

EDMONTON, ALBERTA, April 1, 2011 – XS Cargo Income Fund (the "**Fund**" or "**XS Cargo**") (TSXV: XSC.UN) is pleased to announce that it has entered into a definitive agreement with XSC Canada Holdings, Inc. ("**Holdings**"), an entity formed by KarpReilly LLC, whereby XS Cargo has agreed to sell to Holdings all of its 51% interest in its two operating subsidiaries, XS Cargo Limited Partnership and XS Cargo GP Inc. (collectively, the "**Operating Entities**"), for cash consideration of \$5,332,019 (the "**Purchase Price**"), following which the Fund will be wound-up and the Purchase Price will be distributed to unitholders of the Fund on a pro rata basis after the payment of all transaction and wind-up related costs and expenses (the "**Transaction**"). After the payment of such costs and expenses, and on a fully diluted basis, it is currently estimated that unitholders will receive a minimum of \$0.70 to a maximum of \$0.75 for each unit of the Fund held upon wind-up of the Fund.

The Transaction will be completed pursuant to a plan of arrangement under the *Business Corporations Act* (Alberta) and is subject to customary conditions for transactions of this nature, including the receipt of all required court and regulatory approvals, and the approval of at least two-thirds and a majority of the minority of the unitholders who vote at a special meeting of unitholders to be held in late May 2011 for the purpose of considering and approving the Transaction. Closing of the Transaction is anticipated to occur in June 2011, with the wind-up of the Fund and the redemption of the Fund's units expected to occur as soon as practicable thereafter.

It is also a condition to completion of the Transaction that concurrent therewith, Famous Brands (Edmonton) Inc. ("**Famous Brands**"), a company controlled by Mike McKenna, a trustee and the President and Chief Executive Officer of XS Cargo, sell to Holdings the remaining 49% equity interest in the Operating Entities that it holds, and Famous Brands and Mr. McKenna have entered into an agreement to do so based on the same equity valuation as that of the 51% interest of the Fund, except that a portion of the consideration would be paid to Famous Brands upon the achievement of certain earnings performance thresholds.

The Fund will set a record date for a special meeting of unitholders to approve the terms of the Transaction and will mail a circular describing the proposed Transaction to Fund unitholders in late April 2011.

The Board of Trustees of the Fund established a Special Committee of independent trustees with a mandate to, among other things, consider the Transaction and to make a recommendation to the Board of Trustees in respect thereof. The Special Committee recommended that the Board of Trustees approve the Transaction, and the Board of Trustees has unanimously approved the Transaction, has concluded that the Transaction is in the best interests of the Fund and its unitholders, and has unanimously resolved to recommend that unitholders vote their units in favour of the Transaction. The trustees and officers of the Fund, who collectively hold 51% of the outstanding units and special voting units of the Fund, have also entered into voting agreements pursuant to which, among other things, they have agreed to support and vote in favour of the Transaction.

Business of the Fund

The Fund is an unincorporated open-ended trust created to invest in the broadline closeout retail business through an indirect controlling interest of XS Cargo Limited Partnership which through its general partner, XS Cargo G.P. Inc., operates 42 closeout retail stores in Alberta, British Columbia, Manitoba, Saskatchewan, Ontario, Newfoundland, Nova Scotia and New Brunswick.

About KarpReilly, LLC

KarpReilly, LLC is a private investment firm, whose primary mission is to partner with premier small to mid-size growth companies and help them achieve their long-term vision. KarpReilly currently manages funds and affiliates with initial capital commitments totaling \$310 million. Over the past 15 years, the principals of KarpReilly have invested in, sat on the boards of and nurtured over 25 consumer growth companies. Among the notable discount and closeout retail companies that the principals of KarpReilly have invested in are Dollar Tree Stores, Ollie's Bargain Outlet, and Bob's Discount Furniture among others. For more information, please visit www.karpreilly.com.

For further information, please contact:

Michael McKenna
President and Chief Executive Officer

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Forward-Looking Statements

This press release contains forward-looking statements and information concerning the anticipated completion of the proposed Transaction and the anticipated timing for completion of the Transaction. XS Cargo has provided these anticipated times in reliance on certain assumptions that they believe are reasonable at this time, including assumptions as to the time required to prepare meeting materials for mailing, the timing of receipt of the necessary regulatory and court approvals and the time necessary to satisfy the conditions to the closing of the Transaction. These dates may change for a number of reasons, including unforeseen delays in preparing meeting materials, inability to secure necessary regulatory or court approvals in the time assumed or the need for additional time to satisfy the conditions to the completion of the Transaction. Accordingly, readers should not place undue reliance on the forward-looking statements and information contained in this press release concerning these times. Readers are cautioned that the foregoing list of factors is not exhaustive. The forward-looking statements and information contained in this press release are made as of the date hereof and the Fund does not undertake any obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

NEITHER THE TSX VENTURE EXCHANGE NOR ITS REGULATION SERVICES PROVIDER (AS THAT TERM IS DEFINED IN THE POLICIES OF THE TSX VENTURE EXCHANGE) ACCEPTS RESPONSIBILITY FOR THE ADEQUACY OR ACCURACY OF THIS RELEASE.