

XS Cargo Income Fund Announces Closing of Agreements with Lenders to Revise Credit Facilities

Edmonton, November 7, 2008 (TSX: XSC.UN): XS Cargo Income Fund (the "Fund") today announced that it has finalized and closed on the revised financing agreements with the lenders of its \$12 million subordinated debt and on the amended credit facility with the Canadian Imperial Bank of Commerce ("CIBC") which provides the Fund's senior term loan and operating facilities.

Michael McKenna, President and Chief Executive Officer of the Fund stated, "We are pleased to have finalized these agreements with our lenders. Management can now continue to focus its efforts on maximizing the Fund's sales and profits during the upcoming holiday shopping season."

The material terms of the new financing agreements for the subordinated debt, (the Subordinated Debt Transaction") which is held equally by CIBC Leveraged Finance and Famous Brands Inc.(a company owned by Mr. McKenna,) include:

- the expiry date of the subordinated debt facilities has been extended to June 30, 2009
- the interest rate is increased from 16% to 18%, with the cash pay interest remaining at 8% and the remaining 10% interest being capitalized
- each of CIBC Leverage Finance and Famous Brands Inc. received warrants to purchase 500,000 trust units of the Fund at an exercise price of \$0.60 per unit at any time over the next 3 years
- an amendment fee of \$150,000 (\$75,000 to each lender) was paid..

The material terms of the amended credit facility with CIBC are:

- the expiry date of the CIBC financing has been extended to April 30, 2009
- the pay down of the senior term debt (currently \$11.25 million) by \$4.5 million on or before December 31, 2008
- the financial covenants to be maintained by the Fund have all been amended or adjusted, and the Fund is now in compliance with all such financial covenants

Business of the Fund

The Fund owns a 51% indirect interest in XS Cargo Limited Partnership which operates 40 closeout retail stores in Alberta, British Columbia, Manitoba, Saskatchewan, Ontario, Newfoundland, Nova Scotia and New Brunswick.

For further information, please contact:

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FORWARD LOOKING STATEMENTS

This press release contains forward-looking statements. All statements other than statements of historical fact contained in this press release are forward-looking statements. You can identify many of these statements by looking for words such as “believe”, “expects”, “will”, “intends”, “projects”, “anticipates”, “estimates”, “continues” or similar words or the negative thereof. These forward-looking statements include statements with respect to the amount and timing of the payment of distributions of the Fund. There can be no assurance that the plans, intentions or expectations upon which these forward-looking statements are based will occur. Forward-looking statements are subject to risks, uncertainties and assumptions, including, but not limited to, those discussed elsewhere in the press release. There can be no assurance that such expectations will prove to be correct.

Some of the factors that could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein include, but are not limited to, those discussed under “Risk Factors” in the Fund’s MD&A and in the Fund’s Annual Information Form.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this press release are made as of the date of this press release and, except as required by law, the Fund assumes no obligation to update or revise them to reflect new events or circumstances.