

Hardwoods Completes Acquisition of Rugby Architectural Building Products and Confirms 14% Dividend Increase

Langley, B.C., July 18, 2016 - Hardwoods Distribution Inc. (“Hardwoods” or the “Company”) (TSX: HWD) today announced the completion of its previously announced acquisition (the “Acquisition”) of substantially all of the assets used in the business of Rugby Acquisition, LLC and its subsidiaries, collectively doing business as “Rugby Architectural Building Products” (collectively, “Rugby”). The Acquisition was completed for a purchase price of US\$107 million (the “Purchase Price”) plus up to another US\$13 million based on future performance. The effective date of closing of the Acquisition was July 15, 2016.

“This is a highly strategic business combination,” said Robert Brown, President and Chief Executive Officer of Hardwoods. “With the completion of the Acquisition, Hardwoods is now North America’s largest distributor of hardwood lumber, panel and interior architectural building materials, with a coast-to-coast US presence and significantly increased access to commercial end-markets”.

Hardwoods satisfied the Purchase Price for the Acquisition using approximately US\$43.0 million of the net proceeds from its recently completed bought deal offering of 3,966,350 subscription receipts, together with approximately US\$5.5 million from its existing credit facility and US\$51.5 million of new senior debt provided by a U.S. bank under the Credit Facility (as defined below) and the issuance of 563,542 Common Shares of the Company.

In connection with the closing of the Acquisition, Hardwoods completed a senior credit facility of US\$125 million (the “**Credit Facility**”). The Credit Facility was used to refinance the outstanding debt of certain of the Company’s U.S. subsidiaries. In addition, approximately US\$51.5 million of this Credit Facility was used to partially satisfy the cash portion of the Purchase Price. The Credit Facility has a term of five years and is at competitive rates for this type of a facility. The Credit Facility is secured by the assets of the Company’s U.S. subsidiaries.

Dividend Increase

With the completion of the Acquisition, Hardwoods has amended its dividend policy to increase its annual dividend from C\$0.22 per share to C\$0.25 per share. This previously announced dividend increase is expected to first apply to the quarterly dividend payment in October, which has not yet been declared.

About Hardwoods Distribution Inc.

Hardwoods is North America’s largest distributor of high-grade hardwood lumber, sheet goods, architectural millwork and non-structural architectural grade building products to the residential and commercial construction markets. The Company operates a North American network of 62 distribution centres, as well as 1 sawmill and kiln drying operation.

Forward-Looking Statements

Certain statements in this news release may constitute “forward-looking information” within the meaning of applicable securities laws that involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements or industry results to be materially different from any future results, performance or achievements or industry results expressed or implied by such forward-looking information. Forward-looking information is identified by the use of terms and phrases such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “predict”, “project”, “will”,

“would”, and similar terms and phrases, including references to assumptions. Such information may involve, but is not limited to, comments with respect to strategies, expectations, planned operations or future actions. Forward-looking information in this news release includes, without limitation, statements with respect to: the increase in the annual dividend and the expected timing thereof. Actual events or results may differ materially.

The forward-looking information in this news release is 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 Company’s performance; the general state of the economy does not worsen; the Company and Rugby 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 the Company’s business; the Company does not incur material losses related to credit provided to its customers; the Company’s products are not subjected to negative trade outcomes; the Company is able to sustain its level of sales and earnings margins; the Company is able to grow its business long term and to manage its growth; the Company is able to integrate acquired businesses; there is no new competition in the markets in which the Company operates that leads to reduced sales and profitability; the Company can comply with existing regulations and will not become subject to more stringent regulations; no material product liability claims; importation of products manufactured with hardwood lumber or sheet goods does not increase and replace products manufactured in North America; the Company’s management information systems upon which it is dependent are not impaired; and, the Company’s insurance is sufficient to cover losses that may occur as a result of its operations. The forward-looking information in this news release 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 Company’s performance; the Company’s results are dependent upon the general state of the economy; the Company 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 Company’s business; the Company may incur losses related to credit provided to the Company’s customers; the Company’s products may be subject to negative trade outcomes; the Company may not be able to sustain its current level of sales or earnings margins; the Company may be unable to grow its business long term or to manage any growth; the Company may be unable to integrate acquired businesses; competition in the Company’s markets may lead to reduced sales and profitability; the Company may fail to comply with existing regulations or become subject to more stringent regulations; product liability claims could affect the Company’s sales, profitability and reputation; importation of products manufactured with hardwood lumber or sheet goods may increase, and replace products manufactured in North America; the Company is dependent upon its management information systems; the Company’s insurance may be insufficient to cover losses that may occur as a result of the Company’s operations; the Company’s credit facilities affect its liquidity, contain restrictions on the Company’s ability to borrow funds, and impose restrictions on distributions that can be made by certain subsidiaries of the Company; the market price of the Common Shares will fluctuate; and there is a possibility of dilution of existing shareholders. More information about the risks and uncertainties affecting Hardwoods’ business can be found in the “Risk Factors” section of its Annual Information Form dated March 11, 2016, which is available under the Hardwoods’ profile on SEDAR at www.sedar.com.

Although Hardwoods has attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking information in this news release, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Also,

many of the factors are beyond the control of Hardwoods. Accordingly, readers should not place undue reliance on forward-looking information in this news release. The forward-looking information is made as of the date of this news release, and Hardwoods assumes no obligation to publicly update or revise such forward-looking information to reflect new information, subsequent or otherwise, except as may be required by applicable securities law. The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement.

This news release does not constitute an offer of securities for sale in the United States. The securities offered in connection with the Acquisition have not been, nor will they be, registered under the United States Securities Act of 1933, as amended, and such securities may not be offered or sold within the United States absent U.S. registration or an applicable exemption from U.S. registration requirements.

Additional information relating to the Company and other public filings are available under Hardwoods' profile on SEDAR at www.sedar.com.

For further information: Faiz Karmally, Chief Financial Officer, Phone: (604) 881-1982; Email: fkarmally@hardwoods-inc.com; Website: <http://www.hardwoods-inc.com>