Fifth, to the extent of any excess, to the holders of the Class A LP Units and Class B LP Units and Class A USLP Units and

Class B USLP Units, respectively, so that the combined advances or distributions on one Class A LP Unit and one Class A USLP Unit are the same as the combined advances or distribution on one Class B LP Unit and one Class B USLP Unit in respect of the 12 month period then ended (and not, for greater certainty, any previous 12 month period).

After the Subordination End Date, the holders of the Class B LP Units and Class B USLP Units will generally be entitled to effectively exchange all or a portion of their Class B LP Units and Class B USLP Units together for up to 3,602,500 Units of the Fund, representing 20% of the issued and outstanding Units of the Fund on a fully diluted basis. In the event the Fund enters into an agreement in respect of an acquisition or a take-over bid of the Fund, the holders of the Class B LP Units and Class B USLP Units will be entitled to exchange such units for Units of the Fund.

The cumulative deficiency prior to March 31, 2008, which is no longer recoverable by the Class B LP Unitholders and the Class B USLP Unitholders, has been recorded as an adjustment to the non-controlling interest's share of earnings in the amount of \$0.6 million for the three-month period ended March 31, 2009.

9. Changes in non-cash operating working capital and additional cash flow disclosures:

	Three months ended March 31, 2009	Three months ended March 31, 2008
Accounts receivable	\$ (3,910)	\$ (3,504)
Income taxes recoverable/payable	1,731	(857)
Inventory	3,362	3,243
Prepaid expenses	199	258
Accounts payable and accrued liabilities	3,322	113
	\$ 4,704	\$ (747)

CICA 1540, Cash Flow Statements, require entities to disclose total cash distributions on financial instruments classified as equity in accordance with a contractual agreement and the extent to which total cash distributions are non-discretionary. The Fund has no contractual requirement to pay cash distributions to Unitholders' of the Fund. During the three month period ended March 31, 2009 no discretionary cash distributions (three month period ended March 31, 2008 - \$3.2 million) were paid to Unitholders.

10. Segment disclosure:

Information about geographic areas is as follows:

	Three months ended March 31, 2009	Three months ended March 31, 2008
Revenue from external customers:		

Canada	\$	20,437	\$	24,639
United States		32,985		46,409

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	\$	53,422	\$	71,048
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		March 31,	December 31,
		2009	2008

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Property, plant and equipment:

Canada	\$	662	\$	752
United States		1,335		1,416

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	\$	1,997	\$	2,168
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11. Pensions:

Hardwoods USLP maintains a defined contribution 401 (k) retirement savings plan (the "USLP Plan"). The assets of the USLP Plan are held and related investment transactions are executed by the Plan's Trustee, ING National Trust, and, accordingly, are not reflected in these consolidated financial statements. During the three months ended March 31, 2009, Hardwoods USLP contributed and expensed \$68,837 (US\$55,309) (three months ended March 31, 2008 - \$143,992 (US \$143,318)) in relation to the USLP Plan.

Hardwoods LP does not maintain a pension plan. Hardwoods LP does, however, administer a group registered retirement savings plan ("LP Plan") that has a matching component whereby Hardwoods LP makes contributions to the LP Plan which match contributions made by employees up to a certain level. The assets of the LP Plan are held and related investment transactions are executed by LP Plan's Trustee, Sun Life Financial Trust Inc., and, accordingly, are not reflected in these consolidated financial statements. During the three months ended March 31, 2009, Hardwoods LP contributed and expensed \$49,852 (three months ended March 31, 2008 - \$116,194) in relation to the LP Plan.

12. Related party transactions:

For the three months ended March 31, 2009, sales of \$125,734 (three months ended March 31, 2008 - \$126,569) were made to affiliates of SIL, and the Fund made purchases of \$7,111 (three months ended March 31, 2008 - \$16,485) from affiliates of SIL. All these sales and purchases took place at prevailing market prices.

13. Income taxes:

Effective, March 31, 2008 the Fund completed an internal reorganization that involved the refinancing of inter-corporate debt in the form of notes issued and held by subsidiaries of the Fund. The reorganization did not have any effect upon the management or business activities of the Fund's operating subsidiaries. As a result of the internal re-organization, income tax losses which are available to reduce US taxable income of approximately US\$10.3 million arose. 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 subsidiaries of the Fund. 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 subsidiaries of the Fund. This \$3.6 million benefit was recorded at March 31, 2008 and is comprised of an estimated \$0.8 million current income tax recovery and \$2.8 million future income tax recovery.

In addition, during the quarter ended March 31, 2008, tax pools consisting principally of Canadian tax losses carried forward, of approximately \$16.0 million were recorded by a subsidiary of the Fund as a result of the Fund's re-organization plan. The tax losses carried forward will result in a reduction of tax otherwise payable under the Canadian federal government's tax on publicly traded income trusts. Based on tax rates expected to apply at the date such tax pools will be utilized, an additional \$4.2 million of future income tax benefit was recorded by the Fund at March 31, 2008.

14. Seasonality:

The Fund is subject to seasonal influences. Historically the first and fourth quarters are seasonally slower periods for construction activity and therefore demand for hardwood products.

15. Contingencies:

The Fund and its subsidiaries are subject to legal proceedings that arise in the ordinary course of its business. Management is of the opinion, based upon information presently available, that it is unlikely that any liability, to the extent not provided for through insurance or otherwise, would be material in relation to the Fund's consolidated financial statements.

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