

Attention Business/Financial Editors:
Hardwoods Distribution Income Fund Reduces Distributions to Public
Unitholders to IPO Level, Suspends Payments on Subordinated Units

--- Declares Distribution for December 2005 of \$0.08542 per Unit---

Trading Symbol: Toronto Stock Exchange - HWD.UN

LANGLEY, BC, Jan. 10 /CNW/ - Hardwoods Distribution Income Fund (the "Fund") (TSX: HWD.UN) announced today a monthly cash distribution of \$0.08542 per unit to holders of its public securities for the month of December 2005. The cash distribution will be paid on January 31, 2006 to holders of record at the close of business on January 20, 2006. This distribution represents a reduction of 5.1% from the previous level of \$0.09 per unit, and resets the distribution to an equivalent annual distribution of \$1.025, the level established at the Fund's initial public offering ("IPO") in March 2004.

In addition, Hardwoods Specialty Products LP and Hardwoods Specialty Products US LP, partnerships in which the Fund owns an 80% interest, also announced today that, effective immediately, they are suspending quarterly distributions on the subordinated units, represented by 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 the combined business of Hardwoods, which is subordinated to the Fund's ownership interest in the business.

"Hardwoods continues to generate sufficient cash flow to maintain the current level of distributions to the Fund's public unitholders," said Maurice Paquette, President and CEO of the Fund. "The structure of the Fund requires that distributions to public unitholders be reduced to IPO level in order to suspend distributions on the subordinated units. Looking forward, we expect that any reduction in distributable cash earned will be absorbed by the suspension of the distribution on the subordinated units. Distributions on the Class B LP units and Class B US LP units will resume in accordance with their terms as excess distributable cash becomes available".

The Fund continues to be in a strong financial position and is in full compliance with its credit agreements.

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.

Non-GAAP Measures

The term EBITDA represents earnings before non-controlling interest, amortization and interest expense. EBITDA and EBITDA margin do not have any standardized meaning prescribed by Canadian GAAP. Management believes EBITDA to be an important measure as it allows management to assess operating performance of the Fund's business. Management cautions investors that EBITDA should not replace net earnings or loss as an indicator of performance or cash flows from operating, investing and financing activities as a measure of the Fund's liquidity and cash flows. The Fund's method for calculating this information may differ from that used by other issuers, and accordingly, this information may not be comparable to measures used by other issuers.

Distributable cash is a non-GAAP measure generally used by Canadian income funds as an indicator of financial performance. The Fund defines distributable cash as EBITDA less interest expense and capital expenditures and other reserves as may be considered necessary. The method of calculating the Fund's distributable cash may differ from similar computations as reported by similar entities and, accordingly, may not be comparable to distributable

cash as reported by such entities.

Forward-Looking Statements

This news release contains "forward-looking statements" within the meaning of applicable securities laws. These statements concern anticipated future events, results, circumstances, performance or expectations that are not historical facts. These statements are not guarantees of future performance and are subject to numerous risks and uncertainties that can affect our actual results and could cause our actual results to differ materially from those expressed or implied in any forward-looking statement made by us or on our behalf. These statements are made as of the date of this news release and, except as required by applicable law, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

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CO: Hardwoods Distribution Income Fund

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