

# **CLEARWATER SEAFOODS INCOME FUND**

## **NOTICE OF ANNUAL AND SPECIAL MEETING OF VOTING UNITHOLDERS**

**to be held on August 25, 2011**

**and**

## **MANAGEMENT INFORMATION CIRCULAR**

**with respect to a**

## **PLAN OF ARRANGEMENT**

**involving**

**CLEARWATER SEAFOODS INCOME FUND, CLEARWATER  
SEAFOODS INCORPORATED, CLEARWATER SEAFOODS HOLDING  
TRUST, CLEARWATER SEAFOODS LIMITED PARTNERSHIP,  
CS MANPAR INC. AND 7914091 CANADA INC.**

**This management information circular and the accompanying materials require your immediate attention. If you are in doubt as to how to deal with these materials or the matters they describe, please consult your professional advisor. If you require more information with respect to voting your securities of Clearwater Seafoods Income Fund, please contact Computershare Investor Services Inc. at 1-800-564-6253.**

**July 25, 2011**

Dear Unitholders,

You are invited to attend the annual and special meeting (the "**Meeting**") of holders (the "**Unitholders**") of units ("**Units**") and special trust units of Clearwater Seafoods Income Fund (the "**Fund**") to be held at the offices of McInnes Cooper, Suite 1300, Purdy's Wharf Tower II, 1969 Upper Water Street, Halifax, Nova Scotia, at 10:00 a.m. (Atlantic time) on August 25, 2011 for the purposes set forth in the accompanying Notice of Annual and Special Meeting of Unitholders.

At the Meeting, you will be asked to consider a proposed arrangement (the "**Arrangement**"), involving the Fund, Clearwater Seafoods Incorporated ("**Newco**"), Clearwater Seafoods Holding Trust (the "**Trust**"), Clearwater Seafoods Limited Partnership (the "**Limited Partnership**"), CS ManPar Inc. ("**CS ManPar**"), 7914091 Canada Inc. ("**Holdco**") and the Unitholders. In addition, the annual business of the Fund will also be conducted at the Meeting, including: (a) the presentation of the financial statements of the Fund and the Limited Partnership for the year ended December 31, 2010 and the auditor's reports thereon; (b) the election of the trustees of the Fund (the "**Trustees**") who will serve until the next annual meeting of Unitholders or until their successors are duly elected or appointed; (c) the appointment of the auditors of the Fund; and (d) the consideration of such other business, if any, that may properly come before the Meeting or any adjournment thereof.

Pursuant to the Arrangement, the Units of all Unitholders, will be exchanged on a one-for-one basis for common shares of Newco ("**Newco Shares**"), a newly incorporated Canadian company. Additionally, all of the special trust units of the Fund held by Unitholders will be exchanged, indirectly, on a one-for-one basis for Newco Shares. Unitholders will receive one Newco Share at the effective time of the Arrangement (the "**Effective Time**"), which is expected to be 12:01 a.m. (Eastern time) on December 31, 2011. After the Effective Time, it is expected that the Newco Shares will be listed on the Toronto Stock Exchange ("**TSX**") and the Units will be de-listed from the TSX. The Arrangement is structured to allow Unitholders resident in Canada to receive Newco Shares on a tax deferred basis for Canadian income tax purposes.

Following the Effective Time, holders of the (a) 7.25% convertible unsecured subordinated debentures of the Fund due March 31, 2014; and (b) 10.5% convertible unsecured subordinated debentures of the Fund due December 31, 2013 (collectively, the "**Debentures**") will thereafter be entitled to receive Newco Shares rather than Units on conversion of such Debentures, on the same conversion basis as Units were previously issuable on conversion thereof. As the Debentures trade in the "book entry" system and no certificates are issued to non-registered holders, no certificates for the Debentures will be issued to beneficial holders following the completion of the Arrangement. Holders of the Debentures do not need to take any action involving such Units and Debentures.

The Arrangement is being proposed primarily as a result of changes to Canadian federal income tax legislation relating to specified investment flow through units ("**SIFTs**") that were announced by the Department of Finance (Canada) on October 31, 2006, and enacted into legislation (the "**SIFT Rules**") by the Government of Canada in June 2007.

The Arrangement has been reviewed by the trustees of the Fund, all of whom are independent.

The Trustees, based upon their own investigations, unanimously concluded that the Arrangement is in the best interest of the Trust and the Unitholders. The Trustees therefore recommend that Unitholders vote in favour of the Arrangement Resolution.

The resolution approving the Arrangement and related matters (the "**Arrangement Resolution**") must be approved by not less than sixty-six and two-thirds percent (66 2/3%) of the aggregate votes cast by Voting Unitholders as defined in the accompanying management information circular of the Fund, the "**Circular**"), in person or by proxy. The Arrangement is also subject to the approval of the Supreme Court of Nova Scotia and all necessary regulatory approvals.

Clearwater Fine Foods Inc. ("**CFFI**") and Mickey MacDonald who collectively hold securities representing an aggregate of 29,656,482 Voting Units (as defined in the Circular) or 58% the issued and outstanding Voting Units have confirmed that they will vote in favour of the Arrangement.

We encourage you to read the materials in the attached Circular carefully. The Circular contains a detailed description of the Arrangement as well as detailed information regarding the Fund, its subsidiaries and Newco. Please give this material your careful consideration and, if you require assistance, consult your financial, tax or other professional advisor. If you are unable to attend the Meeting in person, please complete and deliver the applicable enclosed form of proxy in order to ensure your representation at the Meeting.

We look forward to your participation.

Sincerely,

**(Signed) THOMAS D. TRAVES**  
Chairman of the Trustees  
Clearwater Seafoods Income Fund

## NOTICE OF ANNUAL AND SPECIAL MEETING OF VOTING UNITHOLDERS

**NOTICE IS HEREBY GIVEN THAT** pursuant to an order (the "**Interim Order**") of the Nova Scotia Supreme Court dated July 25, 2011, the annual and special meeting (the "**Meeting**") of the holders of units and special voting units (the "**Voting Unitholders**") of Clearwater Seafoods Income Fund (the "**Fund**") will be held at the offices of McInnes Cooper, Suite 1300, Purdy's Wharf Tower II, 1969 Upper Water Street, Halifax, Nova Scotia, on Thursday, August 25, 2011, at 10:00 a.m. (Atlantic time) for the following purposes:

- (a) to receive the financial statements of the Fund and Clearwater Seafoods Limited Partnership for the year ended December 31, 2010 and the auditor's reports on the statements;
- (b) to elect trustees for the ensuing year;
- (c) to appoint auditors for the ensuing year and to authorize the trustees to fix the remuneration to be paid to the auditors;
- (d) to consider pursuant to the Interim Order and, if thought advisable, to pass, with or without variation, a special resolution (the "**Arrangement Resolution**"), the full text of which is set forth in Appendix "A" to the accompanying information circular of the Fund dated July 25, 2011 (the "**Circular**"), and to approve a plan of arrangement under Section 192 of the *Canada Business Corporations Act* (the "**Arrangement**") as well as all transactions contemplated thereby, all as more particularly described in the Circular; and
- (e) to transact such other business as may properly be brought before the meeting.

The specific details of the matters proposed to be put before the Voting Unitholders at the Meeting are set forth in the Circular, which forms part of this notice of meeting.

Only Voting Unitholders of record as of the close of business on July 20, 2011, are entitled to receive Notice of the Meeting and, except as noted in the Circular, to vote at the Meeting.

To assure your representation at the Meeting as a **Registered Unitholder**, please complete, sign, date and return the enclosed proxy, whether or not you plan to personally attend. Sending your proxy will not prevent you from voting in person at the Meeting. All proxies completed by Registered Unitholders must be received by the Fund's transfer agent, **Computershare Investor Services Inc.**, not later than Tuesday, **August 23, 2011, at 10:00 a.m. (Atlantic time)**. A Registered Unitholder must return the completed proxy to Computershare Investor Services Inc. as follows:

- (a) in **person** or by **mail** in the enclosed envelope or in an envelope addressed to Computershare Investor Services Inc., Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1; or
- (b) by **fax** to the attention of the Proxy Department at 1-866-249-7775 (within North America) or (416) 263-9524 (outside North America).

**Non-Registered Unitholders** whose units are registered in the name of an intermediary should carefully follow voting instructions provided by the intermediary. A more detailed description on returning proxies by Non-Registered Unitholders can be found on page 15 of the Circular.



If you receive more than one proxy or voting instruction form, as the case may be, for the Meeting, it is because your units are registered in more than one name. To ensure that all of your units are voted, you should sign and return all proxies and voting instruction forms that you receive.

By Order of the Board of Trustees

**(Signed) THOMAS D. TRAVES**

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**Thomas D. Traves**  
**Chairman**

Halifax, Nova Scotia  
July 25, 2011

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## **CLEARWATER SEAFOODS INCOME FUND**

757 Bedford Highway  
Bedford, Nova Scotia  
B4A 3Z7

### **MANAGEMENT INFORMATION CIRCULAR**

#### **Introduction**

**This management information circular (this "Circular") is furnished in connection with the solicitation of proxies on behalf of the trustees (the "Trustees") of the Fund by the management of CS ManPar Inc. ("CS ManPar"), as managing general partner of Clearwater Seafoods Limited Partnership ("Limited Partnership"), administrator of the Fund, for use at the Meeting and any adjournment thereof. No Person has been authorized to give any information or make any representation in connection with the Arrangement or any other matters to be considered at the Meeting other than those contained in this Circular and, if given or made, any such information or representation must not be relied upon as having been authorized.**

All summaries of, and references to, the Arrangement in this Circular are qualified in their entirety by reference to the complete text of the Plan of Arrangement, a copy of which is attached as Appendix "B" to this Circular. You are urged to carefully read the full text of the Plan of Arrangement.

All capitalized terms used in this Circular but not otherwise defined herein have the meanings set forth under "Glossary of Terms" or elsewhere in the Circular. All information in this Circular is as of July 25, 2011 unless otherwise indicated.

#### **Forward Looking Statements**

Included in this Circular, and the documents incorporated herein by reference, are "forward-looking statements" as defined under applicable Canadian securities legislation. These forward-looking statements typically, but not always, contain words such as "anticipate", "does not anticipate", "believe", "estimate", "forecast", "intend", "expect", "does not expect", "may", "will", "should", "plan" or other similar terms that are predictive in nature. These statements are not historical facts, but instead only represent management's expectations, estimates, assumptions, plans, and projections concerning the outcome of future events. Forward-looking statements rely on certain underlying assumptions that, if not realized, can result in such forward-looking statements not being achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause the actual results of the Fund to be materially different from the historical results or from any future results expressed or implied by such forward-looking statements. Readers are therefore cautioned that management's expectations, estimates and assumptions, although considered reasonable, may prove to be incorrect and readers should not place undue reliance on forward-looking statements.

**Forward-looking statements, by their nature, are based on assumptions and are subject to important risks and uncertainties. Any forecasts or forward-looking predictions or statements cannot be relied upon due to, amongst other things, changing external events and general uncertainties of the business and its corporate structure. Results indicated in forward-looking statements may differ materially from actual results for a number of reasons, including without limitation, competitive conditions, whether related to new competitors or current competitors; general economic conditions, political conditions and events, competitive pressures; changes in demographic trends; changes in consumer preferences and discretionary spending patterns; changes in national and local business and economic conditions; changes in legislation and governmental regulation; changes in accounting policies and practices; the results of operations and financial condition of Newco; the delay of or the inability to complete the proposed Arrangement on the contemplated terms; and the challenges related to the re-integration of the combined businesses' operations; as well as the other factors identified throughout this Circular or in the documents incorporated by reference herein. The forward-looking statements contained herein represent the expectations of Management as of the date of this Circular, and are subject to change after such date. However, the Fund disclaims any intention or obligation to update**

or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities laws. See "Risk Factors".

### **Advice to Beneficial Holders of Units**

The information set forth in this section is of significant importance to all Unitholders, as Unitholders do not hold Units in their own name. Unitholders who do not hold their Units in their own name ("**Beneficial Unitholders**" or "**Beneficial Unitholder**" individually) should note that only proxies deposited by Unitholders whose names appear on the records of the registrar and transfer agent for the Fund as the registered holders of Units can be recognized and acted upon at the Meeting. If Units are listed in an account statement provided to a Unitholder by a broker, then in almost all cases those Units will not be registered in the Unitholder's name on the records of the Fund. Such Units will more likely be registered under the name of the Unitholder's broker or an agent of that broker. In Canada, the Units are registered under the name of CDS & Co., the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms. Units held by brokers or their nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Unitholder. Without specific instructions, the broker/nominees are prohibited from voting Units for their clients. The Fund does not know for whose benefit the Units registered in the name of CDS & Co. are held.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Unitholders in advance of Unitholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Unitholders in order to ensure that their Units are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Unitholder by its broker is identical to the form of proxy provided to registered Unitholders; however, its purpose is limited to instructing the registered Unitholder how to vote on behalf of the Beneficial Unitholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (formerly ADP Investor Communications) ("**Broadridge**"). Broadridge typically mails a scannable voting instruction form in lieu of the form of proxy. The beneficial holder is requested to complete and return the voting instruction form to them by mail or facsimile. Alternatively the beneficial holder can call a toll-free telephone number or access the internet to vote the units held by the beneficial holder. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of units to be represented at a meeting. A Beneficial Unitholder who receives a voting instruction form cannot use that voting instruction form to vote Units directly at the Meeting as the voting instruction form must be returned as directed by Broadridge well in advance of the Meeting in order to have the Units voted.

Although you may not be recognized directly at the Meeting for the purposes of voting Units registered in the name of your broker or other intermediary, you may attend at the Meeting as a Proxyholder for the registered holder and vote your Units in that capacity. If you wish to attend the Meeting and vote your own Units, you must do so as Proxyholder for the registered holder. To do this, you should enter your own name in the blank space on the applicable form of proxy provided to you and return the document to your broker or other intermediary (or the agent of such broker or other intermediary) in accordance with the instructions provided by such broker, intermediary or agent well in advance of the Meeting.

See "Information Regarding Organization and Conduct of Meeting - Appointment and Revocation of Proxies".

### **Currency**

All dollar amounts set forth in this Circular are in Canadian dollars, except where otherwise indicated.

## SUMMARY INFORMATION

*The following is a summary of certain information contained elsewhere in this Circular, including the appendices hereto, and is qualified in its entirety by reference to the more detailed information contained or referred to elsewhere in this Circular or in the appendices hereto. Capitalized terms not otherwise defined herein are defined in the "Glossary of Terms". In this summary, all dollar amounts are stated in Canadian dollars.*

### **The Meeting**

The Meeting will be held at the offices of McInnes Cooper, Suite 1300, Purdy's Wharf Tower II, 1969 Upper Water Street, Halifax, Nova Scotia, on Thursday, August 25, 2011, commencing at 10:00 a.m. (Atlantic time) for the purposes set forth in the accompanying Notice of Meeting. The business of the Meeting will be:

- (a) to receive the financial statements of Clearwater Seafoods Income Fund (the "**Fund**") and Clearwater Seafoods Limited Partnership (the "**Limited Partnership**") for the year ended December 31, 2010 and the auditor's reports on the statements;
- (b) to elect trustees for the ensuing year;
- (c) to appoint auditors for the ensuing year and to authorize the trustees to fix the remuneration to be paid to the auditors;
- (d) to consider pursuant to the Interim Order and, if thought advisable, to pass, with or without variation, a special resolution (the "**Arrangement Resolution**"), the full text of which is set forth in Appendix "A" to the accompanying information circular of the Fund dated July 25, 2011 (the "**Circular**"), and to approve a plan of arrangement under Section 192 of the *Canada Business Corporations Act* (the "**Arrangement**") as well as all transactions contemplated thereby, all as more particularly described in the Circular; and
- (e) to transact such other business as may properly be brought before the meeting.

As of the date of this Circular, the Trustees are not aware of any changes to these items, and do not expect any other items to be brought forward at the Meeting. If there are changes or new items, your Proxyholder can vote your Units on these items as he or she sees fit.

### **The Arrangement**

#### ***General***

If approved, the Arrangement will result in the reorganization of the Fund's income trust structure into a public corporation to be named "Clearwater Seafoods Incorporated" ("**Newco**").

Newco was incorporated under the *Canada Business Corporations Act* ("**CBCA**") on July 7, 2011 and is currently owned 100% by the Fund. The Fund contributed \$100 to acquire 100 common shares of Newco.

#### ***Pre-Arrangement Steps***

Prior to the steps to be completed in connection with the Arrangement, Clearwater Fine Foods Inc. ("**CFFI**") shall transfer the 1,275,205 Units, 23,381,217 Class B GP Units and 51 GP Common Shares it owns to Holdco at the same time that Mickey MacDonald transfers the 4,997,060 Units held beneficially by him to Holdco.

#### ***Arrangement Steps***

Pursuant to the Arrangement, commencing at the Effective Time, each of the events set out below shall occur and shall be deemed to occur in the following order without any further act or formality except as otherwise provided in the Plan of Arrangement:

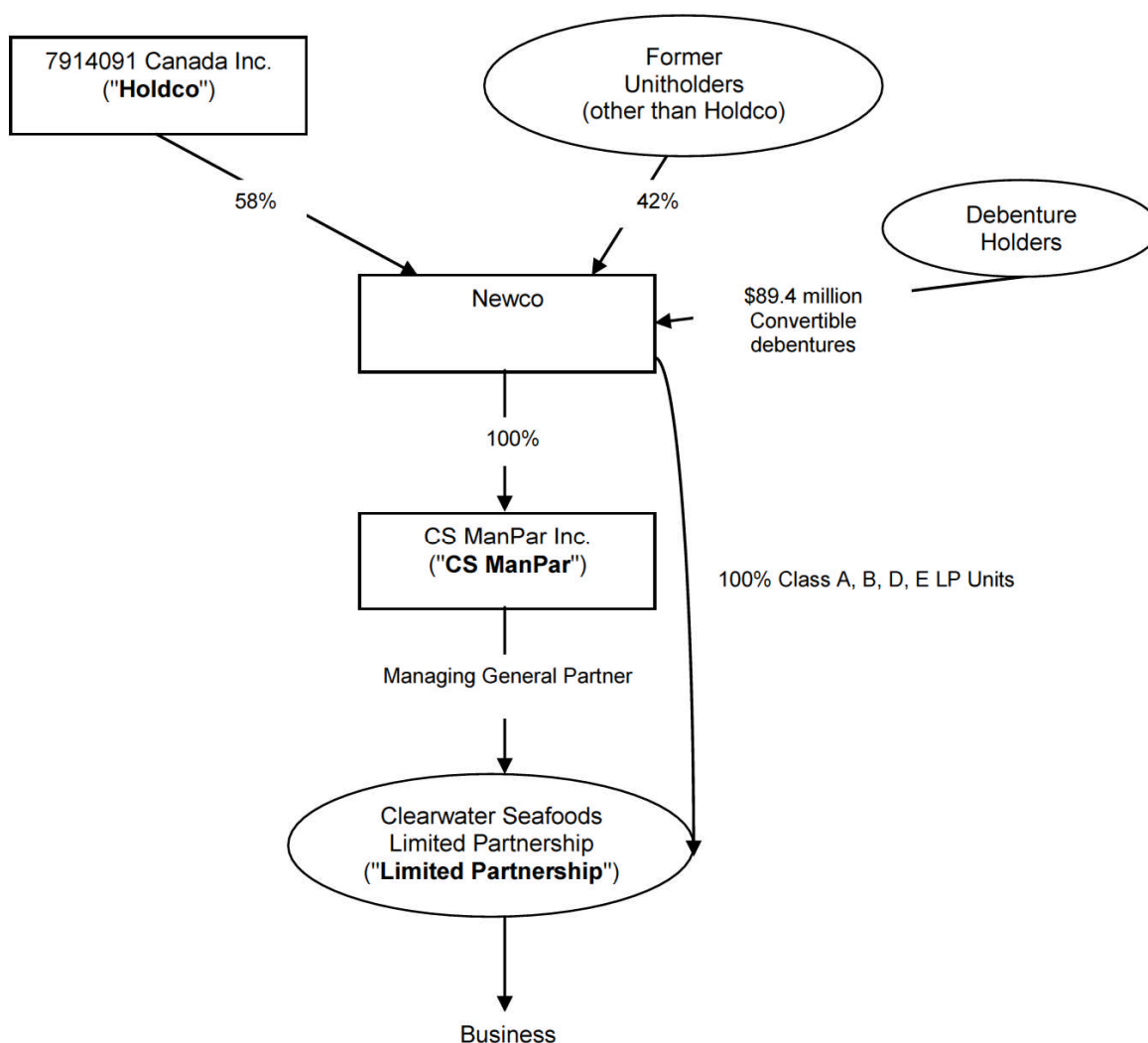
- (a) the Fund Declaration of Trust shall be amended, to the extent necessary, to facilitate the Arrangement as provided therein;
- (b) the Trust Declaration of Trust shall be amended, to the extent necessary, to facilitate the Arrangement as provided therein;
- (c) the Partnership Agreement shall be amended, to the extent necessary, to facilitate the Arrangement as provided therein;
- (d) the Exchange Agreement shall be amended, to the extent necessary, to facilitate the Arrangement as provided therein;
- (e) the GP Common Shares will be split on a 458,455.2352 for every one GP Common Share basis with fractions rounded to the nearest whole number on the split, such that the number of GP Common Shares held by Holdco will be equal to the number of Special Trust Units outstanding;
- (f) Holdco will exchange its Class B GP Units for Class B LP Units on a one-for-one basis;
- (g) all of the issued and outstanding Voting Units held by Unitholders (that are not Special Trust Units) shall be transferred to Newco (free of any claims) in consideration for Newco Shares on the basis of one (1) Newco Share for each Voting Unit so transferred and there shall be added to the stated capital account maintained for the Newco Shares an amount to be determined by the board of directors of Newco in accordance with Section 26 of the CBCA;
- (h) Holdco will transfer all of the Class B LP Units (and the associated Special Trust Units) and all of its GP Common Shares (collectively, the "**Holdco Properties**") to Newco in exchange for 23,381,217 Newco Shares;
- (i) the one hundred (100) Newco Shares issued to the Fund in connection with the incorporation and organization of Newco shall be purchased for cancellation by Newco for consideration of one dollar (\$1.00) per Newco Share, and shall be cancelled;
- (j) (i) the Trust will distribute all of its assets, including all of its interest in the Limited Partnership, to the Fund, (ii) the Fund will assume all of the liabilities of the Trust, and (iii) the Trust will be dissolved in accordance with applicable law and the Trust Declaration of Trust; and
- (k) (i) the Fund will distribute all of its assets, including all of its interest in the Limited Partnership, to Newco, (ii) Newco will assume all of the liabilities of the Fund including the Fund's obligations under the Indenture and the Fund will be released therefrom, in accordance with the terms of the Indenture, and (iii) the Fund will be dissolved in accordance with applicable law and the Fund Declaration of Trust.

It is anticipated that the board of directors of Newco will be comprised of the current members of the Board of Trustees of the Fund, Thomas Traves, Bernard Wilson and Harold Giles, as well as the current directors of CS ManPar Inc. ("**CS ManPar**") who are not trustees of the Fund, namely Colin MacDonald, John Risley, Brendan Paddick, Mickey MacDonald and Stan Spavold. Thomas Traves, Bernard Wilson, Harold Giles and Brendan Paddick will be independent directors. See "The Arrangement - Effect of the Arrangement - General".

#### ***Post-Arrangement Structure***

Following the Effective Date, the Unitholders (other than Holdco) and Holdco will be the shareholders of Newco, holding approximately 42% and 58% of all of the outstanding Newco Shares, respectively. The Fund and the Trust will be dissolved in accordance with the Fund Declaration of Trust and the Trust Declaration of Trust and Newco will own all of the issued and outstanding shares of CS ManPar and all of the LP Units (Class A LP Units, Class B LP Unit, Class D LP Units and Class E LP Units) of the Limited Partnership. The following diagram illustrates the organizational structure of Newco immediately following the completion of the Arrangement:





Upon the completion of the Arrangement, an aggregate of approximately 51,126,912 Newco Shares will be issued and outstanding, 58% of which will be owned by Holdco.

See "The Arrangement" and "Appendix "E" - Information Concerning Newco".

### ***Effect on Unitholders***

Under the Arrangement, the Units held by Unitholders will be transferred to Newco in consideration for Newco Shares, on the basis of one (1) Newco Share for each Unit so transferred. See "The Arrangement - Effect of the Arrangement - Effect on Unitholders" and "Appendix "F" – "Comparison of Rights as a Unitholder and as a Newco Shareholder".

### ***Effect on Debentureholders***

Under the Arrangement, Newco will assume all the covenants and obligations of the Fund under the Indenture in respect of the Debentures. See "The Arrangement - Effect of the Arrangement - Effect on Debentureholders".

### ***Effect on Distributions***

In January, 2008, the Fund suspended distributions to Unitholders and has not resumed payment. No distributions were paid in 2009, 2010 or 2011 to the date of this Circular.

If the Arrangement is approved by Voting Unitholders at the Meeting and the Arrangement is implemented, no assurance can be given as to whether Newco will pay dividends, or the frequency or amount of any such dividend. See "The Arrangement - Effect of the Arrangement - Effect on Distributions".

The declaration of dividends will be subject to the discretion of the board of directors of Newco and may vary depending on, among other things, Newco's operating cash flow, financial requirements, limitations or restrictions under credit facilities, the requirements of the CBCA for the declaration of dividends and other conditions existing at such future time. **As a result, no assurance can be given as to whether Newco will pay dividends, or the frequency or amount of any such dividend.**

### ***Newco's Tax Position Post-Arrangement***

Newco is subject to Canadian federal and provincial corporate income tax on its taxable income earned in Canada, calculated in accordance with the Tax Act. Newco expects to be subject to tax on its taxable income earned in Canada at an effective tax rate of approximately thirty-one percent (31%) for its 2012 and subsequent taxation years. The Arrangement will not have any impact on the taxation of any subsidiaries, foreign or domestic, of the Limited Partnership. See "The Arrangement – Effect of the Arrangement – Newco Tax Position Post-Arrangement".

### ***Reasons for and Benefits of Conversion***

Based on its review of the Fund's current structure, in light of proposed changes to the income tax structure of income trusts (see "Background to and Reasons for the Arrangement - Background to the Arrangement"), the Trustees believe that Unitholders will benefit from the conversion to corporate status from the Fund's current income fund status. The proposed new structure is expected to result in a more active and attractive market for shares than exists for units following the implementation of the SIFT Rules in 2011. See "Background to and Reasons for the Arrangement - Reasons for and Benefits of Conversion".

### ***Arrangement Agreement***

The Arrangement is being effected pursuant to the Arrangement Agreement. The Arrangement Agreement contains covenants and various conditions precedent to completion of the Arrangement. The Arrangement Agreement was filed on SEDAR on July 25, 2011 under the Fund's SEDAR profile.

### ***Procedure for the Arrangement Becoming Effective***

The Arrangement is proposed to be carried out pursuant to Section 192 of the CBCA. The following procedural steps must be taken for the Arrangement to become effective:

- (a) the Arrangement must be approved by not less than sixty-six and two-thirds percent (66 2/3%) of the aggregate votes cast by Voting Unitholders, voting at the Meeting, either in person or by proxy;
- (b) the Arrangement must be approved by the Court and the Final Order granted;
- (c) all conditions precedent to the Arrangement, including those set forth in the Arrangement Agreement, must be satisfied or waived by the appropriate parties; and
- (d) the Final Order, Articles of Arrangement and related documents, in the form prescribed by the CBCA, must be filed with the Director and the Certificate must be issued by the Director.

See "The Arrangement - Procedure for the Arrangement Becoming Effective".

### **Approval and Recommendation of the Board of Trustees**

**The Board of Trustees has unanimously determined that the Arrangement is in the best interests of the Fund and its Unitholders, and recommends that Unitholders vote in favour of the Arrangement Resolution.** See "Background to and Reasons for the Arrangement - Approval and Recommendation of the Board of Trustees".

As at July 20, 2011, the Trustees and the directors and officers of CS ManPar and their associates beneficially own, directly or indirectly, or exercise control or direction over an aggregate of 5,626,770 Units, representing approximately 11.01% of the outstanding Units. Each of the members of the Board of Trustees and each of the directors and officers of CS ManPar has indicated that they intend to vote all of their Units (if any) in favour of the Arrangement Resolution.

CFFI beneficially owns, directly or indirectly, or exercises control or direction over an aggregate of 24,656,422 Voting Units, representing approximately 48.23% of the outstanding Voting Units. Mickey MacDonald beneficially owns, directly or indirectly, or exercises control or directions over, an aggregate of 4,997,060 Units, representing approximately 9.77% of the outstanding Voting Units. CFFI and Mickey MacDonald have indicated that they intend to vote all of their Voting Units in favour of the Arrangement Resolution. In total this represents 29,653,482 Voting Units representing approximately 58% of the issued and outstanding Voting Units. Not later than December 30, 2011, 2011, CFFI and Mickey MacDonald shall transfer their securities of the Fund, the Limited Partnership and CS ManPar, as applicable, so that it shall be Holdco that shall participate in the Arrangement.

### ***Newco***

Newco was incorporated under the CBCA on July 7, 2011. As of the date hereof, Newco has issued 100 common shares to the Fund in connection with its incorporation and organization. On the Effective Date, Newco will acquire all of the issued and outstanding Units of the Fund pursuant to the Arrangement.

### **Procedure for Exchange of Units**

**From and after the Effective Time, certificates formerly representing Units exchanged pursuant to the Plan of Arrangement shall represent only Newco Shares to which the Unitholders are entitled pursuant to the Arrangement.**

As the Units trade only in the "book-entry" system administered by CDS Clearing and Depository Services Inc. and no certificates have been issued, or can be issued, to Non-Registered Holders, no new certificates representing Newco Shares will be issued to beneficial holders of Units following the completion of the Arrangement and the beneficial holders of Units need not take any action. Newco will issue a global certificate to CDS Clearing and Depository Services Inc. representing the issued and outstanding Newco Shares issued to former Unitholders as of the Effective Date.

Under the CBCA, every shareholder is entitled, at their option, to a certificate representing the Newco Shares held by such shareholder, or a non-transferable written acknowledgement of their right to obtain such certificate from Newco in respect of the shares held by them.

See "The Arrangement - Procedure for Exchange of Units".

### **Procedure for Exchange of Debentures**

As the Debentures trade in the "book entry" system and no certificates are issued to Non-Registered Holders, no new certificates for Debentures will be issued to beneficial holders of Debentures following the completion of the Arrangement and beneficial holders of Debentures do not need to take any action.

### **Approval of Voting Unitholders Required for the Arrangement**

The resolution approving the Arrangement and related matters (the "**Arrangement Resolution**") must be approved by not less than sixty-six and two-thirds percent (66 2/3%) of the aggregate votes cast by Voting Unitholders in person or by proxy. The Arrangement is also subject to the approval of the Supreme Court of Nova Scotia and all necessary regulatory approvals. See "The Arrangement - Procedures for Arrangement Becoming Effective".

**If you do not specify how you want your Units voted, the persons named as Proxyholders will cast the votes represented by proxy at the Meeting FOR the approval of the Arrangement Resolution.**

### **Final Order**

Implementation of the Arrangement requires the satisfaction of several conditions and the approval of the Court. See "The Arrangement - Procedure for the Arrangement Becoming Effective". An application for the Final Order approving the Arrangement is scheduled on Tuesday, September 13, 2011, at 9:30 a.m. (Atlantic time), at the Law Courts, 1815 Upper Water Street, Halifax, Nova Scotia or such later date as the application for the Final Order may be adjourned to. On the application, the Court will consider the fairness of the Arrangement. If the Final Order is obtained on September 12, 2011, in form and substance satisfactory to Newco and the Fund, and all other conditions set forth in the Arrangement Agreement are satisfied or waived, the Fund expects the Effective Date to be on or about December 31, 2011. It is not possible, however, to state with certainty when the Effective Date will be.

### **Regulatory Approvals**

The Arrangement requires the approval of certain regulatory authorities, including the TSX. The Arrangement Agreement provides that these approvals are conditions precedent to the Arrangement becoming effective. It is anticipated that Newco or the Fund, as appropriate, will have made application to all such authorities prior to the Effective Date in order to obtain all approvals required with respect to the Arrangement. There is no assurance that approvals from the required regulatory authorities will be obtained on a timely basis or on terms and conditions satisfactory to Newco and the Fund. See "The Arrangement – Procedure for the Arrangement to Become Effective".

### **Stock Exchange Listing**

It is a condition to completion of the Arrangement that the TSX shall have conditionally approved the listing or the substitutional listing of the Newco Shares, subject to fulfilling the requirements of such exchange as soon as possible after the Effective Time.

The TSX has conditionally approved the substitutional listing of the Newco Shares issuable pursuant to the Arrangement and the Debentures to be assumed by Newco pursuant to the Arrangement under the symbols "CLR" and "CLR.DB.A" and "CLR.DB.B", respectively, subject to Newco fulfilling the requirements of the TSX. As well, the TSX has conditionally approved the listing of the Newco Shares to be reserved for issuance on conversion, redemption or maturity of the Debentures.

See "The Arrangement - Stock Exchange Listing".

### **Certain Canadian Federal Income Tax Considerations**

A Resident Holder who holds Units as capital property will not realize a capital gain or capital loss upon the exchange of Units for Newco Shares. See "Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada".

A Non-Resident Holder generally will not be subject to taxation in Canada with respect to the exchange of Units for Newco Shares. See "Certain Canadian Federal Income Tax Considerations - Holders Not Resident in Canada".

This Circular contains a summary of the principal Canadian federal income tax considerations relevant to Residents and Non-Residents and which relate to the Arrangement and the above comments are qualified in their entirety by reference to such summary. See "Certain Canadian Federal Income Tax Considerations".

### **Risk Factors Relating to Newco**

Risk factors related to the business of the Fund and its Subsidiaries and the industry in which they operate will continue to apply to Newco after the Effective Date and will not be affected by the Arrangement. For a description of certain of these and other risk factors, see "Appendix "E" - Information Concerning Newco - Risk Factors".

### **Risk Factors Relating to the Arrangement**

The completion of the Arrangement in the form contemplated by the Arrangement Agreement and the Plan of Arrangement is subject to a number of conditions precedent, some of which are outside the control of the Fund, including, without limitation, receipt of Unitholder approval at the Meeting, regulatory approvals, approval by the TSX of the listing or the substitutional listing of the Newco Shares to be issued, the Debentures to be assumed by Newco pursuant to the Arrangement and the Newco Shares to be reserved for issuance on conversion, redemption or maturity of the Debentures, receipt of other material third party consents and the granting of the Final Order. There can be no certainty, nor can the Fund provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. See "Risk Factors – Risk Factors Relating to the Arrangement".

### **Election of the Trustees**

Three Trustees are to be elected to the Board of Trustees. See "Annual Business of the Meeting – Election of Trustees". All Trustees elected at the Meeting will hold office until the next annual meeting of Voting Unitholders or until their successors are duly elected or appointed.

**If you do not specify how you want your Units voted, the persons named as Proxyholders in the enclosed proxy will cast the votes represented by proxy at the Meeting FOR the election as Trustees of the nominee trustees who are named in this Circular.**

### **Appointment of Auditor**

It is proposed that KPMG LLP, Chartered Accountants, be reappointed as auditors of the Fund. KPMG LLP has served as auditors of the Fund since the date of completion of the Fund's initial public offering. The auditors appointed at the Meeting will serve until the end of the next annual meeting of the Voting Unitholders or until their successors are appointed.

**If you do not specify how you want your Units voted, the persons named as Proxyholders in the enclosed proxy will cast the votes represented by proxy at the Meeting FOR the appointment of KPMG LLP as auditor.**

### **Financial Statements**

The consolidated financial statements of the Fund and the Limited Partnership for the year ended December 31, 2010, together with the auditors' reports on the statements, which are contained in the 2010 Annual Report, available at [www.sedar.com](http://www.sedar.com), will be presented to the Voting Unitholders at the Meeting. Copies of such statements will also be available at the Meeting.

## GLOSSARY OF TERMS

The following is a glossary of certain terms used in this Circular, including the Summary hereof.

**"1933 Act"** means the United States *Securities Act of 1933*, as amended;

**"7.25% Convertible Debentures"** means the 7.25% convertible unsecured subordinated debentures of the Fund due March 31, 2014;

**"10.5% Convertible Debentures"** means the 10.5% convertible unsecured subordinated debentures of the Fund due December 31, 2013;

**"Administration Agreement"** means an administration agreement among the Fund, the Limited Partnership and the Trust dated July 31, 2002, pursuant to which the Fund is administered by the Trustees and by the Limited Partnership;

**"AIF"** means the annual information form of the Fund dated March 29, 2011, in respect of the Fund's financial year ended December 31, 2010, incorporated by reference in this Circular;

**"Arrangement"** means the proposed arrangement, under the provisions of Section 192 of the CBCA, on the terms and conditions set forth in the Plan of Arrangement as supplemented, modified or amended;

**"Arrangement Agreement"** means the amended and restated agreement dated as of July 25, 2011, among the Fund, the Trust, the Limited Partnership, Newco, CS ManPar and Holdco with respect to the Arrangement and all amendments thereto;

**"Arrangement Resolution"** means the special resolution in respect of the Arrangement and related matters, to be considered at the Meeting, a copy of which is attached as Appendix "A" to this Circular;

**"Articles of Arrangement"** means the articles in respect of the Arrangement required under Subsection 192(6) of the CBCA to be filed with the Director after the Final Order has been granted;

**"Audit Committee"** means the audit committee of CS ManPar;

**"Beneficial Unitholder"** has the meaning ascribed to it under **"Management Circular - Advice to Beneficial Holders of Units"**;

**"Board of Directors"** or **"Board of Directors of Newco"** means the board of directors of Newco, anticipated initially to be Thomas Traves, Bernard Wilson, Harold Giles, Colin MacDonald, Brendan Paddick, John Risley, Mickey MacDonald and Stan Spavold;

**"Board of Directors of CS ManPar"** means the board of directors of CS ManPar;

**"Board of Trustees"** means the board of trustees of the Fund;

**"Business Day"** means a day, other than a Saturday, Sunday or statutory holiday, when banks are generally open for business in the Halifax Regional Municipality, in the Province of Nova Scotia, for the transaction of banking business;

**"CBCA"** means the *Canada Business Corporations Act*, R.S.C. 1985, c. C.44, as amended from time to time;

**"CFFI"** means Clearwater Fine Foods Incorporated, a private corporation incorporated under the laws of Canada;

**"CS ManPar"** means CS ManPar Inc., a corporation incorporated under the laws of Canada, being the managing general partner of the Limited Partnership;

"**CEO**" means Chief Executive Officer;

"**Certificate**" means the certificate to be issued by the Director pursuant to Subsection 192(7) of the CBCA giving effect to the Arrangement;

"**Circular**" means this management information circular of the Fund dated July 25, 2011, together with all appendices hereto, distributed to Voting Unitholders in connection with the Meeting;

"**Class A LP Units**" means Class A units of the Limited Partnership;

"**Class B GP Units**" means Class B general partnership units of the Limited Partnership that are indirectly exchangeable on a one-to-one basis for Units of the Fund, and each is accompanied by a Special Trust Unit;

"**Class B LP Units**" means Class B units of the Limited Partnership;

"**Class D LP Units**" means Class D units of the Limited Partnership;

"**Class E LP Units**" means Class E units of the Limited Partnership;

"**Clearwater Entities**" has the meaning ascribed to it under "**Legal Proceedings and Regulatory Actions**";

"**Compensation Committee**" means the Corporate Governance and Compensation Committee of CS ManPar;

"**Computershare**" means Computershare Investor Services Inc.;

"**Computershare Trust**" means Computershare Trust Company of Canada;

"**Court**" means the Supreme Court of Nova Scotia;

"**CRA**" means the Canada Revenue Agency;

"**CS ManPar**" means CS ManPar Inc., a corporation incorporated under the laws of Canada that is the managing general partner of the Limited Partnership;

"**Debenture Trustee**" means Computershare Trust;

"**Debentureholders**" mean holders of the Debentures;

"**Debentures**" mean collectively, the 7.25% Convertible Debentures and the 10.5% Convertible Debentures;

"**Director**" means the director appointed under Section 260 of the CBCA;

"**Effective Date**" means the date the Arrangement is effective under the CBCA;

"**Effective Time**" means 12:01 a.m. (Eastern time) on the Effective Date;

"**Eligible Institution**" means a Canadian Schedule I chartered bank, a major trust company in Canada, a commercial bank or trust company in the United States, a member of the Securities Transfer Association Medallion Program (STAMP), a member of the Stock Exchange Medallion Program (SEMP) or a member of the New York Stock Exchange Inc. Medallion Signature Program (MSP). Members of these programs are usually members of a recognized stock exchange in Canada and the United States, members of the Investment Industry Regulatory Organization of Canada, members of the Financial Industry Regulatory Authority or banks and trust companies in the United States;

**"Exchange Agreement"** means the exchange agreement dated July 31, 2002 between the Fund, the Trust, the Limited Partnership, CS ManPar, CFFI and Atlantic Shrimp Company Limited, as amended from time to time;

**"Exchange Rule"** has the meaning ascribed to it under **"Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada - Conversion"**;

**"Exchangeable Units"** means the Class B GP Units;

**"Final Order"** means the final order of the Court approving the Arrangement as such order may be amended or varied at any time prior to the Effective Time, or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended on appeal;

**"Financial Statements"** means the audited financial statements of the Fund for the year ended December 31, 2010 and 2009, together with notes thereto and the auditors' report thereon;

**"Fund"** means Clearwater Seafoods Income Fund, an unincorporated open-ended investment trust created by the Fund Declaration of Trust, and governed by the laws of the Province of Ontario;

**"Fund Declaration of Trust"** means the amended and restated declaration of trust dated June 5, 2002, pursuant to which the Fund was created, as further amended, supplemented or restated from time to time;

**"Glitnir"** means Glitnir Banki hf;

**"Governance Disclosure Rule"** means National Instrument 58-101 - *Disclosure of Corporate Governance Practices*;

**"GP Common Shares"** mean common shares in the capital of CS ManPar;

**"GP Units"** means the general partner units of the Limited Partnership;

**"Holdco"** means 7914091 Canada Inc., a corporation incorporated under the laws of Canada;

**"Holdco Properties"** means, collectively, all of the Class B LP Units (and associated Special Trust Units) and all of the GP Common Shares owned by Holdco;

**"Holder"** has the meaning ascribed to it under **"Certain Canadian Federal Income Tax Considerations"**;

**"Indenture"** means the indenture dated June 15, 2004, between the Fund and the Debenture Trustee, as amended by the first supplemental trust indenture dated March 9, 2007 and the second supplemental trust indenture dated November 18, 2010, pursuant to which the Debentures were issued;

**"Interim Order"** means the revised interim order of the Court dated July 25, 2011, as may be amended, in respect of the Arrangement, providing for, among other things, the calling and holding of the Meeting, a copy of which accompanies this Circular;

**"Limited Partnership"** means Clearwater Seafoods Limited Partnership, a limited partnership governed by the *Limited Partnerships Act* (Nova Scotia);

**"LP Units"** means the limited partnership units of the Limited Partnership;

**"Management"** means management of the Fund;

**"Management's Discussion and Analysis"** or **"MD&A"** means management's discussion and analysis of the financial condition and results of operations of the Fund for the years ended December 31, 2010 and 2009,



management's discussion and analysis of the financial condition and results of operations of the Fund for the 13 weeks ended April 2, 2011 and April 3, 2010;

**"Meeting Materials"** has the meaning ascribed to it under **"Information Regarding Organization and Conduct of Meeting – Appointment and Revocation of Proxies"**;

**"Minister"** means the Minister of Finance (Canada);

**"Newco"** means Clearwater Seafoods Incorporated, a corporation incorporated under the laws of Canada and a wholly-owned Subsidiary of the Fund;

**"Newco Shareholders"** means the shareholders of Newco;

**"Newco Shares"** means the common shares in the share capital of Newco, which common shares will be issued to Unitholders in consideration for the transfer of their Units held as of the Effective Date pursuant to the Arrangement and to Holdco in consideration for its transfer of the Holdco Properties to Newco;

**"NOBOs"** has the meaning ascribed to it under **"Information Regarding Organization and Conduct of Meeting – Appointment and Revocation of Proxies"**;

**"Non-Registered Holders"** means the non-registered holders of the Debentures;

**"Non-Resident"** means (i) a Person who for the purposes of the Tax Act is neither a resident nor deemed to be a resident of Canada (including as a consequence of an applicable income tax treaty or convention); or (ii) a partnership that is not a **"Canadian partnership"** for the purposes of the Tax Act;

**"Non-Resident Holder"** has the meaning ascribed to it under **"Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada"**;

**"Normal Growth Guidelines"** has the meaning ascribed to it under **"Background to and Reasons for the Arrangement – Background to the Arrangement"**;

**"OBOs"** has the meaning ascribed to it under **"Information Regarding Organization and Conduct of Meeting – Appointment and Revocation of Proxies"**;

**"Partnership Agreement"** means the Limited Partnership Agreement governing the Limited Partnership;

**"Person"** means any individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, regulatory body or agency, government or governmental agency, authority or entity however designated or constituted;

**"Plan"** or **"Plan of Arrangement"** means the plan of arrangement, a copy of which is attached as Appendix "B" to this Circular, made pursuant to Section 192 of the CBCA, on the terms and subject to the conditions set out therein, subject to any amendments or variations thereto made in accordance with Section 7.1 of the Arrangement Agreement or Article 5 of the Plan of Arrangement, or at the direction of the Court in the Final Order;

**"Proxyholder"** has the meaning ascribed to it under **"Information Regarding Organization and Conduct of Meeting - Appointment and Revocation of Proxies"**;

**"Record Date"** means the close of business on July 20, 2011;

**"Registered Plans"** has the meaning ascribed to it under **"Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Eligibility for Investment"**;

**"Regulations"** has the meaning ascribed to it under **"Certain Canadian Federal Income Tax Considerations"**;

**"Regulation S"** means Regulation S under the 1933 Act;

**"Resident"** means a Person who is not a Non-Resident;

**"Resident Holder"** has the meaning ascribed to it under **"Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada"**;

**"SIFT Conversion Rules"** has the meaning ascribed to it under has the meaning ascribed to it under **"Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Conversion"**;

**"SIFT Rules"** has the meaning ascribed to it under **"Background to and Reasons for the Arrangement – Background to Arrangement – Tax Fairness Plan"**;

**"Special Trust Units"** means the special voting units of the Fund;

**"Subsidiary"** means, with respect to any Person, a subsidiary (as that term is defined in the CBCA (for such purposes, if such person is not a corporation, as if such person were a corporation)) of such Person and includes any limited partnership, joint venture, trust, limited liability company, unlimited liability company or other entity, whether or not having legal status, that would constitute a subsidiary (as described above) if such entity were a corporation;

**"Tax Act"** means the *Income Tax Act* (Canada) as amended, including the regulations promulgated thereunder;

**"Tax Proposals"** has the meaning ascribed to it under **"Certain Canadian Federal Income Tax Considerations"**;

**"TFSA"** has the meaning ascribed to it under **"Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada - Conversion"**;

**"Transfer Agent"** means Computershare Investor Services Inc.;

**"Trust"** means Clearwater Seafoods Holding Trust, an unincorporated open-ended trust created by the Trust Declaration of Trust, and governed by the laws of the Province of Ontario;

**"Trust Declaration of Trust"** means the declaration of trust of Trust dated July 17, 2002;

**"Trustee"** or **"Trustees"** means the trustees of the Fund or any one of such trustees;

**"Trust Proposal"** has the meaning ascribed to it under **"Background to and Reasons for the Arrangement – Background to the Arrangement - Tax Fairness Plan"**;

**"TSX"** means the Toronto Stock Exchange;

**"Units"** means the trust units of the Fund;

**"Unitholders"** means holders from time to time of Units;

**"United States"** or **"U.S."** means the United States, as defined in Rule 902(l) under Regulation S.

**"Voting Units"** means, collectively, the Units and the Special Trust Units; and

**"Voting Unitholders"** means, collectively, the holders from time to time of the Voting Units.

## INFORMATION REGARDING ORGANIZATION AND CONDUCT OF MEETING

### Solicitation of Proxies

**THIS CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION OF PROXIES ON BEHALF OF THE MANAGEMENT OF CLEARWATER SEAFOODS INCOME FUND (the "Fund") BY THE MANAGEMENT OF CS MANPAR INC. ("CS ManPar")**, the managing general partner of Clearwater Seafoods Limited Partnership ("**Limited Partnership**"), the Limited Partnership being administrator of the Fund, for use at the annual and special meeting of holders of the units and special trust units of the Fund (collectively, the "**Voting Unitholders**") to be held at the offices of McInnes Cooper, Suite 1300, Purdy's Wharf Tower II, 1969 Upper Water Street, Halifax, Nova Scotia, on Thursday, August 25, 2011 at 10:00 a.m. (Atlantic time), or at any adjournment thereof (the "**Meeting**"), for the purposes set forth in the accompanying Notice of Meeting.

Solicitation of proxies will be primarily by mail, but may also be by telephone, fax, personal contact or any other means of communication by the directors, officers, employees or agents of the Fund at nominal cost, or by the Trustees who will not be remunerated therefor. All costs of solicitation will be paid by the Fund. The Fund will also pay the fees and costs of intermediaries for their services in transmitting proxy-related material in accordance with National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer*.

### Appointment and Revocation of Proxies

#### *General*

Unitholders of the Fund may be "Registered Unitholders" or "Non-Registered Unitholders". If units and special trust units of the Fund (the "**Voting Units**") are registered in the name of an intermediary and not registered in the Voting Unitholder's name, they are said to be owned by a "Non-Registered Unitholder". An intermediary is usually a bank, trust company, securities dealer or broker, or a clearing agency in which an intermediary participates. The instructions provided below set forth the different procedures for Voting Units at the Meeting to be followed by Registered Unitholders and Non-Registered Unitholders.

The persons named in the enclosed instrument appointing proxy are officers of CS ManPar or Trustees of the Fund. **Each Unitholder has the right to appoint a person or company (who need not be a Unitholder) to attend and act for him or her at the Meeting ("Proxyholder") other than the persons designated in the enclosed form of proxy.** Your proxy authorizes the Proxyholder to vote and otherwise act for you at the Meeting, including any continuation after adjournment of the Meeting. Unitholders who have given a proxy also have the right to revoke it insofar as it has not been exercised. The right to appoint an alternate Proxyholder and the right to revoke a proxy may be exercised by following the procedures set out below under "*Registered Unitholders*" or "*Non-Registered Unitholders*", as applicable. If you leave the space in the proxy form blank, the persons designated in the form, are appointed to act as your Proxyholder.

If any Unitholder receives more than one proxy or voting instruction form, it is because that Unitholder's securities are registered in more than one form. In such cases, Unitholders should sign and submit all proxies or voting instruction forms received by them in accordance with the instructions provided.

#### *Registered Unitholders*

Registered Unitholders have two methods by which they can vote their Units at the Meeting, namely in person or by proxy. To assure representation at the Meeting, Registered Unitholders are encouraged to return the proxy included with this Circular. Sending in a proxy will not prevent a Registered Unitholder from voting in person at the Meeting. His or her vote will be taken and counted at the Meeting. Registered Unitholders who do not plan to attend the Meeting or do not wish to vote in person can vote by proxy.

Proxies must be received by the Fund's transfer agent, **Computershare Investor Services Inc.**, not later than **Tuesday, August 23, 2011, at 10:00 a.m. (Atlantic time)**. A Registered Unitholder must return the completed proxy to Computershare Investor Services Inc. as follows:

- (a) in **person** or by **mail** in the enclosed envelope or in an envelope addressed to Computershare Investor Services Inc., Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1; or
- (b) by **fax** to the attention of the Proxy Department at 1-866-249-7775 (within North America) or (416) 263-9524 (outside North America).

To exercise the right to appoint a person or company to attend and act for a Registered Unitholder at the Meeting, such Unitholder must strike out the names of the persons designated on the enclosed instrument appointing proxy and insert the name of the alternate appointee in the blank space provided for that purpose.

If you want to revoke your proxy after you have delivered it, you can do so any time before it is used. You can revoke your proxy by completing and signing a proxy bearing a later date and returning it to Computershare Investor Services Inc. in the manner and so as to arrive as described above. Alternatively, in addition to any other manner permitted by law, a Unitholder who has given a proxy may revoke it by instrument in writing, executed by the Unitholder or his or her attorney authorized in writing, or if the Unitholder is a corporation, by a duly authorized officer or attorney thereof, and deposited: (i) with the Toronto office of the Fund's transfer agent, Computershare Investor Services Inc. by 10:00 a.m. (Atlantic time) on August 23, 2011, (ii) at the head office of the Fund at Clearwater Seafoods Income Fund, 757 Bedford Highway, Bedford, Nova Scotia, B4A 3Z7 Attention: Assistant Secretary, Tyrone Cotie or via email at [tcotie@clearwater.ca](mailto:tcotie@clearwater.ca), at any time up to and including the last Business Day preceding the Meeting at which the proxy is to be used, or at any adjournment thereof, or (iii) with the Chairman of such Meeting on the date of the Meeting, or at any adjournment thereof, and upon either of such deposits the proxy is revoked.

If you revoke your proxy and do not replace it with another that is deposited with the Toronto office of the Fund's transfer agent, Computershare Investor Services Inc., by 10:00 a.m. (Atlantic time) on August 23, 2011, you can still vote your Voting Units, but must do so in person at the Meeting.

### ***Non-Registered Unitholders***

Non-Registered Unitholders who have not objected to their intermediary disclosing certain ownership information about themselves to the Fund are referred to as "**NOBOs**". Non-Registered Unitholders who have objected to their intermediary disclosing the ownership information about themselves to the Fund are referred to as "**OBOs**".

In accordance with the requirements of National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer* ("**NI 54-101**"), the Fund is sending the notice dated July 25, 2011 in respect of the Meeting, the Circular, either the voting instruction form ("**VIF**") to provide voting instructions to certain Unitholders in connection with the Meeting or the form of proxy, as applicable (collectively, the "**Meeting Materials**") directly to the NOBOs and, indirectly, through intermediaries to the OBOs.

### **Meeting Materials Received by OBOs from Intermediaries**

The Fund has distributed copies of the Meeting Materials to intermediaries for distribution to OBOs. Intermediaries are required to deliver these materials to all OBOs of the Fund who have not waived their rights to receive these materials, and to seek instructions as to how to vote Voting Units. Often, intermediaries will use a service company (such as Broadridge Financial Solutions, Inc.) to forward the Meeting Materials to OBOs.

OBOs who receive Meeting Materials will typically be given the ability to provide voting instructions in one of two ways:

- (1) Usually, an OBO will be given a VIF which must be completed and signed by the OBO in accordance with the instructions provided by the intermediary. In this case, the mechanisms described above for Registered Unitholders cannot be used and the instructions provided by the intermediary must be followed.
- (2) Occasionally, an OBO may be given a proxy that has already been signed by the intermediary. This form of proxy is restricted to the number of Voting Units owned by the OBO but is otherwise not completed. This form of proxy does not need to be signed by the OBO but must be completed by the OBO and returned to Computershare in the manner described above for Registered Unitholders.

The purpose of these procedures is to allow OBOs to direct the proxy voting of the Voting Units that they own but that are not registered in their name. Should an OBO who receives either a form of proxy or a VIF wish to attend and vote at the Meeting in person (or have another person attend and vote on their behalf), the OBO should strike out the persons named in the form of proxy as the proxy holder and insert the OBO's (or such other person's) name in the blank space provided or, in the case of a VIF, follow the corresponding instructions provided by the intermediary. **In either case, OBOs who received Meeting Materials from their intermediary should carefully follow the instructions provided by the intermediary.**

To exercise the right to revoke a proxy, an OBO who has completed a proxy (or a VIF, as applicable) should carefully follow the instructions provided by the intermediary.

Proxies returned by intermediaries as "non-votes" because the intermediary has not received instructions from the OBO with respect to the voting of certain shares or, under applicable stock exchange or other rules, the intermediary does not have the discretion to vote those shares on one or more of the matters that come before the Meeting, will be treated as not entitled to vote on any such matter and will not be counted as having been voted in respect of any such matter. Voting Units represented by such "non-votes" will, however, be counted in determining whether there is a quorum.

#### Meeting Materials Received by NOBOs from the Fund

As permitted under NI 54-101, the Fund has used a NOBO list to send the Meeting Materials directly to the NOBOs whose names appear on that list. If you are a NOBO and the Fund's transfer agent, Computershare, has sent these materials directly to you, your name and address and information about your holdings of Voting Units have been obtained from the intermediary holding such Voting Units on your behalf in accordance with applicable securities regulatory requirements.

As a result, any NOBO of the Fund can expect to receive a scannable VIF from Computershare. Please complete and return the VIF to Computershare in the envelope provided. In addition, telephone voting and internet voting are available as further described in the VIF. Instructions in respect of the procedure for telephone and internet voting can be found in the VIF. Computershare will tabulate the results of the VIFs received from the Fund's NOBOs and will provide appropriate instructions at the Meeting with respect to the Voting Units represented by the VIFs received by Computershare.

By choosing to send these materials to you directly, the Fund (and not the intermediary holding Voting Units on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. The intermediary holding Voting Units on your behalf has appointed you as the Proxyholder of such Voting Units, and therefore you can provide your voting instructions by completing the proxy included with the Circular in the same way as a Registered Unitholder. See "Information Regarding Organization and Conduct of Meeting – Appointment and Revocation of Proxies – Registered Unitholders" for a description of the procedure to return a proxy, your right to appoint another person or company to attend the meeting, and your right to revoke the proxy.

Although a Non-Registered Unitholder may not be recognized directly at the Meeting for the purposes of Voting Units registered in the name of his or her broker, a Non-Registered Unitholder may attend the Meeting as Proxyholder for the Registered Unitholder and vote the Voting Units in that capacity. Non-Registered Unitholders who wish to attend the Meeting and indirectly vote their Voting Units as Proxyholder for the Registered Unitholder should enter their own names in the blank space on the form of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker.

### **Exercise of Proxies**

Where a choice is specified, the Voting Units represented by proxy will be voted for, withheld from voting or voted against, as directed, on any poll or ballot that may be called. **Where no choice is specified, the proxy will confer discretionary authority and will be voted in favour of all matters referred to on the form of proxy. The proxy also confers discretionary authority to vote for, withhold from voting, or vote against amendments or variations to the matters identified in the Notice of Meeting and with respect to other matters not specifically mentioned in the Notice of Meeting but which may properly come before the Meeting.**

Management of CS ManPar and the Fund has no present knowledge of any amendments or variations to matters identified in the Notice of Meeting or any business that will be presented at the Meeting other than that referred to in the Notice of Meeting. However, if any other matters properly come before the Meeting, it is the intention of the persons named in the enclosed instrument appointing proxy to vote in accordance with the recommendations of Management.

### **Confidentiality**

All proxies are considered confidential and will be returned to the Fund's transfer agent, Computershare Investor Services Inc. The transfer agent's Stock Transfer Services division will count the proxies and tabulate the results, which will be verified by the Meeting's scrutineers. The transfer agent will refer a proxy to the Fund if it has a comment intended for the Fund's Trustees on it, or in connection with applicable legal requirements.

### **Voting Units and Principal Unitholders**

The beneficial interests in the Fund are divided into interests in two classes:

- (a) a class described and designated as "**Units**", of which 27,745,695 are issued and outstanding as of the date hereof; and
- (b) a class described and designated as "**Special Trust Units**", of which 23,381,217 are issued and outstanding as of the date hereof.

The Units and Special Trust Units are collectively referred to as the "**Voting Units**" in this Circular to the extent any of such units have voting rights at the Meeting. An unlimited number of Units and Special Trust Units may be created and issued by the Fund from time to time, provided that the Special Trust Units will be issued only to holders of record of securities that are ultimately exchangeable, exercisable or convertible into Units. CFFI holds directly and indirectly the Class B GP Units of the Limited Partnership, and such units are exchangeable for Units of the Fund. If all of the Class B GP Units of the Limited Partnership were exchanged as of the date hereof, CFFI would own a total of 24,656,422 Units, including 23,381,217 Units issued on such exchange. The Special Trust Units were issued to CFFI and allow it to vote at the Meeting as if it owned such Units of the Fund.

The Units and the Special Trust Units will entitle the holder thereof to one (1) vote for each Unit or Special Trust Unit, as applicable, held at meetings of Unitholders. On each matter to be dealt with at the Meeting, the Units and the Special Trust Units will vote together as a group. As of the date hereof, the issued and outstanding Voting Units represent, in aggregate, 51,126,912 votes.

The Trustees have fixed the record date for the Meeting as the close of business on July 20, 2011 (the "**Record Date**"). Only Voting Unitholders as of the close of business on the Record Date will be entitled to vote at the

Meeting. Voting Unitholders entitled to vote shall have one (1) vote each on a show of hands and one (1) vote per Voting Unit on a poll. If a person acquires ownership of Voting Units after the Record Date, such person may, not later than ten (10) days before the Meeting, establish the right to vote by: (i) providing evidence satisfactory to the Trustees of his or her ownership of the Voting Units and of the person from whom such Voting Units were purchased; and (ii) requesting that his or her name be placed on the voting list. Such materials should be sent to the Fund's legal counsel, McInnes Cooper, at 1300-1969 Upper Water Street, Purdy's Tower II, Halifax, Nova Scotia B3J 3R7, Attention: Colleen Keyes.

**Two or more individuals present in person either holding personally or representing as proxies not less than an aggregate of 10% of the votes attached to the outstanding Voting Units will constitute a quorum at the Meeting.**

As at July 20, 2011, to the knowledge of the Trustees and the directors and officers of CS ManPar, the only persons or companies who beneficially own, directly or indirectly, or exercise control or direction over Voting Units carrying more than ten percent (10%) of the voting rights attached to all outstanding Voting Units of the Fund are as follows:

Name	Number of Units or Special Trust Units	Percentage of Voting Units (Units and Special Trust Units together) Owned on a Fully Diluted Basis
CFFI <sup>(1)</sup>	1,275,205 Units 23,381,217 Special Trust Units <sup>(2)</sup>	48.23%
Cooke Aquaculture Inc. <sup>(3)</sup>	5,591,675 Units	10.94%

Notes:

- (1) Messrs. Colin MacDonald and John Risley control CFFI and are directors of CFFI and, as such, indirectly own and control and direct the Units and Special Trust Units owned by CFFI.
- (2) Each Special Trust Unit was issued concurrently with the issuance of an Exchangeable Unit, which, subject to certain restrictions, will be exchangeable for Units on a one-for-one basis, subject to adjustment in certain circumstances. Upon exchange of the Exchangeable Units for Units of the Fund, the associated Special Trust Units will be cancelled. CFFI shall transfer all of its Voting Units to Holdco not later than December 30, 2011.
- (3) Based on public filings with securities regulatory authorities in Canada on SEDAR.

## SPECIAL BUSINESS OF THE MEETING

### **Special Business**

The Meeting will be constituted as an annual, as well as a special meeting. As part of the special business set out in the Notice of Meeting, Voting Unitholders will be asked to consider and vote to approve the Arrangement Resolution.

### **Approval of the Arrangement Resolution**

At the Meeting, Voting Unitholders will be asked to consider and to vote to approve the Arrangement Resolution approving the Arrangement and other related transactions.

The Arrangement Resolution must be approved by not less than sixty-six and two-thirds percent (66 2/3%) of the aggregate votes cast by Voting Unitholders, in person or by proxy. The Arrangement is also subject to the approval of the Supreme Court of Nova Scotia and all necessary regulatory approvals.

**If you do not specify how you want your Units voted, the persons names as Proxyholders will cast the votes represented by proxy at the Meeting FOR the Arrangement Resolution.**

For more information, see "Background to and Reasons for the Arrangement" and "The Arrangement".

## **BACKGROUND TO AND REASONS FOR THE ARRANGEMENT**

### **Background to the Arrangement**

#### ***Introduction of SIFT Taxation Rules***

On October 31, 2006, the Minister of Finance announced his proposal (the "**Trust Proposal**") to apply a tax at the trust level on distributions of certain income from, among other entities, publicly traded mutual fund trusts at a rate of tax comparable to the combined federal and provincial corporate tax rate and to treat such distributions as dividends to Unitholders. The Minister announced that existing trusts would have a four (4) year transition period and generally would not be subject to the new rules until 2011, provided such trusts experienced only "normal growth" and no "undue expansion" before then. The announcement had an immediate impact on the Canadian capital markets and resulted in a significant decline in trading prices for income trusts, including the Fund, royalty trusts and numerous other Canadian securities.

On December 15, 2006, the Minister released further guidance (the "**Normal Growth Guidelines**") concerning the proposed tax changes including, without limitation, what would be considered "normal growth" for the purposes of the Trust Proposal, as well as the Department of Finance's confirmation that it would not recommend any extension of the four year transition period. Bill C-52, Budget Implementation Act, 2007, which received Royal Assent on June 22, 2007, contained rules (the "**SIFT Rules**") relating to the tax treatment of "specified investment flow-through" entities, which are designed, among other things, to implement the Trust Proposal.

Historically, the Fund has not been liable for any amounts of income tax under the Tax Act because it generally is entitled to deduct (and has fully deducted) distributions to Unitholders in computing its income that would otherwise be subject to tax. Commencing in 2011, the Fund will not be entitled to deduct, and hence will be liable, under the SIFT Rules, to pay income tax under the Tax Act at a rate comparable to the combined federal and provincial corporate tax rate on certain income distributed to its Unitholders.

As a result of the SIFT Rules, the Fund's income trust structure increasingly limits the ability of the Fund to secure financing for operating and expansion requirements, to refinance existing indebtedness and to pursue its growth objectives.

### **Reasons for and Benefits of Conversion**

As the Fund became subject to the SIFT Rules in 2011, the comparative income tax advantage of the income trust structure over a corporate structure has been eliminated. The Fund will no longer be entitled to deduct distributions made to Unitholders in calculating its taxable income and, as such, the Fund will be liable to pay income tax on such income distributed to Unitholders at a rate comparable to the combined federal and provincial corporate tax rate. As a result, the SIFT Rules will reduce the amount the Fund has available to distribute to Unitholders to the extent of the SIFT tax payable on distributions made to Unitholders. Unitholders will be deemed to have received eligible dividends from a taxable Canadian corporation equal to the amount of the distributions. In effect, the Fund will be subject to tax as if it was a corporation resulting in the loss of the tax and cash yield benefits that underpinned the rationale for the adoption of an income trust structure in the first instance.

In the past number of months, the Board of Trustees, in consultation with its advisors, have reviewed the SIFT Rules and concluded that the trust structure has ceased to be an effective structure for the maximization of Unitholder value since the beginning of 2011 and that Unitholders will benefit from conversion of the Fund.

Benefits of the Arrangement are expected to be as follows:

- (a) continuing to carry on business under a trust structure will be more cumbersome from tax, financing, legal and accounting perspectives. Conversion to corporate form under the Arrangement will lead to a more simplified and efficient structure.



- (b) the Arrangement provides the Fund with an effective method of converting from a trust to a corporation consistent with new measures included in the Tax Act on March 12, 2009 which were designed to facilitate tax-efficient transactions similar to the Arrangement if completed prior to December 31, 2012. The Arrangement is tax-deferred for the Fund and Resident Holders. No tax will be payable by the Fund and a tax deferred "rollover" for Canadian federal income tax purposes will be available for the exchange of Units for Newco Shares.
- (c) conversion will result in greater flexibility to access debt and capital markets.
- (d) conversion to a corporation should result in a more active and attractive market for the Shares than exists for the Units following the full implementation of the SIFT Rules in 2011 due to the diminishing value associated with the trust structure.
- (e) conversion to a corporation will allow investors to more easily compare the value of Newco against its corporate peers.

The foregoing discussion of the information and factors considered and given weight by the Board of Trustees is not intended to be exhaustive.

#### **Approval and Recommendation of the Board of Trustees**

**The Board of Trustees has unanimously determined that the Arrangement is in the best interests of the Fund and its Unitholders, and recommends that the Unitholders vote in favour of the Arrangement Resolution.**

In approving the Arrangement and in making this recommendation, the Trustees relied upon legal, tax and other advice and information provided to the Board of Trustees, and considered a number of factors, including the reasons and benefits discussed in this Circular under "Reasons for and Benefits of Conversion". In view of the variety of factors considered in connection with its evaluation of the Arrangement, the Board of Trustees did not find it practicable to and did not quantify or otherwise assign relative weights to the specific factors considered in reaching its determination as to the fairness of the Arrangement.

As at July 20, 2011, the Trustees and the directors of CS ManPar and their associates beneficially own, directly or indirectly, or exercise control or direction over an aggregate of 5,626,770 Units, representing approximately 11.01% of the outstanding Units. Each of the members of the Board of Trustees and each of the directors of CS ManPar have indicated they intend to vote all of their Units (if any) in favour of the Arrangement Resolution.

CFFI beneficially owns, directly or indirectly, or exercises control or direction over an aggregate of 24,656,422 Voting Units, representing approximately 48.23% of the outstanding Voting Units. Mickey MacDonald beneficially owns, directly or indirectly, or exercises control or direction over, an aggregate of 4,997,060 Units, representing approximately 9.77% of the issued and outstanding Voting Units. CFFI and Mickey MacDonald have indicated that they intend to vote all of their Voting Units in favour of the Arrangement Resolution. In total this represents 29,653,482 Voting Units representing approximately 58% of the outstanding Voting Units. Not later than December 30, 2011, CFFI and Mickey MacDonald shall transfer their securities of the Fund, the Limited Partnership and CS ManPar, as applicable, so that it shall be Holdco that shall participate in the Arrangement.

### **THE ARRANGEMENT**

#### **Effect of the Arrangement**

##### ***General***

If approved, the Arrangement will result in the reorganization of the Fund's income trust structure into a public corporation named Clearwater Seafoods Incorporated ("**Newco**"), and the Voting Unitholders will become the shareholders of Newco, which will own all of what are, prior to the Effective Date, the Units of the Fund. Immediately thereafter, the Fund will windup into Newco and be dissolved.

It is anticipated that the board of directors of Newco will be comprised of the current members of the Board of Trustees of the Fund, being Thomas D. Traves, Bernard R. Wilson and Harold Giles, as well as the current directors of CS ManPar who are not trustees of the Fund, namely Colin MacDonald, John Risley, Brendan Paddick, Mickey MacDonald and Stan Spavold.

### ***Effect on Unitholders***

Under the Arrangement, the Units held by Unitholders will be transferred to Newco in consideration for Newco Shares, on the basis of one (1) Newco Share for each one (1) Unit so transferred. The TSX has conditionally approved the substitutional listing of the Newco Shares issuable pursuant to the Arrangement and the Debentures to be assumed by Newco pursuant to the Arrangement under the symbols "CLR", and "CLR.DB.A" and "CLR.DB.B", respectively, subject to Newco fulfilling the requirements of the TSX. As well, the TSX has conditionally approved the listing of the Newco Shares to be reserved for issuance on conversion, redemption or maturity of the Debentures. Listing will be subject to Newco fulfilling all of the requirements of the TSX prior to the Effective Time.

Newco will be governed by the CBCA and a Unitholder's rights and responsibilities as a shareholder of Newco will be different than they were as a Unitholder. See "The Arrangement - Arrangement Steps", "Appendix "F" – "Comparison of Rights as a Unitholder and as a Newco Shareholder", "Certain Canadian Federal Income Tax Considerations", and "The Arrangement - Procedure for Exchange of Units".

### ***Effect on Debentureholders***

As at July 20, 2011, there were \$44,389,000 aggregate principal amount of 7.25% Convertible Debentures outstanding. The 7.25% Convertible Debentures are convertible into Units at the option of the holder at any time prior to the close of business on the earlier of maturity of the 7.25% Convertible Debentures and the Business Day immediately preceding the date specified by the Fund for redemption of the 7.25% Convertible Debentures, at a conversion price of \$5.90 per Unit.

As at July 20, 2011, there were \$45,000,000 aggregate principal amount of 10.5% Convertible Debentures outstanding. The 10.5% Convertible Debentures are convertible into Units at the option of the holder at any time prior to the close of business on the earlier of maturity of the 10.5% Convertible Debentures and the Business Day immediately preceding the date specified by the Fund for redemption of the 10.5% Convertible Debentures, at a conversion price of \$3.25 per Unit.

In connection with the Arrangement, Newco will assume all of the covenants and obligations of the Fund under the Indenture in respect of the outstanding Debentures. Provided the Arrangement is completed, holders of Debentures will be entitled to receive Newco Shares, rather than Units, on conversion of such Debentures after the Effective Date, on the same conversion basis as Units were previously issuable on conversion thereof. All other terms and conditions of the Indenture will continue to apply. The transactions contemplated by the Arrangement do not result in a "change of control", as defined in the Indenture.

As a result, following completion of the Arrangement, holders of 7.25% Convertible Debentures who subsequently wish to convert their 7.25% Convertible Debentures will be entitled to receive 169.49 Newco Shares for each 1,000 principal amount of 7.25% Convertible Debentures converted, subject to adjustment in certain events as provided in the Indenture.

As a result, following completion of the Arrangement, holders of 10.5% Convertible Debentures who subsequently wish to convert their 10.5% Convertible Debentures will be entitled to receive 307.69 Newco Shares for each 1,000 principal amount of 10.5% Convertible Debentures converted, subject to adjustment in certain events as provided in the Indenture.

The TSX has conditionally approved the listing of the Debentures to be assumed by Newco pursuant to the Arrangement and has also conditionally approved the additional listing of the Newco Shares to be reserved for issuance upon conversion, redemption or maturity of the Debentures to be assumed by Newco, subject in each case

to Newco fulfilling the listing requirements of such exchange. Following the Effective Date, the Debentures will be listed on the TSX under the symbols "CLR.DB.A" and "CLR.DB.B", respectively.

Immediately following the Effective Time, Newco and the Debenture Trustee will enter into a supplemental debenture indenture giving effect to the assumption of the Debentures by Newco in accordance with the requirements of the Indenture.

Reference is made to the Fund's AIF, which is incorporated by reference in this Circular, for additional information relating to the Debentures.

### ***Effect on Distributions***

In January, 2008, the Fund suspended distributions to Unitholders and has not resumed payment. No distributions were paid in 2009, 2010 or 2011 to the date of this Circular.

If the Arrangement is approved by the Voting Unitholders at the Meeting and the Arrangement is implemented, no assurance can be given as to whether Newco will pay dividends, or the frequency or amount of any such dividend.

The declaration of dividends will be subject to the discretion of the board of directors of Newco and may vary depending on, among other things, Newco's operating cash flow, financial requirements, limitations or restrictions under credit facilities, the requirements of the CBCA for the declaration of dividends and other conditions existing at such future time. **As a result, no assurance can be given as to whether Newco will pay dividends, or the frequency or amount of any such dividend.**

### ***Newco Tax Position Post-Arrangement***

Newco is subject to Canadian federal and provincial corporate income tax on its taxable income earned in Canada, calculated in accordance with the Tax Act. Newco expects to be subject to tax on its taxable income earned in Canada at an effective tax rate of approximately thirty-one percent (31%) for its 2012 and subsequent taxation years. The Arrangement will not have any impact on the taxation of any subsidiaries, foreign or domestic, of the Limited Partnership.

### ***Pre-Arrangement Steps***

Prior to the steps to be completed in connection with the Arrangement, CFFI shall transfer the 1,275,205 Units, 23,381,217 Class B GP Units and 51 GP Common Shares it owns to Holdco at the same time that Mickey MacDonald transfers the 4,997,060 Units beneficially held by him to Holdco.

### **Arrangement Steps**

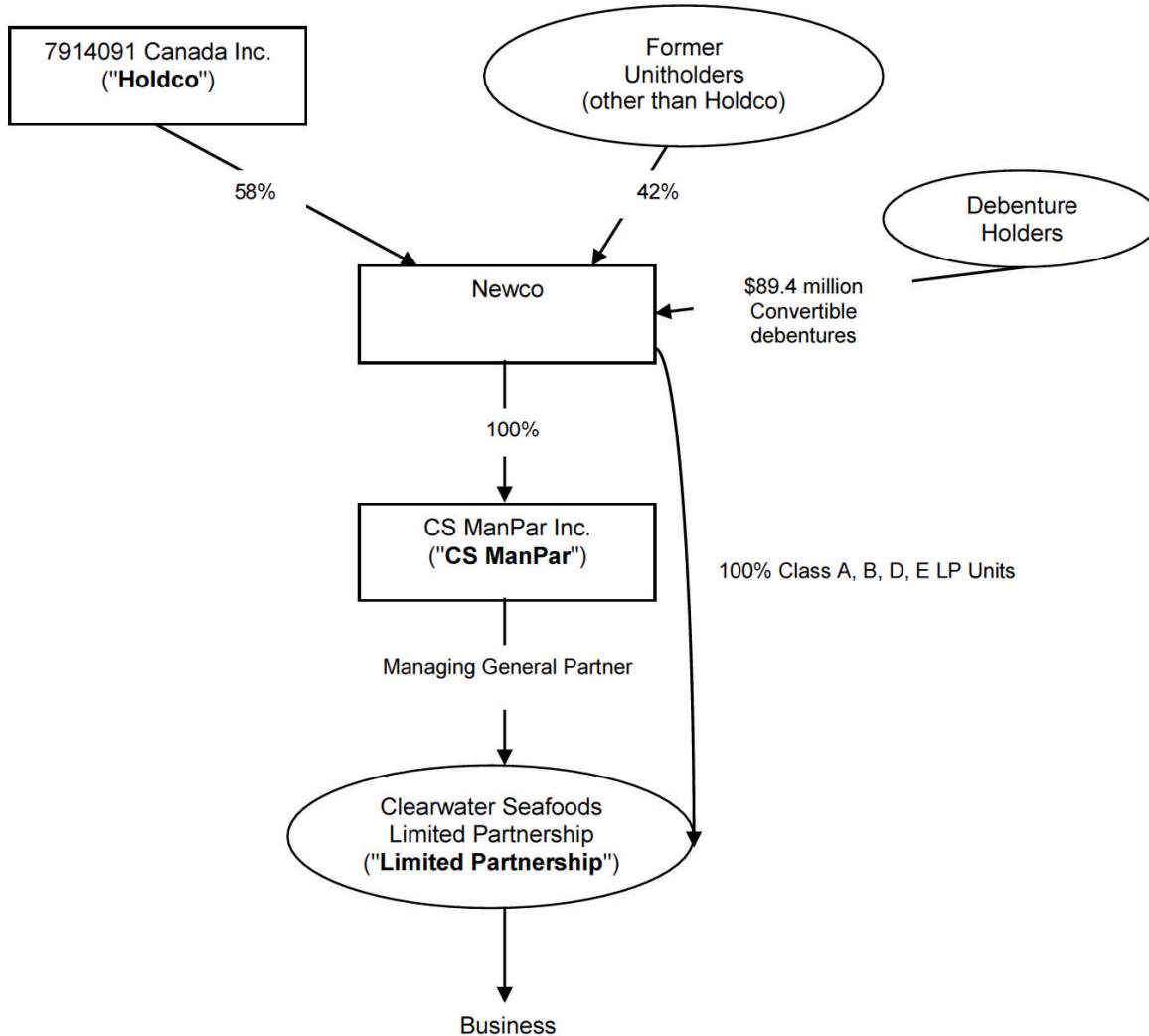
Pursuant to the Arrangement, commencing at the Effective Time, each of the events set out below shall occur and shall be deemed to occur in the following order without any further act or formality except as otherwise provided in the Plan of Arrangement:

- (a) the Fund Declaration of Trust shall be amended, to the extent necessary, to facilitate the Arrangement as provided therein;
- (b) the Trust Declaration of Trust shall be amended, to the extent necessary, to facilitate the Arrangement as provided therein;
- (c) the Partnership Agreement shall be amended, to the extent necessary, to facilitate the Arrangement as provided therein;
- (d) the Exchange Agreement shall be amended, to the extent necessary, to facilitate the Arrangement as provided therein;

- (e) the GP Common Shares will be split on a 458,455.2352 for every one GP Common Share basis with fractions rounded to the nearest whole number on the split, such that the number of GP Common Shares held by Holdco will be equal to the number of Special Trust Units outstanding;
- (f) Holdco will exchange its Class B GP Units for Class B LP Units on a one-for-one basis;
- (g) all of the issued and outstanding Voting Units held by Voting Unitholders (that are not Special Trust Units) shall be transferred to Newco (free of any claims) in consideration for Newco Shares on the basis of one (1) Newco Share for each Voting Unit so transferred and there shall be added to the stated capital account maintained for the Newco Shares an amount to be determined by the board of directors of Newco in accordance with Section 26 of the CBCA;
- (h) Holdco will transfer all of the Holdco Properties to Newco in exchange for 23,381,217 Newco Shares;
- (i) the one hundred (100) Newco Shares issued to the Fund in connection with the incorporation and organization of Newco shall be purchased for cancellation by Newco for consideration of one dollar (\$1.00) per Newco Share, and shall be cancelled;
- (j) (i) the Trust will distribute all of its assets, including all of its interest in the Limited Partnership, to the Fund, (ii) the Fund will assume all of the liabilities of the Trust, and (iii) the Trust will be dissolved in accordance with applicable law and the Trust Declaration of Trust; and
- (k) (i) the Fund will distribute all of its assets, including all of its interest in the Limited Partnership, to Newco, (ii) Newco will assume all of the liabilities of the Fund including the Fund's obligations under the Indenture and the Fund will be released therefrom, in accordance with the terms of the Indenture, and (iii) the Fund will be dissolved in accordance with applicable law and the Fund Declaration of Trust.

### Post-Arrangement Structure

Following the Effective Date, the Voting Unitholders will be shareholders of Newco. The following diagram illustrates the organizational structure of Newco immediately following the completion of the Arrangement.



Upon the completion of the Arrangement, an aggregate of approximately 51,126,912 million Newco Shares will be issued and outstanding. See "The Arrangement - Effect of the Arrangement" and "Appendix "E" - Information Concerning Newco".

### Arrangement Agreement

On July 25, 2011, the Fund, the Trust, the Limited Partnership, Newco, CS ManPar and Holdco entered into the Arrangement Agreement. **The following description of certain material provisions of the Arrangement Agreement is a summary only, is not comprehensive and is qualified in its entirety by reference to the full text of the Arrangement Agreement, which is available on SEDAR.** Voting Unitholders are encouraged to read the Arrangement Agreement in its entirety.

### ***Effective Time, Pre-Arrangement Steps and Arrangement Steps***

The Arrangement Agreement provides that the Arrangement shall become effective at the Effective Time provided in the Plan of Arrangement, which is 12:01 a.m. (Eastern Time) on the Effective Date. The Arrangement Agreement specifies that, prior to the Arrangement, the steps described under "The Arrangement – Pre-Arrangement Steps" will occur. The Arrangement Agreement further sets out the parties' agreement that the Arrangement will be implemented in accordance with the terms thereof, and as more fully set forth in the Plan of Arrangement and this Circular. See "The Arrangement – Arrangement Steps".

### ***Representations and Warranties***

The Arrangement Agreement contains covenants, representations and warranties of and from each of the parties to the Arrangement Agreement, which are customary for this type of transaction.

### **Procedure for Arrangement Becoming Effective**

The Arrangement is proposed to be carried out pursuant to Section 192 of the CBCA. The following procedural steps must be taken for the Arrangement to become effective:

- (a) the Arrangement must be approved by not less than sixty-six and two-thirds percent (66 2/3%) of the aggregate votes cast by the Voting Unitholders, either in person or by proxy, at the Meeting;
- (b) the Arrangement must be approved by the Court and the Final Order granted;
- (c) all conditions precedent to the Arrangement, including those set forth in the Arrangement Agreement, must be satisfied or waived by the appropriate parties; and
- (d) the Final Order, Articles of Arrangement and related documents, in the form prescribed by the CBCA, must be filed with the Director and the Certificate must be issued by the Director.

### ***Voting Unitholder Approvals***

The Arrangement Resolution must be approved by not less than sixty-six and two-thirds percent (66 2/3%) of the aggregate votes cast by Voting Unitholders, in person or by proxy.

Notwithstanding the foregoing, the Arrangement Resolution proposed for consideration by the Voting Unitholders authorizes the Board of Trustees, without further notice to or approval of such Voting Unitholders, subject to the terms of the Arrangement, to amend or terminate the Arrangement Agreement or the Plan of Arrangement, or to revoke the Arrangement Resolution at any time prior to the Arrangement becoming effective pursuant to the provisions of the CBCA. The full text of the Arrangement Resolution is attached as Appendix "A" to this Circular.

CFFI and Mickey MacDonald have indicated that they intend to vote all of their Voting Units in favour of the Arrangement Agreement. In total, this represents 29,653,482 Voting Units or 58% of the issued and outstanding Voting Units.

### ***Court Approvals***

The Arrangement is also subject to the approval of the Supreme Court of Nova Scotia and all necessary regulatory approvals.

### **Interim Order**

On July 25, 2011, the Court granted the Interim Order facilitating the calling of the Meeting and prescribing the conduct of the Meeting and other matters. A copy of the Interim Order is enclosed with this Circular.

### Final Order

The CBCA provides that an arrangement requires court approval. Subject to the terms of the Arrangement Agreement, and if the Arrangement Resolution is approved by the Voting Unitholders at the Meeting in the manner required by the Interim Order, Newco and the Fund will make an application to the Court for the Final Order.

The application for the Final Order approving the Arrangement is scheduled for Tuesday, September 13, 2011, at 9:30 a.m. (Atlantic time), at the Law Courts, 1815 Upper Water Street, Halifax, Nova Scotia, or at such later date to which the application for the Final Order may be adjourned. At this hearing, any Unitholder who wishes to participate or be represented or to present evidence or arguments may do so by filing the appropriate notice of appearance and satisfy other requirements.

The Fund has been advised by its counsel, McInnes Cooper, that the Court has broad discretion under the CBCA when making orders with respect to the Arrangement and that the Court will consider, among other things, the fairness and reasonableness of the Arrangement, both from a substantive and a procedural point of view. The Court may approve the Arrangement, either as proposed or as amended, in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court thinks fit. Depending upon the nature of any required amendments, the Fund may determine not to proceed with the Arrangement.

### ***Conditions Precedent to the Arrangement***

All conditions precedent to the Arrangement, including those set forth in the Arrangement Agreement, must be satisfied or waived by the appropriate parties.

### ***Dissent Rights***

The Fund's Declaration of Trust does not provide for a Unitholder right of dissent in respect of the Arrangement or approval of the Arrangement Resolution.

### **Timing of the Arrangement**

If the Meeting is held as scheduled and is not adjourned and the conditions precedent existing at that time are satisfied or waived, Newco and the Fund, will apply for the Final Order approving the Arrangement on Tuesday, September 13, 2011, at 9:30 a.m. (Atlantic time). If the Final Order is obtained on September 13, 2011, in form and substance satisfactory to Newco and the Fund and all other conditions set forth in the Arrangement Agreement are satisfied or waived, the Fund expects the Effective Date to be on or about December 31, 2011. It is not possible, however, to state with certainty when the Effective Date will be.

The Arrangement will become effective upon issuance by the Director of the Certificate following the filing with the Director of the Articles of Arrangement and a copy of the Final Order, together with such other materials as may be required by the Director.

The Fund's objective is to have the Effective Date occur on or about December 31, 2011. The Effective Date could be delayed, however, for a number of reasons, including an objection before the Court at the hearing of the application for the Final Order on September 13, 2011.

### **Procedure for Exchange of Units**

**From and after the Effective Time, certificates formerly representing Units exchanged pursuant to the Plan of Arrangement shall represent only Newco Shares to which the Unitholders are entitled pursuant to the Arrangement.**

As the Units trade only in the "book-entry" system administered by CDS Clearing and Depository Services Inc. and no certificates have been issued, or can be issued, to Non-Registered Holders, no new certificates representing Newco Shares will be issued to beneficial holders of Units following the completion of the Arrangement and the

beneficial holders of Units need not take any action. Newco will issue a global certificate to CDS Clearing and Depository Services Inc. representing the issued and outstanding Newco Shares issued to former Unitholders as of the Effective Date.

Under the CBCA, every shareholder is entitled, at their option, to a certificate representing the Newco Shares held by such shareholder, or a non-transferable written acknowledgement of their right to obtain such certificate from Newco in respect of the shares held by them.

### **Ownership Interests and Advisors**

As at July 20, 2011, the Trustees and the directors and officers of CS ManPar and their associates, as a group, beneficially own, directly or indirectly, or exercise control or direction over an aggregate of 739,091 Units, representing approximately 1.45% of the outstanding Units (excluding Mickey MacDonald, who is discussed below). Each of the members of the Board of Trustees and each of the directors and officers of CS ManPar has indicated that they intend to vote all of their Units (if any) in favour of the Arrangement Resolution. Immediately after giving effect to the Arrangement, it is anticipated that the current Trustees and the directors and officers of CS ManPar and their associates, as a group (excluding Mickey MacDonald, who is discussed below), would beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of approximately 739,091 Newco Shares, representing approximately 1.45% of the outstanding Newco Shares.

As at July 20, 2011, CFFI beneficially owns, directly or indirectly, or exercises control or direction over 24,656,422 Voting Units or 48.23% of the Fund's outstanding Voting Units. CFFI and Mickey MacDonald have indicated that they intend to vote all of their Voting Units in favour of the Arrangement Resolution at the Meeting. The securities of the Fund, the Limited Partnership and CS ManPar held by CFFI and Mickey MacDonald, as applicable, shall be transferred to Holdco not later than December 30, 2011. Immediately after giving effect to the Arrangement, Holdco will beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of approximately 29,653,482 Newco Shares, representing approximately 58% of the outstanding Newco Shares, assuming Holdco (or CFFI or Mickey MacDonald, prior to the transfer of their securities to Holdco) do not acquire or dispose of any Units.

As at July 20, 2011, Cooke Aquaculture Inc. ("**Cooke**") beneficially owns, directly or indirectly, or exercises control or direction over, 5,591,675 Units or 10.94% of the Fund's outstanding Voting Units. Immediately after giving effect to the Arrangement, Cooke will beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of approximately 5,591,675 Newco Shares, representing approximately 10.94% of the outstanding Newco Shares, assuming Cooke does not acquire or dispose of any Units prior to the Effective Date.

### **Expenses of the Arrangement**

The estimated costs to be incurred by the Fund and Newco with respect to the Arrangement and related matters including, without limitation, financial advisory, accounting and legal fees, and the preparation, printing and mailing of this Circular and other related documents and agreements, are expected to aggregate approximately \$1,000,000.

### **Stock Exchange Listing**

It is a condition to completion of the Arrangement that the TSX shall have conditionally approved the listing or the substitutional listing of the Newco Shares, subject to fulfilling the requirements of the TSX as soon as possible after the Effective Time. The TSX has conditionally approved the substitutional listing of the Newco Shares issuable pursuant to the Arrangement and the Debentures to be assumed by Newco pursuant to the Arrangement under the symbols "CLR" and "CLR.DB.A", and "CLR.DB.B", respectively, subject to Newco fulfilling the requirements of the TSX. As well, the TSX has conditionally approved the listing of the Newco Shares to be reserved for issuance on conversion, redemption or maturity of the Debentures.

Following the Effective Date, the Units and the Debentures will be delisted from the TSX.

### **Securities Law Matters**



## *Canada*

All securities to be issued under the Arrangement, including, without limitation, the Newco Shares to the Unitholders, will be issued in reliance on exemptions from prospectus and registration requirements of applicable Canadian securities laws and, following completion of the Arrangement, the Newco Shares will generally be "freely tradable" (other than as a result of any "control block" restrictions which may arise by virtue of the ownership thereof) under applicable Canadian securities laws of the provinces and territories of Canada.

Pursuant to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"), a transaction which meets the definition of either a "business combination" or a "related party transaction" may require a formal valuation and minority Unitholder approval unless an exemption is available under MI 61-101. The Arrangement is not a "business combination" as it is a "downstream transaction" which is specifically excluded from the definition of a "business combination" and a related party of the Fund: (a) will, as a consequence of the Arrangement, acquire the Fund or the business of the Fund, (b) is a party to any connected transaction, or (c) is entitled to receive, directly or indirectly, any collateral benefit or consideration that is greater than the entitlement of the general body of Unitholders. The requirements which apply to "related party transactions" under MI 61-101 do not apply to related party transactions that are "downstream transactions" and so the Fund is not required to obtain a formal valuation or to obtain minority approval of the Arrangement.

As steps in the Plan of Arrangement, terms of the Partnership Agreement and Exchange Agreement will be amended to allow the exchange of the Class B GP Units for Class B LP Units on a one-for-one basis and the transfer of the Class B LP Units (and the associated Special Trust Units) in exchange for Newco Shares on a tax-deferred basis. There will not be any amendment to the exchange ratio and this will not result in Holdco receiving a different number of Newco Shares than it would otherwise have received had the Class B GP Units been exchanged for Units pursuant to the terms of the Exchange Agreement and such Units then transferred to Newco in exchange for Newco Shares. The Class B GP Units are being exchanged for Class B LP Units so that Newco will not become a general partner of the Limited Partnership upon acquiring the securities transferred to it from Holdco.

## *United States*

The securities to be issued under the Arrangement to Unitholders will not be registered under the 1933 Act. Such securities will be issued in reliance upon the exemption from registration provided by Section 3(a)(10) of the 1933 Act. Section 3(a)(10) exempts securities issued in exchange for one or more outstanding securities from the general requirement of registration where the terms and conditions of the issuance and exchange of such securities have been approved by any court of competent jurisdiction, after a hearing upon the fairness of the terms and conditions of the issuance and exchange at which all Persons to whom the securities will be issued have the right to appear and receive timely notice thereof. The Court is authorized to conduct a hearing at which the fairness of the terms and conditions of the Arrangement will be considered. The Court granted the Interim Order on July 25, 2011 and, subject to the approval of the Arrangement by the Voting Unitholders, a hearing on the Arrangement will be held on September 13, 2011 by the Court. See "The Arrangement - Procedure for Arrangement Becoming Effective - Court Approvals - Final Order".

The Newco Shares to be held by the Unitholders following completion of the Arrangement will be freely tradable in the United States under United States federal securities laws, except by Persons who will be "affiliates" of Newco after the Arrangement. Persons who may be deemed to be "affiliates" of an issuer include individuals or entities that control, are controlled by, or are under common control with, the issuer, and generally include executive officers and directors of the issuer as well as principal shareholders of the issuer.

Any resale of such Newco Shares by such an affiliate may be subject to the registration requirements of the 1933 Act, absent an exemption therefrom. Subject to certain limitations, such affiliates may immediately resell Newco Shares outside the United States without registration under the 1933 Act pursuant to Regulation S. Persons who are affiliates of Newco after the Arrangement may only resell their Newco Shares in the manner contemplated by Rule 144 under the 1933 Act. Rule 144 generally provides that such affiliates may not sell the Newco Shares received pursuant to the Arrangement unless pursuant to an effective registration statement or in accordance with the volume, current public information and manner of sale limitations of Rule 144. These limitations generally require that any sales made by an affiliate in any three (3) month period not exceed the greater of one percent (1%) of the

outstanding securities of Newco or, if such securities are listed on a United States securities exchange (such as the NYSE or NASDAQ), the average weekly trading volume over the four (4) calendar weeks preceding the placement of the sell order, and that sales be made in unsolicited, open market "brokers' transactions" (as such term is defined in Rule 144) at times when certain information specified by Rule 144 is publicly available with respect to Newco.

The foregoing discussion is only a general overview of certain requirements of United States securities laws applicable to the securities received upon completion of the Arrangement. **All holders of such securities are urged to consult with counsel to ensure that the resale of their securities complies with applicable securities legislation.**

### **Experts**

Certain Canadian legal matters relating to the Arrangement are to be passed upon by McInnes Cooper on behalf of the Fund. As at July 25, 2011, the partners and associates of McInnes Cooper who participated in or who were in a position to directly influence any statement made in this Circular, as a group, beneficially owned, directly or indirectly, less than one percent (1%) of the outstanding Units.

## **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of McInnes Cooper, tax counsel to the Fund ("**Tax Counsel**"), the following is, as of the date of this Circular, a fair and adequate summary of the principal Canadian federal income tax consequences under the Tax Act of the transactions described in the Arrangement generally applicable to a Unitholder, who, for the purposes of the Tax Act and at all relevant times, (i) holds their Units and their Newco Shares acquired under the Arrangement, as capital property, and (ii) deals at arm's length and is not affiliated with the Fund or Newco (a "**Holder**"). The Units and Newco Shares will generally constitute capital property to a Holder provided that the Holder does not hold or use such securities in the course of carrying on business in which the Holder buys or sells securities, and the Holder did not acquire such securities in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Holders who are Resident Holders, as defined below, and who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have such securities and any other "Canadian security" (as defined in the Tax Act) treated as capital property by making the irrevocable election permitted by Subsection 39(4) of the Tax Act. Holders contemplating making such an election should consult with their own tax advisors.

This summary is not applicable to: (i) a Unitholder that is a "financial institution" (as defined in the Tax Act) for the purpose of the "mark-to-market" rules; (ii) a Unitholder an interest in which is a "tax shelter investment" (as defined in the Tax Act); (iii) a Unitholder that is a "specified financial institution" or a "restricted financial institution" (each as defined in the Tax Act); and (iv) a Unitholder that has made a "functional currency" election under the Tax Act to determine its Canadian tax results in a currency other than Canadian currency.

This summary is based upon the facts set out in this Circular, the provisions of the Tax Act and the regulations promulgated thereunder (the "**Regulations**") in force as of the date hereof, and the current administrative policies and assessing practices of the Canada Revenue Agency (the "**CRA**") published in writing. This summary takes into account the specific proposals (the "**Tax Proposals**") to amend the Tax Act and the Regulations publicly announced by or on behalf of the federal Minister of Finance prior to the date hereof. No assurance can be given that the Tax Proposals will be enacted as currently proposed, or at all. This summary is not exhaustive of all possible Canadian federal income tax consequences and, except for the Tax Proposals, does not take into account, or anticipate any change in law, whether by legislative, administrative, or judicial action or decision and does not take into account any provincial, territorial, or foreign tax consequences which may differ significantly from those discussed herein.

Tax Counsel has assumed for the purposes of the tax considerations that follow, that at all relevant times, the Fund meets all of the factual conditions to be considered a "mutual fund trust" for the purposes of the Tax Act.

This summary is of a general nature only and should not be construed as, nor is it intended to be, legal or tax advice or representations to any particular Unitholder. Accordingly, Unitholders should consult with their own tax advisors

with respect to the income tax consequences of the Arrangement having regard to their own particular circumstances.

### **Holders Resident in Canada**

The following portion of the summary is generally applicable to a Holder that is or is deemed to be, at all relevant times and for the purposes of the Tax Act and any applicable income tax treaty or convention, a Resident ("**Resident Holder**").

#### ***Conversion***

On March 12, 2009, amendments to the Tax Act intended to facilitate the conversion of "mutual fund trusts" (as defined in the Tax Act), such as the Fund, into corporations, originally announced by the Minister of Finance on July 14, 2008, received royal assent in Bill C-10 (the "**SIFT Conversion Rules**"). The SIFT Conversion Rules contain rules which provide for an "automatic rollover" in certain circumstances where units of a trust such as the Fund are exchanged for shares of a corporation (the "**Exchange Rule**"). The Arrangement has been structured such that the Exchange Rule should apply to the exchange of a Unit solely for a Newco Share. The following summary assumes that the Exchange Rule will apply to such exchange.

Pursuant to the Exchange Rule, a Resident Holder will be deemed to have disposed of each Unit for proceeds of disposition equal to the "cost amount" (as defined in the Tax Act) of such Unit to the Resident Holder immediately before the disposition. The cost amount generally means the adjusted cost base of the Unit for Resident Holders. Resident Holders should also be deemed to have acquired each Newco Share received on the exchange at a cost equal to the cost amount to the Resident Holder of the particular Unit so exchanged. As a consequence, under the Exchange Rule, Resident Holders should not realize a capital gain or capital loss on the disposition of their Units to Newco in exchange for Newco Shares and a Resident Holder will not need to file an income tax election under Section 85 of the Tax Act with Newco in order to achieve such a "rollover". Moreover, pursuant to the SIFT Conversion Rules, the Exchange Rule will not apply if an income tax election under Section 85 of the Tax Act is made in respect of Units disposed of to Newco in exchange for Newco Share. Accordingly, Newco will not make joint elections under Section 85 of the Tax Act with any Unitholders (other than Holdco) in respect of the Arrangement.

#### ***Eligibility for Investment***

Subject to the provisions of any particular plan and provided that the Newco Shares are listed on the TSX (or another "designated stock exchange" as defined in the Tax Act) at the particular time or that Newco is otherwise a public corporation (within the meaning of the Tax Act), the Newco Shares will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans (other than deferred profit sharing plans for which any of the employers is Newco or an employer with which Newco does not deal at arm's length), registered education savings plans, registered disability savings plans and tax-free savings accounts ("**TFSA**") (collectively "**Registered Plans**").

The Newco Shares will not be a prohibited investment for a trust governed by a TFSA provided that the holder of the TFSA deals at arm's length with Newco for the purposes of the Tax Act and does not have a significant interest (within the meaning of the Tax Act) in Newco, or a corporation, partnership or trust with which Newco does not deal at arm's length for the purposes of the Tax Act. Resident Holders should consult their own tax advisors as to whether the Newco Shares will be a prohibited investment in their particular circumstances.

The 2011 federal budget proposed to extend the concept of "prohibited investment" to RRSPs and RRIFs, with the penalty for investment in a prohibited investment imposed on the annuitant thereof. In its current form, the proposal will apply to transactions occurring and investments acquired after March 22, 2011, with certain transitional provisions. There is no guarantee that the proposal will be enacted in its current form, or at all. Unitholders should consult their own tax advisors in this regard.

### **Holders Not Resident in Canada**

This portion of the summary is generally applicable to a Holder that is or is deemed to be, at all relevant times and for the purposes of the Tax Act and any applicable income tax treaty or convention, a Non-Resident (a "**Non-Resident Holder**"). Special rules, which are not discussed in this summary, may apply to a Non-Resident Holder that is an insurer carrying on business in Canada and elsewhere.

#### ***Conversion***

A Non-Resident Holder generally will not be subject to taxation in Canada with respect to the exchange of Units for Newco Shares unless such Units constitute "taxable Canadian property" (as defined in the Tax Act) to the Non-Resident Holder at the time of the exchange and the Non-Resident Holder does not qualify for tax-deferred treatment under the Exchange Rule (as described above) and is not entitled to relief under an applicable income tax treaty or convention between Canada and the Non-Resident Holder's jurisdiction of residence.

Units will not be considered taxable Canadian property to a Non-Resident Holder unless: (i) at any time during the 60-month period immediately preceding the disposition of the Units, the Non-Resident Holder or persons with whom the Non-Resident Holder did not deal at arm's length or any combination thereof, held (or had a right to acquire) 25% or more of the issued Units; and (ii) the value of the Units was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, Canadian resource properties, timber resource properties, or interests in or options to acquire any of the above.

If the Units constitute taxable Canadian property to a Non-Resident Holder, the tax considerations applicable to such a Non-Resident Holder will generally be the same as the tax consequences applicable to Residents – see "Holders Resident in Canada – Conversion" and the exchange should still occur on a tax deferred basis as the Arrangement has been structured such that the Exchange Rule should apply to the exchange of a Unit solely for a Newco Share.

If the Units disposed of by a Non-Resident Holder under the Arrangement are taxable Canadian property to the Non-Resident Holder, then the Newco Shares received under the Arrangement will be deemed to be taxable Canadian property to the Non-Resident Holder.

### **OTHER TAX CONSIDERATIONS**

This Circular does not address any tax considerations other than certain Canadian federal income tax considerations. Unitholders who are resident in jurisdictions other than Canada should consult their own tax advisors with respect to the implications of the Arrangement, including any associated filing requirements, in such jurisdictions. All Unitholders should also consult their own tax advisors regarding Canadian provincial or territorial tax considerations applicable to the Arrangement.

### **INFORMATION CONCERNING THE FUND**

#### **The Fund**

The Fund is an unincorporated open-ended investment trust established under the laws of the Province of Ontario by an amended and restated declaration of trust dated June 5, 2002 (the "**Fund Declaration of Trust**"). The Fund is administered by the Trustees and by the Limited Partnership pursuant to an administration agreement (the "**Administration Agreement**") among the Fund, the Limited Partnership and the Trust dated July 31, 2002. See "Management Contracts – Administration Agreement". The head office of the Fund is located at 757 Bedford Highway, Bedford, Nova Scotia, B4A 3Z7.

The Fund has outstanding 27,745,695 Units and 23,381,217 Special Trust Units. The Special Trust Units were issued solely to provide voting rights to the holders of the Class B GP Units.

### **The Trust**

The Trust is an unincorporated open-ended trust established pursuant to a declaration of trust dated July 17, 2002, as amended, and governed by the laws of the Province of Ontario. The Trust is wholly owned by the Fund and is the vehicle through which it holds its investments in the Limited Partnership.

### **The Limited Partnership**

The Limited Partnership is a limited partnership established under the laws of the Province of Nova Scotia to carry on, directly or indirectly, the business of, and the ownership, operation and lease of assets and property in connection with the harvesting, processing, distribution and marketing of seafood and such other businesses as the directors of CS ManPar may determine, and all activities ancillary and incidental thereto. The general partners of the Limited Partnership are CS ManPar, which is the managing general partner, and CFFI. The Fund holds, indirectly, an approximate 54.27% interest in the Limited Partnership.

The Limited Partnership has outstanding 27,745,695 Class A LP Units, 13,846,152 Class E LP Units, which replaced 3,673,470 Class C LP Units and 7,523,559 Class D LP Units, all of which are owned indirectly by the Fund, and 23,381,217 Class B GP Units all of which are owned indirectly by CFFI. Subject to certain limitations, the holders of Class B GP Units have the right to indirectly exchange such units for Units on a one-for-one basis (subject to adjustment in certain circumstances) and such holders hold an equivalent number of Special Trust Units of the Fund, which will be cancelled on exchange of the Class B GP Units. The Class E LP Units and the Class D LP Units were issued by the Limited Partnership (indirectly) to the Fund concurrently with the issue by the Fund of convertible debentures. The Class E LP Units are non-voting and redeemable and retractable at a price of \$3.25 per unit, subject to certain restrictions. The Class D LP Units are also non-voting and redeemable and retractable at a price of \$5.90 per unit, subject to certain restrictions.

### **CS ManPar**

CS ManPar, a corporation incorporated under the laws of Canada, is the managing general partner of the Limited Partnership with authority to manage and control the business and affairs of the Limited Partnership. The Fund, indirectly through the Trust, and CFFI own all of the shares of CS ManPar. CFFI is entitled to elect the majority of the directors of CS ManPar, so long as it retains ownership of greater than 45% of the Units on a fully diluted basis. The remainder of the directors are appointed by the Fund. Of the current directors of CS ManPar, five are appointees of CFFI and three are appointees of the Fund.

### **CFFI**

CFFI is a private corporation incorporated under the laws of Canada. CFFI currently holds 1,275,205 Units and all of the exchangeable Class B GP Units. The Class B GP Units are accompanied by 23,381,217 Special Trust Units. CFFI also has a 51% interest in CS ManPar. Not later than December 30, 2011, CFFI shall transfer its Class B GP Units, Special Trust Units and GP Common Shares to Holdco.

### **Intercorporate Relationships**

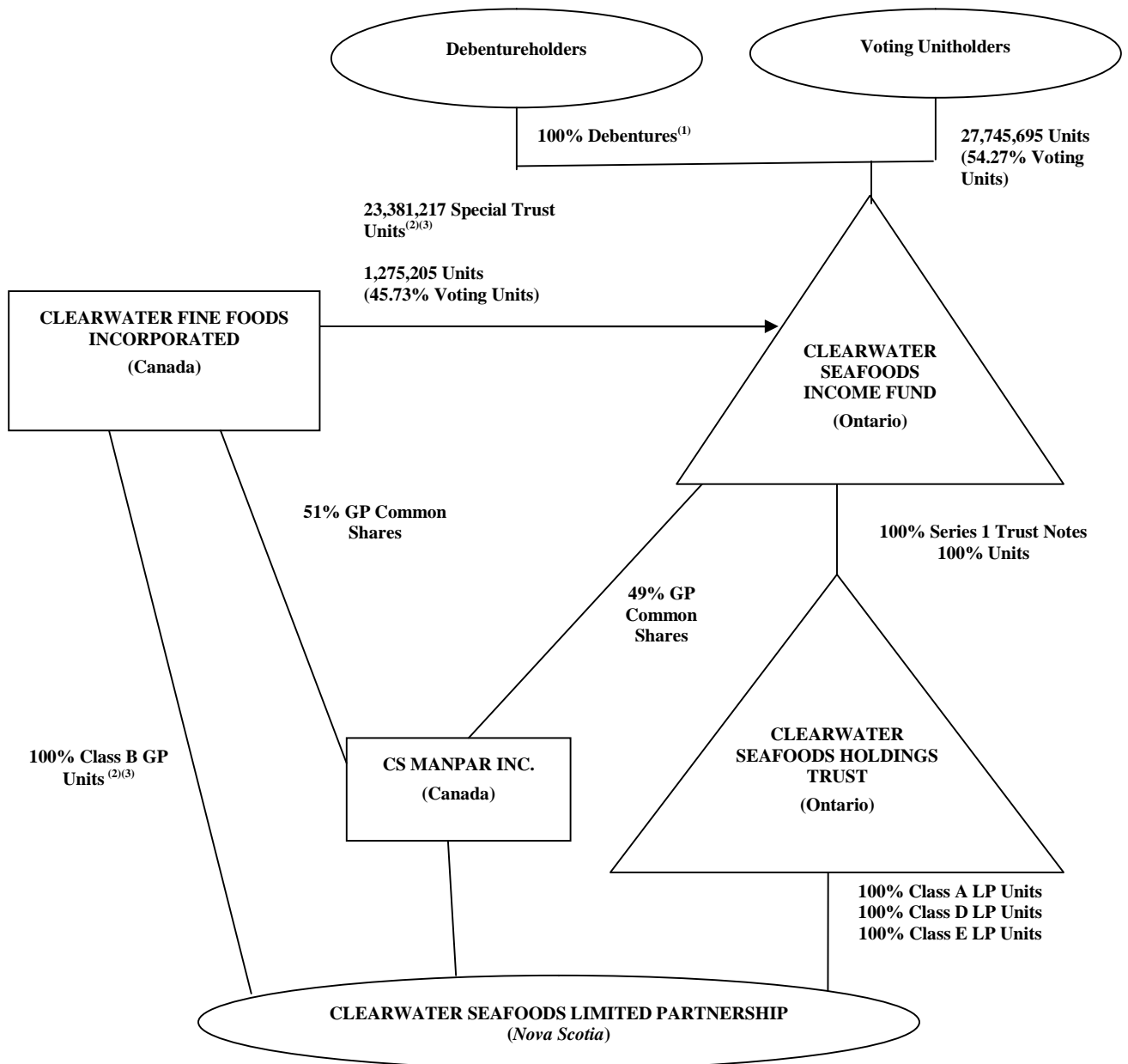
The following are the names, the percentage of voting securities that the Fund owns (directly or indirectly), the nature of the entity and the jurisdiction of incorporation, continuance or formation for the Fund's material Subsidiaries as at the date hereof:

	<b>Percentage of voting securities (directly or indirectly)</b>	<b>Nature of Entity</b>	<b>Jurisdiction of Incorporation/ Formation</b>
Clearwater Seafoods Holdings Trust	100% Units 100% Series 1 Trust Notes	trust	Ontario

CS ManPar Inc.	49% GP Common Shares	corporation	Canada
Clearwater Seafoods Limited Partnership	100% Class A LP Units 100% Class D LP Units 100% Class E LP Units	limited partnership	Nova Scotia
Clearwater Seafoods Incorporated	100% Newco Shares	corporation	Canada

### Organizational Structure

The following diagram illustrates the structure of the Fund as at the date hereof (including jurisdiction of establishment/incorporation of the various entities).



Notes:

- (1) There are currently Debentures outstanding in the aggregate principal amount of \$89,389,000. The 10.5% Convertible Debentures are convertible into Units at a conversion price of \$3.25 per Unit and the 7.25% Convertible Debentures are convertible into Units at a conversion price of \$5.90 per Unit.
- (2) Class B GP Units are exchangeable directly on a one-for-one basis for Units. The Class B GP Units outstanding are currently exchangeable into 23,381,217 Units.
- (3) Holders of Class B GP Units have one Special Trust Unit for each Class B GP Unit held. Special Trust Units entitle the holder to such number of votes at meetings of Voting Unitholders as is equal to the number of Units into which the Class B GP Units are then exchangeable. CFFI currently holds 23,381,217 Special Trust Units.

### **Summary Description of the Business of the Fund**

The Fund was established to hold, directly or indirectly, investments in entities engaged in the harvesting, processing, distribution and marketing of seafood, including an interest in the Limited Partnership, and such other investments as the Trustees may determine. The Fund does not conduct an active business and has no employees. Pursuant to the Administration Agreement, the Limited Partnership provides or arranges for the provision of services required in the administration of the Fund.

**Under applicable securities legislation, the Fund is required to provide certain information with respect to the Fund and its Trustees and officers. The Fund, however, does not carry on business, does not have officers and is entirely dependent for its results on the performance of the Limited Partnership; the Fund's purpose is solely to hold investments as described above. The directors and officers of CS ManPar, in its capacity as managing general partner of the Limited Partnership, the administrator of the Fund, are responsible for administering the Fund in accordance with the Administration Agreement. Consequently, in addition to information relating to the Fund and the Trustees, this Circular includes information relating to CS ManPar, its directors and officers and the Limited Partnership.**

For further information regarding the Fund, its Subsidiaries and their respective business activities, see "Clearwater Seafoods Income Fund", "Administration Agreement", "Business of Clearwater", and "Information Concerning the Fund" in the AIF, which is incorporated herein by reference.

### **Recent Developments**

#### *Going Private Transaction*

On August 14, 2008, the Fund announced that it had entered into a transaction agreement (the "**Going Private Agreement**") with CS Acquisition Limited Partnership, a partnership owned by a consortium (the "**Consortium**") led by CFFI. Under the terms of the Going Private Agreement, CS Acquisition Limited Partnership was to acquire all of the partnership units (other than those units now held by CFFI, other members of the Consortium and certain other interested and/or related parties ) of the Limited Partnership which would result in the Unitholders receiving \$4.50 per Unit in cash (the "**Going Private Transaction**"). The \$4.50 per Unit purchase price was to be paid to the Unitholders (other than members of the Consortium) by way of a redemption of the outstanding Units.

On September 22, 2008, the Fund announced that Unitholders had approved the Going Private Transaction. The resolution was overwhelmingly approved by Unitholders represented at the meeting as well as by a majority of the Units represented at the meeting that are not held by members of the consortium and certain other interested and/or related parties.

On October 6, 2008, the Fund announced that the holders of each series of the Debentures passed an extraordinary resolution approving certain amendments to the Indenture. The amendments provide for the redemption of all of the outstanding Debentures for a cash amount equal to 101% of the principal amount of each Debenture plus accrued and unpaid interest to but excluding the closing date of the Going Private Transaction pursuant to which CS Acquisition Limited Partnership would acquire the business of the Fund. The meeting was originally convened on September 22, 2008, in Halifax Nova Scotia, but was adjourned, due to a lack of quorum, until October 6, 2008 in accordance with the provisions of the Indenture.

On October 28, 2008, the Fund announced that it would not be in a position to close the Going Private Transaction pursuant to which a partnership owned by a consortium led by CFFI, would acquire the business of the Fund. The announcement was a result of the unprecedented uncertainty and volatility in global financial markets and, in particular, Glitnir Banki hf ("**Glitnir**") being placed into receivership shortly before the anticipated closing in October. Glitnir was to provide approximately 10 per cent of the financing required to complete the transaction. Despite the parties' diligent efforts to address the financing issues, the parties have been unsuccessful in arranging alternative sources of financing, which was needed for the completion of the transaction. The parties have terminated the transaction agreement and confirmed that the going-private transaction will not be proceeding at this time.

#### *Amendments to 10.5% Convertible Debentures*

On November 12, 2010, the Fund received approval from the holders of the 10.5% Convertible Debentures to amend the terms of the 10.5% Convertible Debentures otherwise due in 2010 such that the term has been extended from December 31, 2010 to December 31, 2013. As part of this extension, the interest rate on the 10.5% Convertible Debentures was increased by 3.5% from 7.0% to 10.5%, the conversion price was reduced from \$12.25 per Unit to \$3.25 per Unit, the 10.5% Convertible Debentures were changed such that they will not be redeemable prior to June 30, 2011 and the related units were renamed as Class E LP Units. As a result of the change in the conversion price there are now 13,846,153 Class E LP Units outstanding.

#### **Documents Incorporated by Reference**

**Information in respect of the Fund and its Subsidiaries is incorporated by reference in this Circular from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request, without charge, from Tyrone Cotie, Assistant Secretary, by phone at (902) 443-0550 or by email at [tcotie.clearwater.ca](mailto:tcotie.clearwater.ca). Copies are also available electronically on SEDAR at [www.sedar.com](http://www.sedar.com).

The following documents of the Fund, filed by the Fund with the various securities commissions or similar authorities in each of the provinces and territories of Canada, are specifically incorporated by reference into and form an integral part of this Circular:

- (a) the AIF;
- (b) the Financial Statements;
- (c) the interim unaudited consolidated financial statements of the Fund for the 13 weeks ended April 2, 2011, and April 3, 2010;
- (d) Management's Discussion and Analysis;
- (e) the Arrangement Agreement; and
- (f) the material change report of the Fund dated July 12, 2011.

Any documents of the type referred to above as well as any business acquisition reports and any material change reports (excluding confidential material change reports) subsequently filed by the Fund with securities regulatory authorities in Canada, after the date of this Circular and prior to the completion or withdrawal of the Arrangement, shall be deemed to be incorporated by reference in this Circular.

**Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Circular, to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be**



deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not constitute a part of this Circular, except as so modified or superseded.

### **Potential Acquisitions and Financings**

In the normal course of its business and in furtherance of its business plan, the Fund is normally in the process of evaluating potential acquisitions which individually or together could be material. As of the date hereof, the Fund has not reached agreement on the price or terms of any potential material acquisitions. The Fund cannot predict whether any current or future opportunities will result in one or more acquisitions for the Fund or its successor. If the Arrangement is not completed, the Fund may in the future complete financings of Units or debt (which may be convertible into Units) for purposes that may include financing of acquisitions, the Fund's operations and capital expenditures and repayment of indebtedness.

### **Significant Acquisitions**

There are no proposed acquisitions that have progressed to a stage where a reasonable person would believe that the likelihood of the acquisition being completed is high and would be a significant acquisition for the purposes of Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations* if completed as of the date of this Circular.

### **Distribution History**

The Fund was set up to make monthly cash distributions, based upon cash receipts of the Fund in respect of such month, after satisfaction of administrative and other expenses (including reasonable reserves for such expenses), any debt service obligations (principal and interest) and any amounts payable by the Fund in connection with any cash redemptions or repurchases of Units. The Fund may make additional distributions in excess of the monthly distributions during the year in the discretion of the Trustees. All of the Limited Partnership's distributions are at the discretion of the Trustees and are subject to certain conditions imposed by lending agreements. In January, 2008, the Limited Partnership suspended distributions to Unitholders and has not resumed payment. No distributions were paid in 2009, 2010 or 2011 to the date of this Circular.

### **Price Range and Trading Volume of Units and Debentures**

The outstanding Units and the Debentures are listed and posted for trading on the TSX under the symbols "CLR.UN", "CLR.DB.A" and "CLR.DB.B", respectively.

The following table sets forth the price range for and trading volume of the Units as reported by the TSX for the periods indicated.

<b><u>Month (2010)</u></b>	<b><u>Price Range</u></b>		<b><u>Volume (#)</u></b>
	<b><u>High (\$)</u></b>	<b><u>Low (\$)</u></b>	
January	0.95	0.82	232,700
February	1.03	0.85	112,500
March	0.90	0.80	350,479
April	0.97	0.80	257,900
May	1.13	0.83	345,400
June	0.97	0.84	147,544
July	0.98	0.83	140,150
August	0.90	0.81	118,700
September	0.85	0.80	135,414
October	0.89	0.76	264,955
November	1.28	0.81	909,248

<u>Month (2010)</u>	Price Range		
	High (\$)	Low (\$)	Volume (#)
December	1.20	1.00	592,371

<u>Month (2011)</u>	Price Range		
	High (\$)	Low (\$)	Volume (#)
January	1.05	0.99	948,533
February	1.49	1.05	873,941
March	1.58	1.11	840,659
April	1.73	1.65	445,112
May	1.70	1.38	386,964
June	1.69	1.41	717,852
July (1-22)	1.61	1.43	243,818

On May 30, 2011, the last trading day on which the Units traded prior to the announcement of the Arrangement, the closing price of the Units was \$1.41. On July 22, 2011, the closing price of the Units was \$1.52.

The following table sets forth the price range for and trading volume of the 7.25% Convertible Debentures (CLR.DB.A) as reported by the TSX for the periods indicated.

<u>Month (2010)</u>	Price Range		
	High (\$)	Low (\$)	Volume (#)
January	80.00	74.25	906,000
February	79.25	76.00	733,000
March	76.00	70.00	329,000
April	80.00	75.00	689,000
May	80.00	75.00	1,019,000
June	78.50	75.00	184,000
July	80.00	77.00	2,083,000
August	81.00	79.00	482,000
September	82.00	79.00	280,000
October	85.00	78.00	1,186,000
November	84.00	78.00	887,000
December	85.64	83.00	3,086,000

<u>Month (2011)</u>	Price Range		
	High (\$)	Low (\$)	Volume (#)
January	88.75	86.11	999,000
February	91.80	88.95	659,000
March	92.00	91.20	423,000
April	93.50	92.00	951,000
May	96.00	93.00	2,384,000
June	95.75	94.00	1,572,500
July (1-22)	94.80	92.00	506,000

On May 30, 2011, the last trading day on which the 7.25% Convertible Debentures traded prior to the announcement of the Arrangement, the closing price of the 7.25% Convertible Debentures was \$95.49. On July 22, 2011, the closing price of the 7.25% Convertible Debentures was \$92.55.

The following table sets forth the price range for and trading volume of the 10.5% Convertible Debentures (CLR.DB.B) as reported by the TSX for the periods indicated.

<u>Month (2010)</u>	<u>Price Range</u>		<u>Volume (#)</u>
	<u>High (\$)</u>	<u>Low (\$)</u>	
January	88.75	86.25	2,248,700
February	89.25	83.50	2,170,000
March	88.95	75.02	2,727,000
April	92.25	87.50	2,523,000
May	91.89	87.00	1,346,000
June	91.00	79.00	480,000
July	92.00	85.00	464,000
August	92.00	89.00	598,000
September	91.00	85.00	735,000
October	93.00	88.25	2,763,500
November <sup>(1)</sup>	96.94	90.01	4,591,000
December	98.48	95.55	4,629,000

Notes:

- (1) Prior to November 18, 2010, the 10.5% Convertible Debentures were 7% convertible debentures, due December 31, 2013, with a conversion price of \$12.25 per Unit. The Debentureholders approved the amendment of the debentures on November 12, 2010, on the terms of the 10.5% Convertible Debentures.

<u>Month (2011)</u>	<u>Price Range</u>		<u>Volume (#)</u>
	<u>High (\$)</u>	<u>Low (\$)</u>	
January	99.50	97.45	969,500
February	100.75	99.00	2,077,000
March	101.50	100.00	245,000
April	102.50	101.01	647,000
May	102.25	101.28	506,400
June	101.75	100.50	532,000
July (1-22)	101.00	99.00	885,000

On May 30, 2011, the last trading day on which the 10.5% Convertible Debentures traded prior to the announcement of the Arrangement, the closing price of the 10.5% Convertible Debentures was \$101.50. On July 22, 2011, the closing price of the 10.5% Convertible Debentures was \$100.00.

### **Prior Sales**

No securities of the Fund were issued during the twelve (12) months preceding the date of this Circular.

### **Legal Proceedings and Regulatory Actions**

On October 7, 2008, the Icelandic Financial Services Authority took control of Glitnir and subsequently placed it into receivership. Prior to Glitnir's receivership Clearwater Finance Inc., the Fund and the Limited Partnership (collectively, "**Clearwater Entities**") had derivative contracts with Glitnir including foreign exchange forwards and options and cross currency and interest rate swaps.

During the course of refinancing, the debt facilities that matured in June 2009, Clearwater Entities and Glitnir reached an agreement, in the second quarter of 2009, to resolve issues concerning any potential liability associated with foreign exchange derivative contracts entered into with Glitnir. Under the agreement all outstanding derivative contracts were closed, to remove any uncertainty going forward, and the potential liability under these contracts was capped at \$13.97 million plus interest.

In November 2009, the Clearwater Entities commenced litigation on their position that these contracts are null and void. If the Clearwater Entities are successful, there will be a minimum settlement of \$2.9 million represented by a note secured by a subordinated charge on all of the Clearwater Entities' assets. The note will be due September 15, 2012. To the extent that the Clearwater Entities are not successful in their position, the Clearwater Entities will become liable for the difference between the final amount due, subject to the \$13.97 million cap, less the \$2.9 million minimum, under a second secured note due the later of September 15, 2012, and 30 days after the final court ruling. Both notes will bear interest at LIBOR plus 7% until such time as they are settled. Interest is accrued annually and will be payable upon maturity of the notes. Both notes are subject to a subordination agreement with the senior lenders. As of April 2, 2011, the Clearwater Entities have included in other long term liabilities an estimated \$15.9 million (December 31, 2010 – \$15.6 million) liability associated with these contracts, including accrued interest pending completion of expected legal proceedings against Glitnir.

In addition, the Clearwater Entities have a number of interest rate and cross currency swap contracts with Glitnir. These contracts would allow the Clearwater Entities to receive 1.2 billion ISK and pay \$25 million Canadian, US \$9.7 million, 3 million Pounds Sterling and Euro 2.5 million. The Clearwater Entities have consulted with external legal counsel and have received advice that these contracts may become declared null and void. The terms of the swap agreements also economically hedge the changes in the Icelandic Consumer Price Index. As of April 2, 2011, the Clearwater Entities have included in current liabilities an estimated \$10.5 million (December 31, 2010 - \$9.8 million) liability associated with these contracts pending completion of expected legal proceedings with Glitnir.

In the fourth quarter of 2009, the Clearwater Entities commenced litigation with Glitnir in relation to the cash held on deposit at Glitnir, damages related to the financing term sheet for the failed privatization in October 2008, foreign exchange forwards and options and cross currency and interest rate swaps.

While the assumptions reflect management's best estimates, they are subject to the measurement uncertainty associated with the specifics of the contracts, the inactive market for these contracts and the status of ongoing litigation process with Glitnir. As a result, material revisions could be required to these estimates in future periods.

#### **Auditor, Transfer Agent and Registrar**

The auditor of the Fund is KPMG LLP. The transfer agent and registrar for the Units is Computershare and the transfer agent and registrar for the Debentures is Computershare Trust at their principal offices in Toronto, Ontario, and Halifax, Nova Scotia.

#### **Additional Information**

Additional information relating to the Fund may be found on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information is provided in the Financial Statements and the Management's Discussion and Analysis for the Fund for the financial year ended December 31, 2010, all of which are incorporated herein by reference and can be accessed on SEDAR.

## **RISK FACTORS**

**An investment in Units and in Newco Shares is subject to certain risks. Readers should carefully consider the risk factors described under the heading "Risk Factors" in the AIF incorporated by reference in this Circular as well as the risk factors set forth below and elsewhere in this Circular.**

Risk factors in respect of the business of the Fund and its Subsidiaries and the industry in which they operate will continue to apply to Newco after the Effective Date and will not be affected by the Arrangement. For a description of these risk factors and for risk factors specific to Newco, see "Appendix "E" - Information Concerning Newco - Risk Factors".

### **Risk Factors Relating to the Arrangement**

#### ***Conditions Precedent and Required Regulatory and Third Party Approvals***

The completion of the Arrangement in the form contemplated by the Arrangement Agreement and the Plan of Arrangement is subject to a number of conditions precedent, some of which are outside the control of the Fund, including, without limitation, receipt of Unitholder approval at the Meeting, regulatory approvals, approval by the TSX of the listing or the substitutional listing of the Newco Shares to be issued, the Debentures to be assumed by Newco pursuant to the Arrangement and the Newco Shares to be reserved for issuance on conversion, redemption or maturity of the Debentures, receipt of other material third party consents and the granting of the Final Order. There can be no certainty, nor can the Fund provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied.

Failure to obtain the Final Order on terms acceptable to the Board of Directors would likely result in the decision not to proceed with the Arrangement. If any of the required regulatory and third party approvals cannot be obtained, the Plan of Arrangement may have to be amended in order to mitigate against the negative consequence of the failure to obtain any such approval and, accordingly, the benefits available to Unitholders resulting from the Arrangement may be reduced. Alternatively, in the event that the Plan of Arrangement cannot be amended so as to mitigate against the negative consequences of the failure to obtain a required regulatory or third party approval, the Arrangement may not proceed at all. If the Arrangement is not completed, the market price of the Units may be adversely affected. See "The Arrangement - Procedure for the Arrangement Becoming Effective".

### **Risk Factors Relating to the Industry**

Certain risk factors relating to the activities of the Fund and its Subsidiaries, and the industry in which the Fund operates are contained in the AIF, which is incorporated herein by reference. Such risk factors include, without limitation, licenses, quotas and other government approvals, material changes in fisheries stocks, the annual setting of total allowable catch (TAC) by governments, foreign exchange rate fluctuations, global economic conditions, volatility of input prices, industry competition, consolidation of customer base, seasonal variations in harvesting operations, adverse weather conditions and other natural risks, economic and political risk relating to operations in Argentina, an adverse ruling in the litigation process with Glitnir, actions of business partners with respect to partially-owned subsidiaries and joint ventures, product liability claims and loss of product through contamination or expiration, disease outbreaks, retention of qualified executives, disruptions in labour supply, lack of long-term customer agreements, adverse conditions affecting maritime and air carriers, legislative and regulatory changes in Canada and Argentina, violations of maritime law and other regulations, by-catch regulations, changes in food processing control standards, changes in regulatory controls over harvest and political pressures from interest groups, health and safety regulations and environmental regulation, protection of endangered species, and rules regulating foreign ownership of vessels. See "Risk Factors" in the AIF.

## ANNUAL BUSINESS OF THE MEETING

### **Election of Trustees**

The number of Trustees to be elected at the Meeting is three. All Trustees elected at the Meeting will hold office until the next annual meeting of Voting Unitholders or until their successors are duly elected or appointed. If the Arrangement Resolution is passed and the Arrangement proceeds, the Fund will ultimately be wound up in accordance with the terms of the Fund Declaration of Trust and the Trustees will become members of the board of Newco. See "The Arrangement - Arrangement Steps" and "The Arrangement - Effect of the Arrangement".

**Unless otherwise instructed, the persons designated in the proxy form intend to vote FOR the nominees listed below.** It is not contemplated that any of the proposed nominees will be unable to serve as a Trustee, but if that should occur for any reason prior to the Meeting, the persons named in the proxy form reserve the right to vote for another nominee at their discretion.

<b>Thomas D. Traves</b> , 62 Halifax, Nova Scotia Units: 7,500 <sup>(1)</sup>	Dr. Traves is President and Vice-Chancellor of Dalhousie University. He has been a Trustee since July 31, 2002, Chairs the Trustees and is currently a director of CS ManPar and sits on the Corporate Governance and Compensation Committee.	Attended 7 of 7 meetings of the directors and 4 of 4 meetings of the trustees <sup>(2)</sup> . Attended 2 of 2 meetings of the Corporate Governance and Compensation Committee plus 8 of 8 special committee meetings to search for a CEO candidate.
<b>Bernard R. Wilson, FCA</b> , 68 Mississauga, Ontario Units: 4,500 <sup>(1)</sup>	Mr. Wilson was Vice Chairman of PricewaterhouseCoopers from 2001 to June 30, 2005. He has been a Trustee since May 2006, currently chairs the Audit Committee.	Attended 6 of 7 meetings of the directors, 3 of 3 meetings of the trustees and 4 of 4 of the Audit Committee <sup>(2)</sup> . Attended 6 of 8 special committee meetings to search for a CEO candidate. In addition he attended 1 of 2 Corporate Governance and Compensation Committee meetings.
<b>Harold Giles</b> , 70 Toronto, Ontario Units: 700 <sup>(1)</sup>	Harold Giles is a former senior executive with General Electric and Bell. Since retiring he has provided operations and leadership consulting to corporations in Canada and in Europe and to not for profit organizations. Mr. Giles is a Trustee of the Fund and a director of CS ManPar since June 2010.	Since becoming a board member in June 2010, attended 3 of 3 meetings of the directors, 2 of 2 meetings of the trustees <sup>(2)</sup> and, 1 of 1 Corporate Governance and Compensation Committee meetings.

#### Notes

- (1) The information as to Units beneficially owned, directly or indirectly, including by associates or affiliates, not being within the knowledge of the Fund, has been furnished by the respective nominees.
- (2) The number of meetings attended are shown in relation to the number of meetings of the board of directors of CS ManPar held during the fiscal year ended December 31, 2010. Twenty-six committee meetings were held during fiscal 2010 – nine board of director meetings, four trustee meetings, eight special meetings for CEO search, four Audit Committee meetings and one Corporate Governance Committee Meeting.

### **Appointment of Auditors**

KPMG LLP, Chartered Accountants, have served as the Fund's auditors since the date of completion of the Fund's initial public offering. It is proposed that KPMG LLP be re-appointed as auditors of the Fund, to hold office until the next annual meeting of the Voting Unitholders or until their successor is appointed and that the Trustees be authorized to fix the remuneration of the auditors. If the Arrangement Resolution is passed and the Arrangement proceeds, the Fund will ultimately be wound up in accordance with the terms of the Fund Declaration of Trust and KPMG LLP will become the auditor of Newco.

It is expected that KPMG LLP will serve as auditor of Newco following the completion of the Arrangement.

The aggregate amount of fees billed by KPMG LLP during the year for audit and audit-related services including the year ended December 31, 2010 annual audit and reviews of the interim financial statements as well as other audit and review related services was \$366,954 (2009 – \$457,486). The aggregate amount of fees billed by KPMG LLP for all non-audit services rendered during the year ended December 31, 2010, was \$296,520 (2009 – \$136,306). The Trustees have determined that the provision of the non-audit services for which these fees were rendered is compatible with maintaining KPMG LLP's independence. Additional information related to the audit committee and fees paid to the auditors can be found in the AIF for the year ended December 31, 2010, in the section "Trustees, Directors and Management", available at [www.sedar.com](http://www.sedar.com).

One or more representatives of KPMG LLP will be present at the Meeting, will have an opportunity to make a statement as he or she may desire and will be available to respond to appropriate questions.

**It is intended that all proxies received will be voted in favour of the appointment FOR KPMG LLP as Auditor of the Fund, unless a proxy contains instructions to withhold the same from voting.**

### **Financial Statements**

The consolidated financial statements of the Fund and the Limited Partnership for the year ended December 31, 2010, together with the auditors' reports on the statements, are contained in the 2010 Annual Report, available at [www.sedar.com](http://www.sedar.com). No formal action will be taken at the Meeting to approve the financial statements, the requirements of the Fund Declaration of Trust having been satisfied by their advance circulation to Voting Unitholders. If any Unitholders have questions regarding such financial statements, such questions may be brought forward at the Meeting.

### **BOARD OF DIRECTORS OF CS MANPAR**

The board of directors of CS ManPar (the "**Board of Directors of CS ManPar**" or the "**Board**", in this section and "Compensation Discussion and Analysis") consists of the Trustees and the persons set out in the following table.

<b>Colin E. MacDonald</b> , 63 Halifax, Nova Scotia Units: 1,394,805 <sup>(1)(2)(3)</sup> Special Trust Units: 23,381,217 <sup>(1)(2)</sup>	Mr. MacDonald is a director of CS ManPar. Mr. MacDonald's principal occupation is that of Chairman of CS ManPar. He has been a director since July 31, 2002.	Attended 7 of 7 director meetings, 8 of 8 special committee meetings to search for a CEO candidate.
<b>John C. Risley</b> , 63 Halifax, Nova Scotia Units: 0 Special Trust Units: 23,381,217 <sup>(1)(2)</sup>	Mr. Risley is the President of CFFI. He has been a director since July 31, 2002.	Attended 6 of 7 director meetings and 2 of 8 special committee meetings to search for a CEO candidate.
<b>Brendan Paddick</b> , 47 Freeport, Grand Bahama Island Units: 90,000 <sup>(1)</sup>	Mr. Paddick is the Chief Executive Officer of Columbus International Inc.. He has been a director since 2006 and currently sits on the Audit Committee.	Attended 6 of 7 director meetings, 4 of 4 Audit Committee meetings, plus 6 of 8 special committee meetings to search for a CEO candidate.
<b>Mickey MacDonald</b> , 59 Halifax, Nova Scotia Units: 4,997,060 <sup>(1)(4)</sup>	Mr. MacDonald is President of Micco Companies (residential land development and automotive leasing). Mr. MacDonald has been a director of CS ManPar since June of 2009 and sits on the Corporate Governance and Compensation Committee of CS ManPar.	Attended 6 of 7 director meetings, plus 3 of 3 Governance and compensation committee meetings, plus 7 of 8 special meetings to search for a CEO candidate.

<b>Stan Spavold, 52</b> Halifax, Nova Scotia Units: 26,500 <sup>(1)</sup>	Mr. Spavold is the Executive Vice President of CFFI. Mr. Spavold has been a director of CS ManPar since June of 2009 and sits on the Audit Committee of CS ManPar.	Attended 6 of 7 director meetings, 3 of 4 audit committee meetings, plus 3 of 3 Governance and compensation committee meetings as well as 3 of 8 special committee meetings to search for a CEO candidate.
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Notes

- (1) The information as to Units and Special Trust Units beneficially owned, directly or indirectly, including by associates or affiliates, not being within the knowledge of the Fund, has been furnished by the respective directors.
- (2) CFFI holds 1,275,205 Units as well as an additional 23,381,217 Special Trust Units. Each Special Trust Unit was issued concurrently with the issuance of an Exchangeable Unit, which, subject to certain restrictions, is exchangeable for Units on a one-for-one basis, subject to adjustment in certain circumstances. Upon exchange of the Exchangeable Units for Units, the associated Special Trust Unit shall be cancelled. Messrs. MacDonald and Risley control CFFI and are directors of CFFI and, as such, beneficially own and control and direct the Units and Special Trust Units owned by CFFI.
- (3) Mr. Colin MacDonald holds 119,600 Units directly and indirectly.
- (4) Mr. Mickey MacDonald holds 2,437,060 Units directly and 2,560,000 Units are held by CJR Investments Inc., a company controlled by Mr. MacDonald. He also holds \$229,000 of the 10.5% Convertible Debentures due in 2013 and \$430,000 of the 7.25% Convertible Debentures due in 2014.

During 2003, the Board of Directors of CS ManPar adopted a policy whereby Board members will be required, over a three year period, to hold units equal to three times their total annual retainer.

Pursuant to unanimous shareholders' agreement entered into in respect of CS ManPar, CFFI has the right to appoint four directors of CS ManPar, and will continue to have the right to appoint directors of CS ManPar on following basis:

- So long as CFFI holds or controls at least 45% of the Class A LP Units and Class B GP Units ("CSLP Units"), it will be entitled to appoint four of the seven directors;
- So long as CFFI holds or controls at least 33% but less than 45% of the CSLP Units, it will be entitled to appoint three directors;
- So long as CFFI holds or controls at least 20% but less than 33% of the CSLP Units, it will be entitled to appoint two directors;
- Once CFFI holds less than 20% of the CSLP Units, it will not have the right to appoint any directors.

#### INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

None of the Trustees, directors or officers of CS ManPar, nominees for election as Trustees nor persons who have been Trustees or directors or officers of CS ManPar since the commencement of the Fund's last financial year and no associate or affiliate of any of the foregoing has any material interests, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting, except as disclosed elsewhere in this Circular.

#### COMPENSATION DISCUSSION AND ANALYSIS

As described in the section "Information Concerning the Fund", above, the Fund does not carry on business, does not have officers and is entirely dependent for its results on the performance of the Limited Partnership, the administrator of the Fund. As such, the disclosure set forth below is in respect of the Fund, the Limited Partnership and CS ManPar, and their respective directors and officers, if any, as applicable.



## **Compensation Discussion and Analysis**

This section will describe how decisions are made as they relate to determining the appropriate level of executive compensation paid, payable, awarded, granted or otherwise provided, directly or indirectly, by the Limited Partnership to each Named Executive Officer, as defined in Form 51-102F6 (each, an "**NEO**"). The Fund's NEOs are Ian Smith, CEO, Robert Wight, Vice President, Finance and Chief Financial Officer, Eric Roe, Chief Operating Officer and Mike Pittman, Vice President Fleet.

The Corporate Governance and Compensation Committee (the "**Compensation Committee**"), which is made up of members of the Board, is responsible for monitoring and providing guidance on the level of executive compensation. The Compensation Committee provides advice on terms and conditions of employment so as to ensure they are designed to advance the growth and profitability objectives of the Limited Partnership and to attract senior employees for long-term organizational commitment.

### ***Objectives of the Compensation Program***

The Limited Partnership's executive compensation program is based on attracting, motivating and retaining high-quality executives by providing a competitive level of compensation that rewards individual performance. Overall compensation is intended to maintain a fair and equitable relationship among the various positions within the company, while recognizing individual employee contributions toward the achievement of the Limited Partnership's overall short-term and long-term goals and objectives.

### ***What the Compensation Program is Designed to Reward***

The Limited Partnership's executive compensation program is designed to provide a competitive level of compensation, to reward individual performance and to provide incentives to executives to achieve and exceed performance-based goals. Performance goals are substantially based on improving the company's financial results and therefore, individual goals are aligned with shareholder interests.

### ***Elements of Compensation, Determination of Amounts for each Element, and Rationale for Amounts of each Element***

The major elements of the Limited Partnership's executive compensation program are base salary and performance based compensation.

For all NEOs other than the CEO, the compensation policies and guidelines are set by the CEO and reviewed by the Compensation Committee. The compensation for the CEO is recommended by the Compensation Committee and approved by the independent members of the Board.

Personal benefits and other perquisite benefits provided to senior management are reflective of generally accepted and competitive practices in the industry.

### **Base Salary**

Base salary compensates NEOs for discharging their duties in respect of their position descriptions. Salaries are reviewed on an annual basis. Factors considered in setting base salaries include corporate as well as individual performance, the requirements of their position, the executive's skills and experience, overall teamwork, job complexity and competence compared to executives in similar roles in comparable companies. Each of these factors is reviewed in accordance with the contribution expected of the individual executive officer.

### **Performance Based Compensation**

An annual incentive plan is an integral part of a balanced compensation program. The method of determining performance based compensation for NEOs, as determined by the Compensation Committee, takes into account

certain quantitative factors such as the Limited Partnership's performance against its budget, as well as various qualitative elements. Personal achievement, including extraordinary performance beyond the normal expectations for an individual's position, is also taken into account.

The annual bonus for fiscal 2010 was based on a target EBITDA level and the NEOs, except the CEO were eligible to receive up to 40% of their annual salary in bonus. The bonuses were confirmed in early 2011 once the annual results were confirmed.

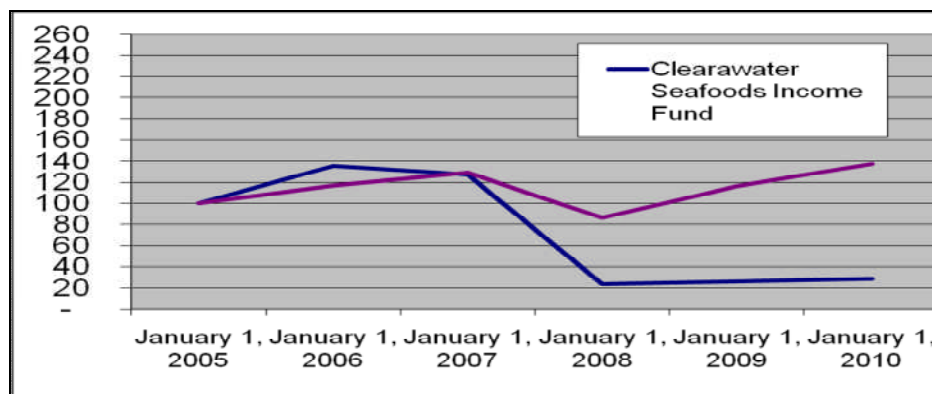
The CEO was eligible to receive up to 40% of their annual salary in bonus. In addition, upon commencement of employment he received Income Fund Unit appreciation rights ("**Options**") as follows:

- (a) 255,000 Options at a strike price of \$0.01/unit;
- (b) 250,000 Options at a strike price of \$0.80/unit; and
- (c) 200,000 Options at a strike price of \$1.00/unit.

For 2011 and subsequent years, the CEO is eligible to earn a number of Options calculated by dividing the total amount of the CEO's bonus for that year by the current market value per unit as reasonably assessed by the Board in accordance with recognized standards.

### **Performance Graph**

The following graph compares the total cumulative return, including distributions, to unitholders for \$100 invested in Units of the Fund with the total cumulative return, including distributions, of the S&P/TSX Composite Index over the past five-year period ended December 31, 2010. On December 31, 2010, the closing price of the Units on the TSX was \$1.02 (2009 - \$0.92).



	December 30, 2004	December 31, 2005	December 31, 2006	December 31, 2007	December 31, 2008	December 31, 2009	December 31, 2010
Clearwater Seafoods Income Fund	100	46.08	64.08	63.63	12.02	13.01	28.79
S&P/TSX Composite Index	100	123.99	145.27	159.56	106.89	144.36	137.05

The above graph and table demonstrate a decline which is consistent with the challenging financial results the Limited Partnership has experienced over the past several years until 2010, a year in which the results EBITDA improved by 14%. As a result of these challenging conditions no performance based compensation have been paid to NEOs from 2007 until 2009. The NEO's 2010 base salaries were increased to allow for Consumer Price Index increases.

### **Summary Compensation Table**

The following table sets forth all forms of executive compensation received by the NEOs for the 2010 financial year (in Canadian \$).

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary (\$)</b>	<b>Share-based awards (\$)</b>	<b>Option-based awards (\$)</b>	<b>Annual incentive plans (\$)</b>	<b>Long-term incentive plans (\$)</b>	<b>Pension value (\$)</b>	<b>Other Annual Compensation (\$)</b>	<b>Total Compensation (\$)</b>
Ian Smith ,CEO <sup>(1)</sup>	2010	275,343	-	-	-	403,662	-	101,356	780,361
Robert D. Wight Vice President, Finance and Chief Financial Officer	2010	259,453	-	-	-	-	-	10,449	269,902
	2009	259,453	-	-	-	-	-	12,877	272,330
	2008	253,125	-	-	-	-	-	13,380	266,505
Eric R. Roe Chief Operating Officer	2010	259,453	-	-	-	-	-	9,600	269,053
	2009	259,453	-	-	-	-	-	9,600	269,053
	2008	253,125	-	-	-	-	-	9,600	262,725
Michael Pittman Vice President, Fleet	2010	259,453	-	-	-	-	-	9,600	269,053
	2009	259,453	-	-	-	-	-	9,600	269,053
	2008	253,125	-	-	-	-	-	9,600	262,725
Rick Betz Executive Vice President, Sales and Marketing <sup>(2)</sup>	2010	378,664	-	-	-	-	-	3,233	381,897
	2009	408,257	-	-	-	-	-	9,013	417,270
	2008	372,505	-	-	-	-	-	8,429	380,934
Colin E. MacDonald, Chairman <sup>(3)</sup>	2010	213,060	-	-	-	-	-	43,595	256,655
	2009	155,672	-	-	-	-	-	40,102	191,977
	2008	151,875	-	-	-	-	-	40,102	191,977

#### **Notes**

- (1) Mr. Smith joined the Limited Partnership as CEO on May 17, 2010. His annual salary is \$400,000.
- (2) Mr. Betz is paid in US dollars of \$374,618 (2009 – \$366,670). Amounts recorded above are in Canadian dollars using an average foreign exchange rate of 1.0108 (2009 – 1.138). Mr. Betz voluntarily left the company on May 21, 2010 and was eligible to receive a retirement allowance of \$717,500 (USD) which is paid over 2 years.
- (3) Mr. MacDonald retired from the position of CEO on May 17, 2010. He is currently chairman CS ManPar, the managing general partner of the Limited Partnership and his annual salary is \$400,000.00. Mr. MacDonald's annualized current salary level is now \$155,672. The portion of Mr. MacDonald's salary that is donated to charity is \$344,328, when annualized.

### **Incentive plan awards**

The Fund operates a unit-based compensation plan under which it receives services from employees as consideration for cash payments. The plan is a phantom stock plan and provides for the granting of unit appreciation rights ("UARs") and other cash-based awards to certain employees. UARs provide the holder with the opportunity to receive a cash payment equal to the fair market value of the Units less the grant price. UARs vest over a three year period and have no expiry.

***Incentive Plan Awards – Value Vested or Earned During 2010***

<b>Name</b>	<b>Option-Based Awards – Value Vested during 2010 (Loss)</b>	<b>Share-Based Awards – Value Vested during 2010</b>	<b>Non-equity Incentive Plan Compensation – Value earned during 2010</b>
Ian Smith ,CEO	N/A	N/A	\$403,662
Robert D. Wight Vice President, Finance and Chief Financial Officer	N/A	N/A	N/A
Eric R. Roe Chief Operating Officer	N/A	N/A	N/A
Michael Pittman Vice President, Fleet	N/A	N/A	N/A
Rick Betz Executive Vice President, Sales and Marketing	N/A	N/A	N/A
Colin E. MacDonald, Chairman	N/A	N/A	N/A

**Pension plan benefits**

There are no arrangements that provide for any form of pension plan benefits to NEOs.

**Termination and Change of Control Benefits**

Certain of the NEOs are parties to employment agreements with the Limited Partnership, which outline the terms and conditions pertaining to their employment. These employment contracts generally provide for minimum base salaries. Each contract provides that the NEO's employment may be terminated by the Limited Partnership by giving twenty-four months written notice of termination or by paying an amount in lieu thereof. There are no contracts, agreements, plans or arrangements that provide for any incremental payments, payables or other benefits upon termination, resignation, retirement or a change of control of the Fund, the Limited Partnership or CS ManPar, other than compensation in lieu of notice of termination, as described in the preceding sentence.

Mr. Betz, the former Executive Vice-President, Global Sales and Marketing, ceased employment on May 21, 2010. As a result, Mr. Betz was eligible to receive an allowance of \$717,500 (USD) paid over 2 years.

**Director Compensation*****Director Compensation Table***

The following tables set forth all forms of compensation paid to the Trustees and the directors of CS ManPar for the year ended December 31, 2010.

***Trustees of Clearwater Seafoods Income Fund***

<b>Name</b>	<b>Fees earned (\$)</b>	<b>Share-based awards (\$)</b>	<b>Option-based awards (\$)</b>	<b>Non-equity incentive plan compensation (\$)</b>	<b>Pension value (\$)</b>	<b>Other Annual Compensation (\$)</b>	<b>Total (\$)</b>
Thomas D. Traves	80,496	-	-	-	-	-	80,496
Bernard Wilson	58,500	-	-	-	-	-	58,500
Harold Giles <sup>(1)</sup>	21,000	-	-	-	-	-	21,000
David Johnson <sup>(2)</sup>	29,369	-	-	-	-	-	29,369

## Notes

- (1) Term as trustee of Clearwater Seafoods Income Fund began as of June 2010.
- (2) Term as trustee of Clearwater Seafoods Income Fund ended in June 2010. Mr. Johnson is paid in US dollars. Amounts recorded above are in Canadian dollars based on fees of \$29,055 converted using an average foreign exchange rate of 1.0108.

*Directors of CS ManPar*

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	Other Annual Compensation (\$)	Total (\$)
Brendan Paddick	55,500	-	-	-	-	-	55,500
Mickey MacDonald	57,000	-	-	-	-	-	57,000
Stan Spavold	52,500	-	-	-	-	-	52,500
John Risley	42,000	-	-	-	-	-	42,000

**Narrative Discussion**

The Compensation Committee members review the compensation of non-executive Trustees and the directors of CS ManPar. The Compensation Committee members look at general compensation surveys annually to compare CS ManPar's directors' compensation to generally accepted practices for comparable public entities.

No director compensation is provided to directors of CS ManPar who are also NEOs.

The Trustees and the directors of CS ManPar were paid the following, as applicable, over the past fiscal year:

- A basic payment of \$30,000 for the fiscal year;
- A fee of \$25,000 for chairing the trustees;
- A fee of \$3,000 for chairing a committee of CS ManPar; and
- A fee of \$1,500 for meetings of the Trustees, the directors or committees attended.

The Fund reimbursed the Trustees for out-of-pocket expenses for attending these meetings and the Trustees participate in the insurance and indemnification arrangements described in this Circular. CS ManPar reimbursed its directors, excluding those who are Trustees, for out-of-pocket expenses for attending these meetings. During the year ended December 31, 2010, the Fund and CS ManPar paid the Trustees a total of (2009 - \$175,600) and the directors, excluding those who are Trustees, a total of (2009 - \$120,000).

**Outstanding Share-Based Awards and Option-Based Awards**

There are no arrangements that provide for any form of share based or option based awards to the Trustees or the directors of CS ManPar.

**TRUSTEES, DIRECTORS AND OFFICERS INSURANCE**

The Trustees, the directors and officers of CS ManPar and the trustees, directors and officers of their respective subsidiaries are covered under a directors and officers insurance policy that provides an aggregate limit of liability to the insured trustees, directors and officers of \$25 million (2009 - \$25 million). Losses are subject to a deductible of \$75,000 or, in the case of securities claims, \$250,000 (2009 - \$250,000).

For the period from January 1, 2010 to December 31, 2010, the total premium paid on the policy, including fees, was 128,400 (2009 - \$190,200).

The trust declaration of each of the Fund and the Trust and the by-laws of CS ManPar also provide for the indemnification of their respective trustees, directors and officers from and against liability and costs in respect of any action or suit against them in connection with the execution of their duties of office, subject to certain usual limitations.

## **INDEBTEDNESS OF TRUSTEES AND DIRECTORS AND OFFICERS OF THE FUND AND ITS SUBSIDIARIES**

No amounts are owed to the Fund or its subsidiaries by any trustee, director, or officer of the Fund or its subsidiaries.

## **MANAGEMENT CONTRACTS**

### **Administration Agreement**

The Fund is administered by the Limited Partnership pursuant to the Administration Agreement.

Under the terms of the Administration Agreement, the Limited Partnership, through its managing general partner, CS ManPar, provides (for no additional consideration, other than payment to the Limited Partnership of out-of-pocket expenses for provision of such services) administrative and financial support services to the Fund, including those necessary to (i) ensure compliance by the Fund with continuous disclosure obligations under applicable securities legislation; (ii) provide investor relations services; (iii) provide or cause to be provided to Voting Unitholders all information to which Voting Unitholders are entitled under the Declaration of Trust, including relevant information with respect to income taxes; (iv) call and hold meetings of Voting Unitholders and distribute required materials, including notices of meeting and information circulars, in respect of all meetings; (v) provide for the calculation of distributions to holders of Units; (vi) attend to all administrative and other matters arising in connection with any redemption of Units; and (vii) ensure compliance with the Fund's limitations on non-resident ownership.

## **CORPORATE GOVERNANCE**

The Trustees, the Board and the management team of the Limited Partnership are committed to a high standard of corporate governance. Effective corporate governance requires specified reporting structures and business processes, a strategic planning process, and a commitment to work according to these. We believe that sound corporate governance contributes to unitholder value and to trust and confidence in the Limited Partnership.

The Board is responsible under law for the stewardship of the Limited Partnership, including the business affairs of the Fund. To help execute this mandate, the Board has two standing committees, each consisting of only independent directors.

The Audit Committee is comprised of Bernard Wilson (Chair), Brendan Paddick and Stan Spavold, although only the independent directors, Messer Wilson and Paddick, are entitled to vote. The Corporate Governance and Compensation Committee is comprised of Harold Giles (Chair), Thomas Traves and Bernard Wilson.

The Trustees from time to time meet separately and, at other times, as part of the Board and committees thereof. The Trustees consider their major responsibility to be protecting the interests of the unitholders and, in particular, protecting the public unitholders in all respects. This can relate to monitoring distributions and the subordination of the exchangeable units, monitoring and approving, and otherwise, any non-arm's length transactions, etc.

The Fund is required to include disclosure of its corporate governance practices in accordance with National Instrument 58-101 - *Disclosure of Corporate Governance Practices* (the "**Governance Disclosure Rule**"), which has been adopted by the securities regulatory authorities in Canada. See Appendix "G" for this disclosure.

### INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

The Limited Partnership had the following transactions and balances with CFFI during 2010 and 2009:

	2010	2009
Transactions		
Charge by (to) CFFI	318,000	183,000
Balances		
Receivable from CFFI	1,774,000	1,422,000

In addition, the Limited Partnership was charged approximately 122,000 for vehicle leases in 2010 (December 31, 2009 - \$133,000) and approximately 176,000 for other services (December 31, 2009 - \$140,000) by companies controlled by a relative of an officer of the Limited Partnership.

These transactions are in the normal course of operations and have been recorded at fair market value.

Except as disclosed in this Circular, the Trustees are not aware of any other material interest of any Trustee of the Fund or director or officer of CS ManPar and the Limited Partnership, or any Unitholder who beneficially owns more than 10% of the Units, or any known associate or affiliate of these persons, in any transaction since the commencement of the last fiscal year of the Fund or in any proposed transaction that has materially affected or would materially affect the Fund.

### OTHER BUSINESS

The Trustees are not aware of any matter intended to come before the Meeting other than those items of business set forth in this Circular and the attached notice of meeting. If any other matters properly come before the Meeting, it is the intention of the persons named in the form of proxy accompanying this Circular to vote in respect of those matters in accordance with their judgment.

### ADDITIONAL INFORMATION

Financial information is provided in our Consolidated Financial Statements and Management Discussion & Analysis for our financial year ended December 31, 2010. We will provide to any person or company, without charge, upon receipt of a request by the Assistant Secretary of CS ManPar, 757 Bedford Highway, Bedford, Nova Scotia B4A 3Z7, a copy of: (i) the most recent Annual Information Form and Management Discussion & Analysis, together with a copy of any document or pertinent pages of any document incorporated therein by reference; (ii) our Consolidated Financial Statements for our financial year ended December 31, 2010, and the report of our auditors thereon; (iii) interim financial statements released subsequent to the date hereof; and (iv) this Circular. Copies of these documents can also be found at [www.sedar.com](http://www.sedar.com).

### APPROVAL OF TRUSTEES

The content and the sending of this Circular to the Voting Unitholders have been approved by the Board of Trustees of Clearwater Seafoods Income Fund and the directors of CS ManPar Inc.

By Order of the Board of Trustees

(Signed) THOMAS D. TRAVES

Thomas D. Traves  
Chairman

Halifax, Nova Scotia  
July 25, 2011

**AUDITORS' CONSENT**

**KPMG LLP**  
**Chartered Accountants**  
 Suite 1500 Purdy's Wharf Tower I  
 1959 Upper Water Street  
 Halifax NS B3J 3N2  
 Canada

Telephone (902) 492-6000  
 Telefax (902) 492-1307  
[www.kpmg.ca](http://www.kpmg.ca)

**AUDITORS' CONSENT**

The Board of Directors of Clearwater Seafoods Income Fund

We have read the Notice of Annual and Special Meeting of Unitholders and Management Information Circular with respect to a Plan of Arrangement involving Clearwater Seafoods Income Fund, Clearwater Seafoods Incorporated, Clearwater Seafoods Holding Trust, Clearwater Seafoods Limited Partnership, CS Manpar Inc. and 7914091 Canada Inc. and the unitholders dated July 25, 2011. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to:

- the incorporation by reference in the above-mentioned circular of our report to the unitholders of Clearwater Seafoods Income Fund, which comprise the balance sheets as at December 31, 2010 and December 31, 2009, the consolidated statements of loss and deficit and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. Our report is dated March 29, 2011;
- the incorporation by reference in the above-mentioned circular of our report to the unitholders of Clearwater Seafoods Limited Partnership, which comprise the balance sheets as at December 31, 2010 and December 31, 2009, the consolidated statements of operations and deficit, comprehensive income (loss) and accumulated other comprehensive loss, and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. Our report is dated March 29, 2011;
- the use in the above-mentioned circular of our report to the board of directors of Clearwater Seafoods Incorporated on the statement of financial position as at July 7, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information. Our report is dated July 22, 2011.

Chartered Accountants

July 25, 2011  
 Halifax, Canada



**CONSENT OF MCINNES COOPER**

We hereby consent to the reference to our opinion contained under the heading "Certain Canadian Federal Income Tax Considerations" in the Notice of Annual and Special Meeting, and Management Information Circular (the "**Information Circular**") of Clearwater Seafoods Income Fund (the "**Fund**") dated July 25, 2011 relating to the plan of arrangement involving the the Fund, Newco, Clearwater Seafoods Holding Trust, Clearwater Seafoods Limited Partnership, Newco, CS ManPar Inc., and 7914091 Canada Inc. and the holders of units and special voting units of the Fund, and to the inclusion of the foregoing opinion in the Information Circular.

Halifax, Nova Scotia

July 25, 2011

(signed) "*McInnes Cooper*"

## APPENDIX "A"

### ARRANGEMENT RESOLUTION

Capitalized terms not otherwise defined herein have the meanings ascribed thereto in the management information circular of Clearwater Seafoods Income Fund (the "**Fund**") dated July 25, 2011 (the "**Circular**").

BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. the arrangement (as it may be modified or amended, the "**Arrangement**") under Section 192 of the *Canada Business Corporations Act*, involving the Fund, Newco, Clearwater Seafoods Holding Trust (the "**Trust**"), Clearwater Seafoods Limited Partnership (the "**Limited Partnership**"), Newco, CS ManPar Inc., 7914091 Canada Inc. ("**Holdco**"), and the Voting Unitholders substantially as set forth in the plan of arrangement (as it may be modified or amended, the "**Plan of Arrangement**") attached as Appendix "B" to the Circular and all transactions contemplated thereby, be and are hereby authorized, approved and agreed;
2. the amended and restated arrangement agreement dated July 25, 2011, among the Fund, Newco, the Trust, the Limited Partnership, CS ManPar Inc. and Holdco, as it may be amended from time to time (the "**Arrangement Agreement**"), the actions of the trustees of the Fund (the "**Trustees**") in approving the Arrangement and the Arrangement Agreement and the actions of the Trustees and officers of the Fund in executing and delivering the Arrangement Agreement and causing the performance by the Fund of its obligations thereunder be and they are hereby confirmed, ratified, authorized and approved;
3. the amendments to the Fund Declaration of Trust, as necessary to facilitate the Arrangement including, without limitation, the dissolution of the Fund thereunder, and also as provided in the Arrangement Agreement, as amended, modified or supplemented pursuant to its terms, if applicable, be and they are hereby authorized and approved;
4. notwithstanding that this special resolution has been duly passed (and the Arrangement approved and agreed) by the Voting Unitholders or that the Arrangement has been approved by the Supreme Court of Nova Scotia (the "**Court**"), the Trustees be, and they are hereby, authorized and empowered, without further notice to or approval of the Voting Unitholders: (i) to amend the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the Arrangement Agreement; and (ii) to decide not to proceed with the Arrangement at any time prior to the Effective Time (as defined in the Arrangement Agreement); and
5. any one Trustee or officer of Fund be, and is hereby, authorized, empowered and instructed, acting for, in the name of and on behalf of the Fund, to execute or cause to be executed, under seal of the Fund or otherwise, and to deliver or to cause to be delivered, the Articles of Arrangement and all other documents and instruments and do all other things as in such persons' opinion may be necessary or desirable to carry out the intent of the forgoing paragraphs of these resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document or the doing of such act or thing.

**APPENDIX "B"**

**PLAN OF ARRANGEMENT**

**Under Section 192 of the *Canada Business Corporations Act***

**ARTICLE 1 - INTERPRETATION**

**1.1.** In this Plan of Arrangement, the following terms have the following meanings:

- (a) **"7.25% Convertible Debentures"** means the 7.25% convertible unsecured subordinated debentures of the Fund due March 31, 2014;
- (b) **"10.5% Convertible Debentures"** means the 10.5% convertible unsecured subordinated debentures of the Fund due December 31, 2013;
- (c) **"Agreement of Limited Partnership"** means the amended and restated limited partnership agreement dated July 31, 2002 relating to the formation of the Limited Partnership, as amended;
- (d) **"Arrangement"**, "herein", "hereof", "hereto", "hereunder" and similar expressions mean and refer to the arrangement pursuant to Section 192 of the CBCA set forth in this Plan of Arrangement as supplemented, modified or amended, and not to any particular article, section or other portion hereof;
- (e) **"Arrangement Agreement"** means the amended and restated agreement dated as of July 25, 2011, among the Fund, Newco, CSHT, the Limited Partnership, CS ManPar and Holdco with respect to the Arrangement and all amendments thereto;
- (f) **"Articles of Arrangement"** means the articles in respect of the Arrangement required under subsection 192(6) of the CBCA to be filed with the Director after the Final Order has been granted;
- (g) **"Book Entry System"** has the meaning ascribed to it in subsection 4.3(a) hereof;
- (h) **"Business Day"** means a day, other than a Saturday, Sunday or statutory holiday, when banks are generally open for business in the Halifax Regional Municipality, in the Province of Nova Scotia, for the transaction of banking business;
- (i) **"CBCA"** means the *Canada Business Corporations Act* R.S.C. 1985, c. C-44, and the regulations thereto, as now in effect and as it may be amended from time to time prior to the Effective Date;
- (j) **"CDS"** means CDS Clearing and Depository Services Inc.;
- (k) **"CDS Participant"** has the meaning ascribed to it in subsection 4.3(b);
- (l) **"Certificate"** means the certificate to be issued by the Director pursuant to subsection 192 of the CBCA giving effect to the Arrangement;
- (m) **"Class B GP Units"** means Class B general partnership units of the Limited Partnership that are indirectly exchangeable on a one-to-one basis for Units of the Fund, and each is accompanied by a Special Trust Unit;
- (n) **"Class B LP Units"** means Class B units of the Limited Partnership;

- (o) "**Court**" means the Supreme Court of Nova Scotia;
- (p) "**CFFI**" Clearwater Fine Foods Incorporated a corporation formed under the federal laws of Canada;
- (q) "**CS ManPar**" means CS ManPar Inc., a corporation incorporated under the laws of Canada, being the managing general partner of the Limited Partnership;
- (r) "**CSHT**" means Clearwater Seafoods Holdings Trust, a trust governed by the laws of Ontario formed pursuant to the CSHT Declaration of Trust;
- (s) "**CSHT Declaration of Trust**" means the declaration of trust of CSHT dated July 17, 2002, as amended;
- (t) "**Debentures**" means collectively, the 7.25% Convertible Debentures and the 10.5% Convertible Debentures;
- (u) "**Declaration of Trust**" means the amended and restated declaration of trust of the Fund dated June 5, 2002, as amended;
- (v) "**Director**" means the Director appointed under Section 260 of the CBCA;
- (w) "**Effective Date**" means the date the Arrangement is effective under the CBCA, which is expected to be December 31, 2011 or such other date as may be determined by the parties;
- (x) "**Effective Time**" means 12:01 a.m. (Eastern Time) on the Effective Date or such other time as may be determined by the parties;
- (y) "**Exchange Agent**" means Computershare Investor Services Inc. or such other Person as may be designated by the Fund and its officers;
- (z) "**Exchange Agreement**" means the exchange agreement dated July 31, 2002 between the Fund, the Trust, the Limited Partnership, CS ManPar, CFFI and Atlantic Shrimp Company Limited, as amended from time to time;
- (aa) "**Final Order**" means the final order of the Court approving the Arrangement pursuant to subsection 192 of the CBCA, as such order may be, amended or varied at any time prior to the Effective Time, or if appealed, then, until such appeal is withdrawn or denied, as affirmed or as amended on appeal;
- (bb) "**Fund**" means Clearwater Seafoods Income Fund, an unincorporated open-ended investment trust governed by the laws of the Province of Ontario;
- (cc) "**General Partner**" means collectively, CS ManPar and CFFI;
- (dd) "**GP Common Shares**" means the common shares of CS ManPar;
- (ee) "**Holdco**" means 7914091 Canada Inc., a corporation incorporated under the laws of Canada;
- (ff) "**Holdco Properties**" means, collectively, all of the Class B LP Units (and associated Special Trust Units) and all of the GP Common Shares owned by Holdco;
- (gg) "**Indenture**" means the indenture dated June 15, 2004, between the Fund and Computershare Trust Company of Canada as amended by a first supplemental trust indenture dated March 9,

2007, to provide for the creation and issuance of the 7.25% Convertible Debentures and a second supplemental indenture dated November 18, 2010, to amend the terms of the 10.5% Convertible Debentures;

- (hh) "**Interim Order**" means the interim order of the Court containing declarations and directions with respect to the Arrangement, as such order may be amended or modified by the Court;
- (ii) "**Limited Partnership**" means Clearwater Seafoods Limited Partnership, a limited partnership governed by the *Limited Partnerships Act* (Nova Scotia);
- (jj) "**Meeting**" means the annual and special meeting of Unitholders to be held, among other things, to consider the Arrangement and related matters, and any adjournment thereof;
- (kk) "**Newco**" means Clearwater Seafoods Incorporated, a corporation incorporated under the laws of Canada and a wholly-owned subsidiary of the Fund;
- (ll) "**Newco Shares**" means common shares in the capital of Newco;
- (mm) "**Parties**" has the meaning ascribed thereto in Section 5.1 hereof;
- (nn) "**Person**" means any individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, regulatory body or agency, government or governmental agency, authority or entity however designated or constituted;
- (oo) "**Plan of Arrangement**" means this plan of arrangement;
- (pp) "**Securities Act**" means the *Securities Act* (Nova Scotia), as now in effect and as it may be amended from time to time prior to the Effective Time;
- (qq) "**Special Trust Units**" means the special voting units of the Fund;
- (rr) "**Subsidiary**" means, with respect to any Person, any corporation, partnership, limited partnership, trust or other Person controlled, directly or indirectly, by that Person, where "control" has the meaning attributed to such term in the Securities Act;
- (ss) "**Units**" means the trust units of the Fund;
- (tt) "**Unitholder**" means a holder of Voting Units; and
- (uu) "**Voting Units**" means, collectively, the Units and the Special Trust Units.

## 1.2. Headings

The division of this Plan of Arrangement into articles and sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Plan of Arrangement.

## 1.3. Interpretations

- (a) Unless reference is specifically made to some other document or instrument, all references herein to articles and sections are to articles and sections of this Plan of Arrangement.

- (b) Unless the context otherwise requires, words importing the singular number shall include the plural and vice versa; words importing any gender shall include all genders; and words importing persons shall include individuals, partnerships, associations, corporations, funds, unincorporated organizations, governments, regulatory authorities, and other entities.

#### **1.4. Calculation of Days**

- (a) Unless otherwise specified, time periods within or following which any act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next Business Day following, if the last day of the period is not a Business Day.
- (b) In the event that the date on which any action is required to be taken hereunder by any of the parties is not a Business Day in the place where the action is required to be taken, such action shall be required to be taken on the next succeeding day which is a Business Day in such place.

#### **1.5. Statutory References**

References in this Plan of Arrangement to any statute or sections thereof shall include such statute as amended or substituted and any regulations promulgated thereunder from time to time in effect.

### **ARTICLE 2 - ARRANGEMENT AGREEMENT**

#### **2.1. Arrangement**

This Plan of Arrangement is made pursuant to, is subject to the provisions of, and forms part of, the Arrangement Agreement.

#### **2.2. Binding Effect**

This Plan of Arrangement, upon the filing of the Articles of Arrangement and the issue of the Certificate shall become effective on, and be binding on and after, the Effective Time on:

- (a) the Unitholders, including Holdco;
- (b) Newco;
- (c) the trustees of the Fund;
- (d) the trustees of CSHT;
- (e) the Limited Partnership; and
- (f) CS ManPar

#### **2.3. Certificate**

The Articles of Arrangement shall be filed and issued with respect to this Arrangement in its entirety. The Certificate shall be conclusive evidence that the Arrangement has become effective and that each of the provisions of Article 3 has become effective in the sequence and at the times set out therein. If no Certificate is required to be issued by the Director pursuant to Section 192(7) of the CBCA, the Arrangement shall become effective on the date the Articles of Arrangement are filed with the Director pursuant to Section 192(6) of the CBCA.

## 2.4. Order of Completion of Steps

Other than as expressly provided for herein, no portion of this Plan of Arrangement shall take effect with respect to any other party or person until the Effective Time. All of the steps and events listed in Article 3 shall be completed in accordance with the following:

- (a) the steps and events listed shall be completed on the Effective Date, unless otherwise specified, in the numerical order and sequence provided in Article 3, without further act or formality;
- (b) each of such steps and events shall be mutually conditional, such that no single event may occur without all events occurring in sequence, thereby effecting the integrated transaction which constitutes the Arrangement; and
- (c) upon implementation of the first step of the Arrangement, each of the other steps will occur automatically and in sequence until each of the steps is completed and the Arrangement is effective, provided that if any of the steps in Article 3 fails to occur or be completed then all of the steps will be deemed not to have occurred.

## ARTICLE 3 - ARRANGEMENT

### 3.1. Steps

Commencing at the Effective Time, each of the events set out below shall occur and shall be deemed to occur in the following order without any further act or formality except as otherwise provided herein:

- (a) the Declaration of Trust shall be amended, to the extent necessary, to facilitate the Arrangement as provided herein;
- (b) the CSHT Declaration of Trust shall be amended, to the extent necessary, to facilitate the Arrangement as provided herein;
- (c) the Agreement of Limited Partnership shall be amended, to the extent necessary, to facilitate the Arrangement as provided herein;
- (d) the Exchange Agreement shall be amended, to the extent necessary, to facilitate the Arrangement as provided therein;
- (e) the GP Common Shares will be split on a 458,455.2352 for every one GP Common Share basis with fractions rounded to the nearest whole number on the split, such that the number of GP Common Shares held by Holdco will be equal to the number of Special Trust Units outstanding;
- (f) Holdco will exchange its Class B GP Units for Class B LP Units on a one-for-one basis;
- (g) all of the issued and outstanding Voting Units held by Unitholders (that are not Special Trust Units) shall be transferred to Newco (free of any claims) in consideration for Newco Shares on the basis of one (1) Newco Share for each Voting Unit so transferred and there shall be added to the stated capital account maintained for the Newco Shares an amount to be determined by the board of directors of Newco in accordance with Section 26 of the CBCA;
- (h) Holdco will transfer all of the Class B LP Units (and the associated Special Trust Units) and all of its GP Common Shares (collectively, the "**Holdco Properties**") to Newco in exchange for 23,381,217 Newco Shares;
- (i) the one hundred (100) Newco Shares issued to the Fund in connection with the incorporation and organization of Newco shall be purchased for cancellation by Newco for consideration of one dollar (\$1.00) per Newco Share, and shall be cancelled;

- (j) (i) the Trust will distribute all of its assets, including all of its interest in the Limited Partnership, to the Fund, (ii) the Fund will assume all of the liabilities of the Trust, and (iii) the Trust will be dissolved in accordance with applicable law and the CSHT Declaration of Trust; and
- (k) (i) the Fund will distribute all of its assets, including all of its interest in the Limited Partnership, to Newco, (ii) Newco will assume all of the liabilities of the Fund including the Fund's obligations under the Indenture and the Fund will be released therefrom, in accordance with the terms of the Indenture, and (iii) the Fund will be dissolved in accordance with applicable law and the Declaration of Trust.

### **3.2. Exchange of Units and the Holdco Properties for Newco Shares**

Upon the exchange at the Effective Time of Units and the Holdco Properties for Newco Shares pursuant to Sections 3.1(g) and 3.1(h), respectively:

- (a) each former holder of Units or the Holdco Properties shall cease to be the holder of the Units or the Holdco Properties so exchanged and the name of each such holder shall be removed from the register of holders of Units or the Holdco Properties;
- (b) each such holder of Units or the Holdco Properties shall become the holder of the Newco Shares exchanged for the Units or the Holdco Properties held by such holder and shall be added to the register of holders of Newco Shares in respect thereof; and
- (c) Newco shall become the holder of the Units or the Holdco Properties so exchanged and shall be added to the register of holders of Units or the Holdco Properties in respect thereof.

### **3.3. Updates to Securities Registers**

The Fund, Newco, CSHT, the Limited Partnership and CS ManPar shall make appropriate entries in their securities register to reflect the matters referred to in Section 3.1.

## **ARTICLE 4 - OUTSTANDING CERTIFICATES AND FRACTIONAL SECURITIES**

### **4.1. Extinguishment of Rights**

Any certificates formerly representing Units that are not deposited, as necessary, together with any other documents as may reasonably be required shall, from and after the Effective Date, represent only the right to receive Newco Shares in respect thereof. If certificates formerly representing Units have not been so deposited, as necessary, on or before the sixth anniversary of the Effective Date, such certificates shall cease to represent a right or claim of any kind or nature and the right of the holder of the Units previously represented thereby to receive Newco Shares shall be deemed to be surrendered to Newco, together with all interest or distributions thereon held for such holder.

### **4.2. No Fractional Newco Shares**

No certificates representing fractional Newco Shares shall be issued under this Arrangement. In lieu of any fractional Newco Shares, each registered holder of Units otherwise entitled to a fractional interest in a Newco Shares will receive the nearest whole number of Newco Shares (with fractions equal to exactly 0.5 being rounded up).

### **4.3. Book Entry System and Certificates**

It is agreed that:

- (a) Registration of interests in and transfers of the Newco Shares will be made through a book-based system (the "**Book Entry System**") administered by CDS. On or about the Effective Date, Newco



will deliver to CDS one or more certificates evidencing the aggregate number of Newco Shares issued in connection with the Arrangement.

- (b) Newco Shares may be purchased, transferred or surrendered for redemption through a participant in the CDS depository service (a "**CDS Participant**"). All rights of holders of Newco Shares may be exercised through, and all payments or other property to which such holder is entitled, may be made or delivered by, CDS or the CDS Participant through which the holder holds such Newco Shares. Upon purchase of such Newco Shares, the holders will receive only a customer confirmation from the registered dealer which is a CDS Participant and from or through which the Newco Shares are purchased.
- (c) Newco may issue certificates representing Newco Shares to one or more shareholders, where such issuances are warranted in the opinion of Newco. Newco also has the option to terminate registration of the Newco Shares through the Book Entry System, in which case certificates for the Newco Shares in fully registered form would be issued to beneficial owners of such Newco Shares or their nominees.

#### **4.4. Lost or Missing Unit Certificates**

In the event that any certificate which, immediately prior to the Effective Time, represented an interest in one or more outstanding Units that were exchanged for Newco Shares pursuant to Section 3.1 shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to have been lost, stolen or destroyed, the registered holder thereof in the register of Units maintained by the Exchange Agent shall, as a condition precedent to the receipt thereof, provide to Newco a bond, in form and substance satisfactory to Newco, or shall otherwise indemnify Newco to its satisfaction, in its sole and absolute discretion, against any claim that may be made against them with respect to the certificate alleged to have been lost, stolen or destroyed.

### **ARTICLE 5 - AMENDMENTS**

#### **5.1. Right to Amend**

The parties to the Arrangement Agreement (the "**Parties**") may amend this Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment must be: (i) set out in writing; (ii) approved by all Parties; and (iii) filed with the Court, and, if made following the Meeting, approved by the Court; and (iv) communicated to the Director and, if and as required by the Court, to the Unitholders.

#### **5.2. Amendments Before Meeting**

Any amendment to this Plan of Arrangement may be proposed by any of the Parties at any time prior to or at the Meeting (provided that the other Parties shall have consented thereto) with or without any other prior notice or communication, and if so proposed and accepted by the persons voting at the Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.

#### **5.3. Amendments Before or Following the Effective Time**

Any amendment, modification or supplement to this Plan of Arrangement may be made prior to or following the Effective Time by the agreement of the Parties without approval of the Court or the Unitholders, provided that it concerns a matter which, in the reasonable opinion of the Parties is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the financial or economic interests of any Unitholder.

## **ARTICLE 6 - GENERAL**

### **6.1. Further Assurances**

Notwithstanding that the transactions and events set out herein shall occur and be deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, each of the parties to the Arrangement Agreement shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order to further document or evidence any of the transactions or events set out herein. The Parties may agree not to implement this Plan of Arrangement, notwithstanding the passing of the Arrangement Resolution and the receipt of the Final Order.

### **6.2. Severability of Plan of Arrangement Provisions**

If, prior to the Effective Date, any term or provision of this Plan of Arrangement is held by the Court to be invalid, void or unenforceable, the Court, at the request of any parties, shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of this Plan of Arrangement shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation.

### **6.3. Governing Laws**

This Plan of Arrangement shall be governed by and construed in accordance with the laws of the Province of Nova Scotia and the federal laws of Canada applicable therein. Any questions as to the interpretation or application of this Plan of Arrangement and all proceedings taken in connection with this Plan of Arrangement and its provisions shall be subject to the exclusive jurisdiction of the Court.

### **6.4. Time**

Time is of the essence in the performance of the Parties' respective obligations.

## APPENDIX "C"

### NEWCO AUDITED BALANCE SHEET



**KPMG LLP**  
**Chartered Accountants**  
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1959 Upper Water Street  
Halifax NS B3J 3N2  
Canada

Telephone (902) 492-6000  
Fax (902) 492-1307  
Internet [www.kpmg.ca](http://www.kpmg.ca)

### INDEPENDENT AUDITORS' REPORT

To the Shareholders of Clearwater Seafoods Incorporated

We have audited the accompanying balance sheet of Clearwater Seafoods Incorporated, which includes notes, comprising of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Balance Sheet*

Management is responsible for the preparation and fair presentation of this balance sheet in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of a balance sheet that is free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on this balance sheet based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the balance sheet. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the balance sheet, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the balance sheet in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the balance sheet.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statement presents fairly, in all material respects, the balance sheet of Clearwater Seafoods Incorporated as at July 7, 2011, in accordance with International Financial Reporting Standards.

A handwritten signature in black ink that reads "KPMG LLP" with a horizontal line underneath.

Chartered Accountants  
July 22, 2011  
Halifax, Canada

**CLEARWATER SEAFOODS INCORPORATED**  
**Balance Sheet**  
**As at July 7, 2011**  
Canadian dollars

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**ASSETS**

Cash	\$	100
	\$	100

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**SHAREHOLDER'S EQUITY**

Share capital (note 3)	\$	100
	\$	100

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**See accompanying notes to balance sheet**

Signed "Bob Wight"  
\_\_\_\_\_  
Bob Wight  
Director

Signed "Tyrone Cotie"  
\_\_\_\_\_  
Tyrone Cotie  
Director

# **CLEARWATER SEAFOODS INCORPORATED**

## **Notes to the Balance Sheet**

**As at July 7, 2011**

Canadian dollars

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### **1. Reporting entity and basis of presentation**

Clearwater Seafoods Incorporated ("Newco") was incorporated under the Canada Business Corporations Act on July 7, 2011 to facilitate the conversion of Clearwater Seafoods Income Fund from an income trust structure to a corporate structure. Other than the issuance of one hundred common shares, Newco has not conducted any business and will be inactive until the Plan of Arrangement is completed. Accordingly, statements of earnings, comprehensive income, changes in shareholder's equity and cash flows have not been prepared.

### **2. Basis of preparation and significant accounting policies**

#### **Statement of Compliance**

This financial statement has been prepared in accordance with International Financial Reporting Standards. The financial statement was authorized for issue by the Board of directors on July 22, 2011.

#### **Basis of measurement**

The financial statement has been prepared on the historical cost basis.

#### **Functional and presentation currency**

This financial statement is presented in Canadian dollars, which of the Corporation's functional currency.

#### **Use of judgments and estimates**

The preparation of this financial statement in conformity with International Financial Reporting Standards requires management to make estimates, judgments and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

### **3. Share capital**

#### **Authorized**

Clearwater Seafoods Incorporated is authorized to issue an unlimited number of common shares.

#### **Issued**

100 common shares were issued for \$1.00 per share

### **4. Plan of Arrangement ("Conversion")**

On July 22, 2011, the Board of Trustees of Clearwater Seafoods Income Fund (the "Fund"), approved a proposed transaction providing for the conversion of the Fund from an income trust to a corporation.

**CLEARWATER SEAFOODS INCORPORATED****Notes to the Balance Sheet****As at July 7, 2011**Canadian dollars

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If the Conversion is approved by the Unitholders of the Fund, Unitholders will receive, for each unit of the Fund held, one common share of the Corporation on the effective date of the Conversion ("Effective Date"). All assets and liabilities of the Fund will become the assets and liabilities of the Corporation. Following completion of the Conversion, the former Unitholders of the Fund will hold all outstanding common shares of the Corporation.

Following the Effective Date, holders of the (a) 7.25% convertible unsecured subordinated debentures, Series 2007 of the Fund due March 31, 2014; and (b) 10.5% convertible unsecured subordinated debentures, Series 2010 of the Fund due December 31, 2013 (collectively, the "**Debentures**") will thereafter be entitled to receive common shares of the Corporation rather than Units on conversion of such Debentures, on the same conversion basis as Units were previously issuable on conversion thereof.

Since the Conversion does not contemplate a change of control for accounting purposes and the economic basis of the Fund was the underlying ownership of Clearwater Seafoods Limited Partnership (the "Limited Partnership"), the financial statements of Corporation will be the continuation of the Limited Partnership's. As a result of the Conversion, the financial statements of the Corporation will reflect the assets and liabilities of the Limited Partnership at their respective carrying amounts. Any change in the future income tax balance due to the change in tax status will be charged to the income tax expense on the Effective Date.

Completion of the transactions as contemplated by the Conversion is subject to certain conditions, including regulatory approval and approval by the Fund's Unitholders at a meeting scheduled for August 25, 2011, but it is anticipated that the Conversion will become effective on or about December 31, 2011.

**APPENDIX "D"**

**PRO FORMA FINANCIAL STATEMENTS OF NEWCO**

**Clearwater Seafoods Incorporated**  
April 2, 2011 and December 31, 2010  
Unaudited

See attached.



**CLEARWATER SEAFOODS INCORPORATED**  
**Pro Forma Statement of Financial Position**  
**As at April 2, 2011**  
(Unaudited)

CAD 000's	Clearwater Seafoods Income Fund	Entries (note 2)						Total	Clearwater Seafoods Incorporated
		(c) Consolidate Limited Partnership	(d) Eliminate Equity Accounting	(e) Reclass LP Units to Equity	(f) Accrual For Conv Costs	(g) Reclass Equity Component of Conv Debt	(h) Reclass to Contributed Surplus		
ASSETS									
Current assets									
Cash		\$ 8,688						\$ 8,688	\$ 8,688
Trade and other receivables		41,416						41,416	41,416
Intercompany receivables	1,236		(1,236)					(1,236)	-
Inventories		42,342						42,342	42,342
Prepays		4,934						4,934	4,934
	1,236	97,380	(1,236)	-	-	-	-	96,144	97,380
Non-current assets									
Other receivables		8,450						8,450	8,450
Other assets		8,983						8,983	8,983
Property, plant, and equipment		128,109						128,109	128,109
Investment in subsidiary	107,692		(107,692)					(107,692)	-
Licenses		113,617						113,617	113,617
Goodwill		7,043						7,043	7,043
	107,692	266,202	(107,692)	-	-	-	-	158,510	266,202
	\$ 108,928	\$ 363,582	\$ (108,928)	\$ -	\$ -	\$ -	\$ -	\$ 254,654	\$ 363,582
LIABILITIES									
Current liabilities									
Trade and other payables	\$ 1,170	\$ 28,916	\$ (1,236)		\$ 1,000			\$ 28,680	\$ 29,850
Income tax payable		2,683						2,683	2,683
Current portion of long term debt		20,208						20,208	20,208
Derivative financial instruments		10,476						10,476	10,476
	1,170	62,283	(1,236)	-	1,000	-	-	62,047	63,217
Non-current liabilities									
Long-term debt and partnership unit liability		364,583	(86,513)	(162,517)				115,553	115,553
Other liabilities		15,916						15,916	15,916
Deferred tax liabilities		3,048						3,048	3,048
Convertible debentures	86,513					(1,965)		(1,965)	84,548
	86,513	383,547	(86,513)	(162,517)	-	(1,965)	-	132,552	219,065
SHAREHOLDERS EQUITY									
Contributed surplus		1,816		-			120,344	122,160	122,160
Common shares				162,517			(120,344)	42,173	42,173
Equity component of convertible debentures						1,965		1,965	1,965
Cumulative translation account		(1,851)						(1,851)	(1,851)
Retained earnings (deficit)	21,245	(115,135)	(21,179)	-	(1,000)			(137,314)	(116,069)
	21,245	(115,170)	(21,179)	162,517	(1,000)	1,965	-	27,133	48,378
Non-controlling interest		32,922						32,922	32,922
	21,245	(82,248)	(21,179)	162,517	(1,000)	1,965	-	60,055	81,300
TOTAL LIABILITIES and SHAREHOLDER'S EQUITY	\$ 108,928	\$ 363,582	\$ (108,928)	\$ -	\$ -	\$ -	\$ -	\$ 254,654	\$ 363,582

See accompanying notes to pro forma financial statements



**CLEARWATER SEAFOODS INCORPORATED**  
**Pro Forma Income Statement**  
**13 Weeks Ended**  
**April 2, 2011**  
(Unaudited)

CAD 000's	Clearwater Seafoods Income Fund	Entries (note 2)		Total	Clearwater Seafoods Incorporated
		(a) Consolidate Limited Partnership	(b) Eliminate Equity Accounting		
Revenue	\$ -	\$ 69,235		\$ 69,235	\$ 69,235
Equity Earnings	3,039	-	(3,039)	(3,039)	-
Cost of Sales		58,074		58,074	58,074
Gross Profit	3,039	11,161	(3,039)	8,122	11,161
Administration expense	-	7,759		7,759	7,759
Other (income) expense	-	(12,467)		(12,467)	(12,467)
Research and development	-	(36)		(36)	(36)
Net administration expense (income)	-	(4,744)	-	(4,744)	(4,744)
Results from operations	3,039	15,905	(3,039)	12,866	15,905
Net financing costs	(5)	13,297		13,297	13,292
Profit (loss) before income taxes	3,044	2,608	(3,039)	(431)	2,613
Income tax expense	-	781		781	781
Profit (loss) for the period	3,044	1,827	(3,039)	(1,212)	1,832
Net income per Unit/Share (basic)	\$ 0.110				\$ 0.066
Net income per Unit/Share (diluted)	\$ 0.049				\$ 0.029
Weighted average number of units outstanding:					
Basic	27,746				27,746
Diluted	62,324				62,324

See accompanying notes to pro forma financial statements

**CLEARWATER SEAFOODS INCORPORATED**  
**Pro Forma Income Statement**  
**Year Ended**  
**December 31, 2010**  
(Unaudited)

CAD 000's	Clearwater Seafoods Income Fund	Entries (note 3)		Total	Clearwater Seafoods Incorporated
		(a) Consolidate Limited Partnership	(b) Eliminate Equity Accounting		
Revenue	\$ -	\$ 291,116		\$ 291,116	\$ 291,116
Equity Earnings	(3,476)		3,476	3,476	-
Cost of Sales		234,854		234,854	234,854
Gross Profit	(3,476)	56,262	3,476	59,738	56,262
Administration expense	0	26,199		26,199	26,199
Other (income) expense	0	(1,526)		(1,526)	(1,526)
Research and development	0	1,624		1,624	1,624
Net administration expense (income)	0	26,297	0	26,297	26,297
Results from operations	(3,476)	29,965	3,476	33,441	29,965
Net financing costs	(18)	44,044		44,044	44,026
Profit (loss) before income taxes	(3,458)	(14,079)	3,476	(10,603)	(14,061)
Income tax expense	0	3,563		3,563	3,563
Profit (loss) for the period	(3,458)	(17,642)	3,476	(14,166)	(17,624)
Net income per Unit/Share (basic)	\$ (0.125)				\$ (0.635)
Net income per Unit/Share (diluted)	\$ (0.055)				\$ (0.283)
Weighted average number of units outstanding:					
Basic	27,746				27,746
Diluted	62,324				62,324

See accompanying notes to pro forma financial statements

**CLEARWATER SEAFOODS INCORPORATED**  
**Notes to Pro Forma Consolidated Financial Statements**  
**13 weeks ended April 2, 2011 and Year Ended December 31, 2010**  
**Unaudited (in thousands of dollars, except where indicated)**

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**1. Basis of presentation**

The accompanying unaudited pro forma statement of financial position as at April 2, 2011; and the income statements for the year ended December 31, 2010 and for the thirteen weeks ended April 2, 2011 (the “unaudited Pro Forma Financial Statements”) have been prepared by the management of Clearwater Seafoods Income Fund (“the Fund”) to reflect the Plan of Arrangement (the “Conversion”) to convert the Fund from an income fund to a corporation, as described in the Fund’s information circular (“Information Circular”). These unaudited Pro Forma Financial Statements give effect to the acquisition of the Fund by Clearwater Seafoods Incorporated (“Newco”) that will continue the business of the Fund. Since the Conversion does not contemplate a change of control for accounting purposes and the economic basis of the Fund was the underlying ownership of Clearwater Seafoods Limited Partnership (the “Limited Partnership”), the financial statements of Newco will be the continuation of the Limited Partnership’s. As a result of the Conversion, the financial statements of Newco will reflect the assets and liabilities of the Limited Partnership at their respective carrying amounts.

The unaudited Pro Forma Financial Statements may not be indicative of the financial position that actually would have occurred if the events reflected herein had been in effect on the dates indicated or of the results that may be obtained in the future. Actual future results may differ materially from those assumed or described. Completion of the transactions contemplated by the Conversion is subject to certain conditions, including regulatory and unitholder approval. As a result, there is no assurance that the transaction described will be completed.

The unaudited Pro Forma Financial Statements should be read in conjunction with the Information Circular and with the audited financial statements of the Limited Partnership and Fund for the year ended December 31, 2010 and the unaudited financial statements for the thirteen weeks ended April 2, 2011, which are incorporated by reference in the Information Circular. In the opinion of management, the unaudited Pro Forma Financial Statements include all significant adjustments necessary for fair presentation.

**2. Pro forma assumptions and adjustments - as at and for the thirteen weeks ended April 2, 2011**

The unaudited pro forma statement of financial position as at April 2, 2011 gives effect to the Conversion and the related assumptions described herein as if they had occurred at the date of the balance sheet. The unaudited pro forma statement of net income for the thirteen weeks ended April 2, 2011 gives effect to the Conversion and the related assumptions described herein as if they had occurred on January 1, 2011.

*Net Income Adjustments*

- a) 100% of the operating results of the Limited Partnership are transferred into Newco as a result of both the external unitholders and Clearwater Fine Foods Inc (“CFFI”) contributing, directly or indirectly, all of their ownership of the Fund and the Limited Partnership to Newco. Previously, the external unitholders of the Fund held 54.27% of the fully diluted ownership of the Limited Partnership while CFFI held 45.73% and the Fund accounted for its investment in the Limited Partnership on an equity basis. With Newco owning 100% of the Limited Partnership units the operating results of the Limited Partnership will be accounted for on a consolidated basis by Newco.



**CLEARWATER SEAFOODS INCORPORATED**  
**Notes to Pro Forma Consolidated Financial Statements**  
**13 weeks ended April 2, 2011 and Year Ended December 31, 2010**  
**Unaudited (in thousands of dollars, except where indicated)**

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- b) As a result of the now combined 100% ownership by Newco of the Limited Partnership, Newco consolidates the operating results of the Limited Partnership. The previous equity accounting for the Fund's equity earnings from their investment in the Limited Partnership of \$3,039 is eliminated.

*Statement of Financial Position Adjustments*

- c) 100% of the assets and liabilities of the Limited Partnership are transferred into Newco as a result of both the external unitholders and CFFI contributing, directly or indirectly, all their ownership of the Fund and the Limited Partnership to Newco. Previously, the external unitholders of the Fund held 54.27% of the fully diluted ownership of the Limited Partnership while CFFI held 45.73% and the Fund accounted for its investment in the Limited Partnership on an equity basis. With Newco owning 100% of the Limited Partnership units the financial position of the Limited Partnership will be accounted for on a consolidated basis by Newco.
- d) As a result of the now combined 100% ownership by Newco of the Limited Partnership, the consolidation of the Partnership into Newco eliminates the previous equity accounting by the Fund in the Partnership. The intercompany receivable/payable accounts (\$1,236) are eliminated, as well as the Fund's investment in the Limited Partnership (\$107,692), Class E & D Units classified as debt in the Limited Partnership (\$86,513) and the Fund's resulting unitholder's equity (\$21,179).
- e) Previously classified "Partnership unit liability" with a carrying value of \$162,517 in the Limited Partnership has been transferred to Shareholders' equity - common shares of Newco, to reflect the exchange of all of the outstanding units of the Fund for an equal number of voting common shares of Newco.
- f) Trade payables have been increased by \$1,000 to reflect the estimated transaction costs directly related to the Conversion activities. As these expenses are not of a recurring nature they have not been reflected in the pro forma income statement for Newco.
- g) The Convertible debentures issued by the Fund are convertible into Trust Units of the Fund. The Fund's Trust Units are redeemable at the option of the holder and are considered puttable instruments. Due to the nature of the Trust structure these Convertible debentures were considered a liability containing a liability-classified embedded derivative. The embedded derivative was represented by the option to convert the debenture into Trust Units of the Fund. Upon conversion to IFRS the Fund elected to record the Convertible debentures at their full fair value including the fair value of both the debenture and the equity conversion option with the changes being recorded through the Fund's consolidated statements of income. As a result of the Fund's Conversion from a trust to a corporation the debt and equity components of the Convertible debentures are required to be separated. At April 2, 2011 the Convertible debentures had a full fair value of \$86,513 which was comprised of \$84,548 attributed to the fair value of the debenture and, based on the valuation prepared for the year ended December 31, 2010, \$1,965 attributed to the fair value of the equity conversion option. The fair value of \$1,965 attributed to the equity conversion option has been reclassified from Convertible debentures to Equity component of convertible debentures.
- h) The stated capital for Newco common shares will be determined by the board of directors in accordance with Section 26 of the *Canada Business Corporations Act*. For pro forma financial

**CLEARWATER SEAFOODS INCORPORATED**  
**Notes to Pro Forma Consolidated Financial Statements**  
**13 weeks ended April 2, 2011 and Year Ended December 31, 2010**  
**Unaudited (in thousands of dollars, except where indicated)**

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statement purposes the stated capital of Newco common shares has been reduced, and contributed surplus increased by \$120,344 to reflect an estimated legal stated capital of Newco as the fair value of the Fund units had they been exchanged for common shares of Newco at April 2, 2011.

**3. Pro forma assumptions and adjustments –for the year ended December 31, 2010**

The unaudited pro forma statement of net income for the year ended December 31, 2010 gives effect to the Conversion and the related assumptions described herein as if they had occurred on January 1, 2010.

Net Income Adjustments

- a) 100% of the operating results of the Limited Partnership are transferred into Newco as a result of both the external unitholders and CFFI contributing, directly or indirectly, all of their ownership of the Fund and the Limited Partnership to Newco. Previously, the external unitholders of the Fund held 54.27% of the fully diluted ownership of the Limited Partnership while CFFI held 45.73% and the Fund accounted for its investment in the Limited Partnership on an equity basis. With Newco owning 100% of the Limited Partnership units the operating results of the Limited Partnership will be accounted for on a consolidated basis by Newco.
- b) As a result of the now combined 100% ownership by Newco of the Limited Partnership, Newco consolidates the operating results of the Limited Partnership. The previous equity accounting for the Fund's equity earnings from their investment in the Limited Partnership of a loss of \$3,476 is eliminated.

## APPENDIX "E"

### INFORMATION CONCERNING NEWCO

#### NOTICE TO READER

As at the date hereof, Newco has not carried on any active business other than executing the Arrangement Agreement. Unless otherwise noted, the disclosure in this Appendix "E" has been prepared assuming that the Arrangement has been completed. In connection with the Arrangement, all of the Units of the Fund will be exchanged for Newco Shares. Newco will be the publicly-listed corporation resulting from the reorganization of the Fund's income trust structure into a corporation pursuant to the Arrangement. Unless otherwise defined herein, all capitalized words and phrases used in this Appendix have the meaning given to such words and phrases in the "Glossary of Terms" or elsewhere in the Circular.

#### FORWARD-LOOKING INFORMATION

This Appendix "E", including documents incorporated by reference in this Circular, contains forward-looking information with respect to future financial performance, strategy and business conditions. This information is based on current expectations, estimates about the markets in which the Fund operates and Management's beliefs and assumptions regarding these markets. This information is subject to risks and uncertainties, as a result of which the statements may prove to be inaccurate. Actual results may differ materially from current expectations and those expressed or implied by Newco. Factors that could cause such differences include, but are not limited to, general economic and market conditions including interest and foreign exchange rates, global financial markets, legislative and regulatory changes, industry competition, technological developments, catastrophic events and other factors described under "Risk Factors" in the Circular or discussed in other materials filed by the Fund or Newco with applicable securities regulatory authorities from time to time. The reader is cautioned against undue reliance on this forward-looking information.

Except as required by applicable law, Management and the board of directors of Newco undertake no obligation to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

### CORPORATE STRUCTURE

#### Name, Address and Incorporation

Newco was incorporated on July 7, 2011, pursuant to the provisions of the CBCA for the sole purpose of participating in the Arrangement. Newco is a wholly-owned Subsidiary of the Fund. Once the Arrangement has been effected, Newco will hold all of the issued and outstanding limited partnership units of the Limited Partnership and all of the issued and outstanding GP Common Shares. The principal and head office of Newco is located at 757 Bedford Highway, Bedford, Nova Scotia, B4A 3Z7. On the Effective Date, Newco will become a reporting issuer in all provinces of Canada and will become subject to the informational reporting requirements under the securities laws of such jurisdictions as a result of the Arrangement.

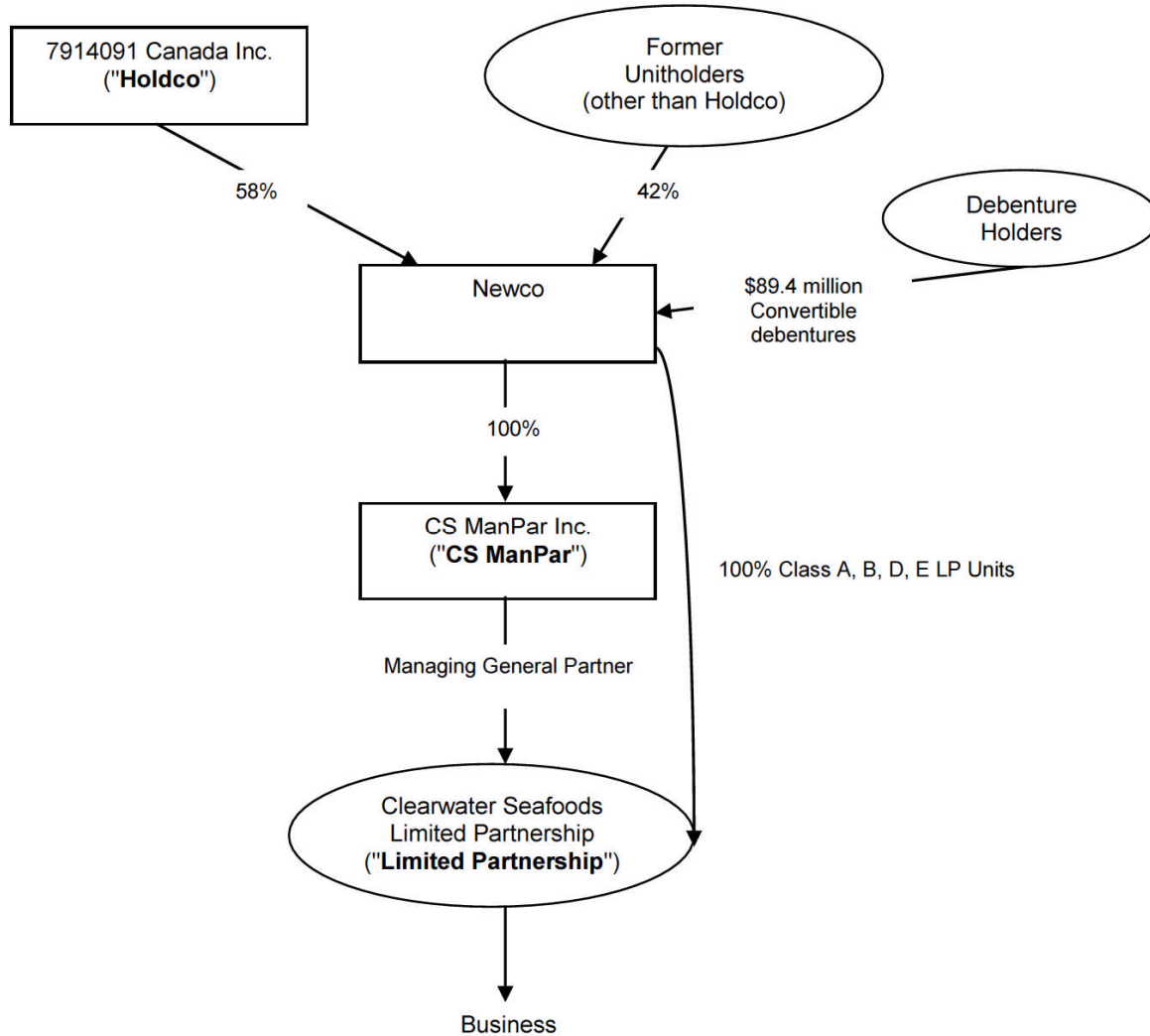
#### Intercorporate Relationships

As at the date hereof, Newco does not have any Subsidiaries. The following table provides the name, the percentage of voting securities to be owned by Newco and the jurisdiction of incorporation or formation of Newco's Subsidiaries, direct and indirect, after giving effect to the Arrangement and all post-Arrangement transactions.

	Percentage of voting securities (directly or indirectly)	Nature of Entity	Jurisdiction of Incorporation/Formation
Limited Partnership	100%	limited partnership	Nova Scotia
CS ManPar	100%	corporation	Canada

### Organizational Structure of Newco

The following diagram sets forth the organizational structure of Newco immediately following completion of the Arrangement and all post-Arrangement steps:



### DESCRIPTION OF THE BUSINESS

Newco has not carried on any active business since its incorporation other than executing the Arrangement Agreement. If approved, the Arrangement will result in the reorganization of the Fund's income trust structure into a public corporation, Newco, to be named "Clearwater Seafoods Incorporated". Upon completion of the Arrangement, the former Voting Unitholders will become shareholders of Newco and Newco will assume all of the covenants and obligations of the Fund under the Indenture governing the Debentures issued by the Fund. For a detailed description of the historical development of the business of the Fund, see "Business of Clearwater" in the AIF which is incorporated by reference in this Circular. Newco will carry on the business of, and the ownership, operation and lease of assets and property in connection with, the harvesting, processing, distribution and marketing of seafood, including through the Limited Partnership. Newco will become a reporting issuer in all Canadian jurisdictions and will become subject to the informational reporting requirements under the securities laws of such jurisdictions as a result of the Arrangement.



The TSX has conditionally approved the substitutional listing of the Newco Shares issuable pursuant to the Arrangement and the Debentures to be assumed by Newco pursuant to the Arrangement under the symbols "CLR" and "CLR.DB.A" and "CLR.DB.B", respectively, subject to Newco fulfilling the requirements of the TSX. As well, the TSX has conditionally approved the listing of the Newco Shares to be reserved for issuance on conversion, redemption or maturity of the Debentures.

Management believes that the post-Arrangement structure will enable investors to benefit equally from all future growth of the business and to more accurately value the combined enterprise's operations. The proposed new structure is also expected to improve long-term financing opportunities, enhance liquidity for investors and reduce administrative costs.

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As at the date of the Circular, Newco has not conducted any business or operations, other than to execute the Arrangement Agreement, and has issued one hundred (100) Newco Shares to the Fund in connection with its incorporation and organization.

In the event the Arrangement is completed, Newco will carry on the business of, and the ownership, operation and lease of assets and property in connection with, the harvesting, processing, distribution and marketing of seafood. That business will continue to be carried on substantially as before the Effective Date. Newco's financial position, risks and outlook will be substantially the same those outlined in Management's Discussion and Analysis incorporated by reference in the Circular. The pro forma financial statements of Newco, giving effect to the Arrangement and the related transactions, are included at Appendix "D" to this Circular.

Readers are encouraged to review the Management's Discussion and Analysis which have been filed on SEDAR at [www.sedar.com](http://www.sedar.com) and which are incorporated by reference in this Circular.

### **DESCRIPTION OF CAPITAL STRUCTURE**

The authorized capital of Newco consists of, and the authorized capital of Newco will consist of, an unlimited number of common shares. The following is a summary of the rights, privileges, restrictions and conditions attaching to the securities of Newco which will, upon completion of the Arrangement, comprise the share capital of Newco.

#### **Common Shares**

Holders of Newco Shares will be entitled to one (1) vote per Newco Share at meetings of shareholders of Newco, to receive dividends if, as and when declared by the board of directors of Newco and to receive *pro rata* the remaining property and assets of Newco upon its dissolution or winding-up, subject to the rights of shares having priority over the Newco Shares. For a description of Newco Shares and a summary of the rights of Newco Shareholders, see "Appendix "F" – "Comparison of Rights as a Unitholder and as a Newco Shareholder".

#### **Convertible Debentures**

On the Effective Date, Newco will assume all obligations of the Fund under the Indenture, which governs the terms and conditions of the Debentures, outstanding at the Effective Date, such that the Debentures will be valid and binding obligations of Newco.

### **PRO FORMA CONSOLIDATED CAPITALIZATION**

Appendix "D" to the Circular sets forth the currently anticipated unaudited pro forma capitalization of Newco as at April 7, 2011.



## **DIVIDEND RECORD AND POLICY**

Newco has not declared or paid any dividends since its incorporation and will not declare any dividends prior to the completion of the Arrangement. If the Arrangement is approved by Voting Unitholders at the Meeting and the Arrangement is implemented it is the intention for Newco to pay regular dividends, however, no assurance can be given as to whether Newco will pay dividends, or the frequency or amount of any such dividend.

The declaration of dividends will be subject to the discretion of the board of directors of Newco and may vary depending on, among other things, Newco's operating cash flow, financial requirements, limitations or restrictions under credit facilities, the requirements of the CBCA for the declaration of dividends and other conditions existing at such future time. **As a result, no assurance can be given as to whether Newco will pay dividends, or the frequency or amount of any such dividend.**

## **PRIOR SALES**

Prior to the Effective Date, Newco will not issue any securities from its share capital other than the 100 Newco Shares currently held by the Fund issued at a price of one dollar (\$1.00) per Newco Share. On the Effective Date, each Unitholder will receive one Newco Share for each Unit held and the 100 Newco Shares issued to the Fund in connection with the incorporation and organization of Newco shall be purchased by Newco in consideration for an aggregate of one hundred dollars (\$100.00), and shall be cancelled.

## **PRINCIPAL SHAREHOLDERS**

As of the date hereof, the sole shareholder of Newco is the Fund, which owns one hundred (100) Newco Shares. Immediately following completion of the Arrangement, to the best of the knowledge of the Trustees and officers and directors of CS ManPar as of July 20, 2011, it is anticipated that no person, other than Holdco and Cooke, will beneficially own, directly or indirectly, or exercise control or direction over, securities carrying more than 10% of the voting rights attached to any class of voting securities of Newco.

As at July 20, 2011, CFFI beneficially owns, directly or indirectly, or exercises control or direction over, 24,656,422 Voting Units or 48.23% of the Fund's outstanding Voting Units. The securities of the Fund, the Limited Partnership and CS ManPar held by CFFI and Mickey MacDonald, as applicable, shall be transferred to Holdco not later than December 30, 2011.

Immediately after giving effect to the Arrangement, Holdco will beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of approximately 29,653,482 Newco Shares, representing approximately 58% of the outstanding Newco Shares, assuming Holdco does not acquire or dispose of any Units prior to the Effective Date.

As at July 20, 2011, Cooke beneficially owns, directly or indirectly, or exercises control or direction over, 5,591,675 Voting Units or 10.94% of the Fund's outstanding Voting Units. Immediately after giving effect to the Arrangement, Cooke will beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of approximately 5,591,675 Newco Shares, representing approximately 10.94% of the outstanding Newco Shares, assuming Cooke does not acquire or dispose of any Units prior to the Effective Date.

## **DIRECTORS AND EXECUTIVE OFFICERS**

### **Directors of Newco**

The board of directors of Newco will be comprised of the current members of the Board of Trustees of the Fund, Thomas Traves, Bernard Wilson and Harold Giles, as well as the directors of CS ManPar Inc. who are not trustees of the Fund, namely Colin MacDonald, John Risley, Brendan Paddick, Mickey MacDonald and Stan Spavold. Thomas Traves, Bernard Wilson, Harold Giles and Brendan Paddick will be independent directors. The directors of Newco will hold office until the next annual meeting of Newco Shareholders or until their respective successors have been elected or duly appointed. For more information of these individuals, please see the Circular.

Following completion of the Arrangement, the board of directors of Newco will have 2 committees: the Audit Committee and the Corporate Governance and Compensation Committee.

### **Executive Officers of Newco**

The executive officers of Newco will be: Ian Smith, CEO; Bob Wight, Chief Financial Officer; Eric Roe, Chief Operating Officer; and Mike Pittman, Vice President Fleet.

Immediately after giving effect to the Arrangement, the current Trustees and the officers and directors of CS ManPar and their associates, as a group, would beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of approximately 739,091 Newco Shares, representing approximately 1.45% of the outstanding Newco Shares.

To date, Newco has not carried on any active business and has not completed a fiscal year of operations. No compensation has been paid by Newco to its directors or executive officers and none will be paid until after the Arrangement is completed. The proposed directors and executive officers of Newco are currently compensated by the Fund, CS ManPar or the Limited Partnership. See the section entitled "Compensation Discussion and Analysis" in the Circular.

### **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

There exists no indebtedness of the directors or executive officers of Newco, or any of their associates, to Newco, nor is any indebtedness of such persons to another entity the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Newco.

### **CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS**

#### **Corporate Cease Trade Orders or Bankruptcies**

To the knowledge of the Fund and CS ManPar, no director or proposed executive officer of Newco (a) is, as at the date hereof, or have been, within 10 years before the date of the Circular, a director, chief executive officer or chief financial officer of any company that, (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days (an "**Order**") that was issued while the proposed nominee was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an Order that was issued after the proposed nominee ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer, (b) are, as the date of the Circular, or have been within 10 years before the date of the Circular, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (c) has, within the 10 years before the date of the Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed nominee.

#### **Penalties or Sanctions**

To the knowledge of the Fund and CS ManPar, no director or proposed executive officer of Newco, nor any personal holding company thereof, (i) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (ii) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **Personal Bankruptcies**

To the knowledge of the Fund and CS ManPar, in the last ten years, no director or proposed executive officer of Newco, nor any personal holding company thereof, has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, has become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his or her assets or the assets of his or her holding company.

### **CORPORATE GOVERNANCE**

It is currently anticipated that each of the existing committees of the Board of Trustees will become committees of the board of directors of Newco: the Audit Committee and the Corporate Governance and Compensation Committee. For a description of corporate governance matters relating to the Fund, see Appendix "G".

### **CONFLICTS OF INTEREST**

Except as disclosed in the Circular or in this Appendix, no director or proposed senior officer of Newco or other insider of Newco, nor any associate or affiliate of the foregoing persons, has any existing or potential material conflict of interest with Newco or any of its subsidiaries.

### **RISK FACTORS**

Risk factors related to the business of the Fund and its subsidiaries will continue to apply to Newco after the Effective Date. In the event the Arrangement is completed, the business and operations of, and an investment in, Newco will be subject to various risk factors set forth in this Circular and the AIF.

### **LEGAL PROCEEDINGS**

Except the litigation disclosed in the Circular and the proceeding relating to the approval of the Arrangement, the Fund is not aware of any legal proceedings outstanding, threatened or pending as of the date hereof by or against the Fund or the Limited Partnership which would be considered material, other than the proceedings related to the Arrangement.

### **AUDITOR, TRANSFER AGENT AND REGISTRAR**

#### **Auditor**

The auditor of Newco will be KPMG LLP.

#### **Transfer Agent and Registrar**

The transfer agent and registrar for the Newco Shares will be Computershare Investor Services Inc. at its principal transfer offices in Toronto and Halifax.

### **MATERIAL CONTRACTS**

The only contracts entered into by Newco that materially affects Newco, since incorporation or to which Newco (or to which a subsidiary of Newco) will become a party on or prior to the Effective Date that can reasonably be regarded as material to a proposed investor in the Newco Shares, other than contracts entered into in the ordinary course of business, are (a) the Arrangement Agreement; (b) the amended and restated Partnership Agreement; and (c) the amended and restated credit agreement with GE Canada Finance Holdings Company dated February 4, 2011; and (d) the credit agreement with Prospect Capital Corporation dated February 4, 2011. Copies of these documents are available on SEDAR at [www.sedar.com](http://www.sedar.com) under the Fund's SEDAR profile and may be inspected at the registered office of Newco located at Suite 1300, 1969 Upper Water Street, Halifax, Nova Scotia, B3J 3R7 during normal business hours from the date of the Circular until the completion of the Arrangement.

For a description of material contracts of the Fund and/or its Subsidiaries, see the section entitled "Material Contracts" in the AIF.

**APPENDIX "F"****COMPARISON OF RIGHTS AS A UNITHOLDER AND AS A NEWCO SHAREHOLDER**

Upon successful completion of the Arrangement, the Voting Unitholders will hold Newco Shares. Unlike the Fund, where rights of the Voting Unitholders are governed by the Fund Declaration of Trust, Newco is a corporation existing under the laws of Canada, and as such, the rights of Newco Shareholders are governed by the CBCA and Newco's articles and by-laws.

While the Fund Declaration of Trust provides the Voting Unitholders with many of the same rights and remedies as are enjoyed by shareholders of a corporation governed by the CBCA, a summary of some of the material differences is provided below. This summary is not an exhaustive review and reference should be made to the full text of the articles and by-laws of Newco, the Fund Declaration of Trust and the CBCA, and any regulations thereunder, for particulars of any differences between them. The Voting Unitholders should consult their legal or other professional advisors with respect to the implications of holding Newco Shares instead of Units. Any capitalized terms used but not defined herein shall have the meaning given to them in this Circular.

**Authorized Capital**

*The Fund* – The interests in the Fund are divided into two classes of units – Units and Special Trust Units. An unlimited number of Units may be issued pursuant to the Fund Declaration of Trust. As at July 20, 2011, 27,745,695 Units were issued and outstanding and 23,381,217 Special Trust Units were issued and outstanding.

*Newco* – Newco is authorized to issue an unlimited number of Newco Shares.

**Distributions/Dividends**

*The Fund* – Pursuant to the Fund Declaration of Trust, the Fund may make monthly cash distributions to Unitholders, based upon cash receipts of the Fund, after satisfaction of administrative and other expenses, any debt service obligations and any amounts payable by the Fund in connection with any cash redemptions or repurchases of Units. The Fund may make additional distributions in excess of the monthly distributions during the year in the discretion of the Trustees. Any amounts of net income and net capital gains of the Fund for a taxation year not otherwise distributed during the year and that would otherwise result in the Fund being liable for tax will be payable on December 31 of that year.

*Newco* – Newco Shareholders will be entitled to receive, as and when declared by the Newco Board out of funds legally available therefore, dividends in such amounts and payable at such times as the Newco Board shall determine. See "Appendix "E" – Information Concerning Newco" for further information on Newco's dividend policy.

**Voting Rights**

*The Fund* – The Voting Units entitle the holder thereof to one vote at all meetings of Voting Unitholders.

*Newco* – Newco Shares entitle the holder thereof to one vote at all meetings of Newco Shareholders.

**Liquidation/Dissolution**

*The Fund* – In the event of the termination or the winding-up of the Fund, the Trustees shall distribute the proceeds of the sale of the assets of the Fund, or, if the Trustees are unable to sell all or any of the assets, the assets of the Fund among the Unitholders in accordance with their pro rata shares of Units that are not Special Trust Units (subject to the restrictions set forth in the Fund Declaration of Trust).

*Newco* – In the event of a liquidation, dissolution or winding-up of Newco, whether voluntary or involuntary, or any other distribution of the assets of Newco among its shareholders for the purpose of winding up its affairs, the assets of the Corporation shall be paid to or distributed equally and rateably among the holders of the Newco Shares.

### **Redemption Rights**

*The Fund* – Units are redeemable at any time on demand by the holders thereof upon delivery to the Fund of a duly completed and properly executed notice requesting redemption, in accordance with the terms and conditions of the Fund Declaration of Trust. A Unitholder exercising the right of redemption will receive a price per Unit calculated and paid in accordance with the Fund Declaration of Trust.

*Newco* – No redemption rights exist for Newco Shareholders.

### **Dissent Rights**

The CBCA provides for dissent rights in certain circumstances under which holders of Newco Shares are entitled to receive the fair value of their shares where certain fundamental changes affecting Newco are undertaken. The Fund Declaration of Trust does not provide Voting Unitholders with dissent rights.

### **Oppression and Similar Actions**

*The Fund* – The Fund Declaration of Trust does not provide Voting Unitholders with rights comparable to the oppression remedy or the right to bring a derivative action described below.

*Newco* – Holders of Newco Shares have recourse, amongst other, to an oppression remedy that is available to shareholders of a CBCA corporation where such corporation undertakes actions that are oppressive or unfairly prejudicial to or that unfairly disregard the interests of securityholders and certain other parties. The CBCA also permits shareholders of a corporation to bring or intervene in derivative actions in the name of such corporation or any of its subsidiaries, with the leave of a court.

### **Unitholder or Shareholder Meetings**

*The Fund* – The Fund Declaration of Trust provides that annual meetings of Voting Unitholders shall be on a day on or before June 30 in each year. The Fund Declaration of Trust provides that special meetings of Voting Unitholders may be called at any time by the Trustees. Voting Unitholders holding not less than 10% of the outstanding Voting Units may requisition the Fund Trustee to call a special meeting for the purposes set out in the requisition.

*Newco* – Under the CBCA, annual meetings must be called within 18 months of a corporation coming into existence, and subsequently not later than 15 months after the last preceding annual meeting, and the holders of not less than 5% of the voting shares of the corporation may requisition the directors to call a meeting of shareholders for the purposes stated in the requisition. As a TSX-listed issuer, Newco, like the Fund, is required to hold its annual meetings within 6 months of its fiscal year end.

### **Unitholder or Shareholder Proposals**

*The Fund* – The Fund Declaration of Trust is silent on Unitholder proposals.

*Newco* – Under the CBCA, shareholder proposals may be submitted by both registered and beneficial shareholders of a corporation who are entitled to vote at an annual shareholders' meeting and who hold the prescribed number of outstanding shares of such corporation. Under the CBCA, only holders of not less than 5% of the voting shares may submit a proposal with respect to the election of directors.

### **Director Residency Requirements**

*The Fund* – The Fund Declaration of Trust requires that Trustees be resident Canadians.

*Newco* – Under the CBCA, at least 25% of a corporation's directors must be resident Canadians.

**Quorum for Meetings of the Voting Unitholders or Shareholders**

*The Fund* – The Fund Declaration of Trust provides that a quorum for any meeting of Voting Unitholders is not less than two individuals present in person or by proxy and who are Voting Unitholders who in the aggregate hold not less than 10% of the votes attached to all outstanding Voting Units.

*Newco* –Newco's by-laws will provide that at any meeting of Newco Shareholders, a quorum will be two persons present in person and holding or representing by proxy not less than 5% of the votes entitled to be cast at the meeting.

**Short Selling**

*The Fund* – The Fund Declaration of Trust does not contain any restrictions on short selling.

*Newco* – Under the CBCA, insiders of the corporation are prohibited from short selling any securities of the corporation.

## APPENDIX "G"

## CORPORATE GOVERNANCE DISCLOSURE

National Policy 58-201 – *Corporate Governance Guidelines* and National Instrument 58-101 – *Disclosure of Corporate Governance Practices* issued in 2005, effectively replaces the former TSX guidelines followed by the Fund for corporate governance disclosures. These disclosures and guidelines are set out below along with the Fund's conformity to them. References to the Fund, CS ManPar and the Limited Partnership are collectively described below as "Clearwater". The information disclosed in the form is based on information available as of July 25, 2011.

**Form 58-101F1**

## Corporate Governance Disclosure

<b>Section 1 – Board of Directors</b>	
<b>(a)</b>	<p><i>Disclose the identity of directors who are independent.</i></p> <p>Trustees or directors of the Company that are independent are:</p> <ul style="list-style-type: none"> <li>▪ Thomas Traves – Trustee of the Fund, Director of CS ManPar, member of the Corporate Governance and Compensation Committee</li> <li>▪ Bernard Wilson – Trustee of the Fund, Director of CS ManPar, Chair of the Audit Committee and member of the Corporate Governance and Compensation Committee</li> <li>▪ Harold Giles – Trustee of the Fund, Director of CS ManPar, Chair of the Corporate Governance and Compensation Committee and the Audit Committee.</li> <li>▪ Brendan Paddick – Director of CS ManPar, Member of the Audit Committee</li> </ul>
<b>(b)</b>	<p><i>Disclose the identity of directors who are not independent, and describe the basis for that determination.</i></p> <p>Directors who are not independent are:</p> <ul style="list-style-type: none"> <li>▪ John Risley – Director of CS ManPar, the Managing Partner of the Limited Partnership and significant shareholder of CFFI, a significant shareholder of CS ManPar</li> <li>▪ Colin MacDonald – Chairman of CS ManPar, the Managing Partner of the Limited Partnership and significant shareholder of CFFI, a significant shareholder of CS ManPar</li> <li>▪ Mickey MacDonald – Director of CS ManPar, brother of Colin MacDonald</li> <li>▪ Stan Spavold - Director of CS ManPar, Executive Vice President of CFFI</li> </ul>
<b>(c)</b>	<p><i>Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors (the <b>board</b>) does to facilitate its exercise of independent judgment in carrying out its responsibilities.</i></p> <p>All trustees are independent.</p> <p>Four of the eight directors of CS ManPar are not independent.</p>



(d)	<p><i>If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.</i></p> <p>Thomas Traves does not serve as a director of any other reporting issuers.</p> <p>Bernard Wilson, FCA, serves as a director for the following reporting issuers:</p> <ul style="list-style-type: none"> <li>▪ Aberdeen International Inc.</li> <li>▪ Valencia Ventures Inc.</li> </ul> <p>Mickey MacDonald serves as a director for the following reporting issuers:</p> <ul style="list-style-type: none"> <li>▪ Newfoundland Capital Corporation Limited</li> </ul> <p>Brendan Paddick, John Risley and Colin MacDonald do not serve as directors of any other reporting issuers.</p> <p>Stan Spavold serves as a director for the following reporting issuers:</p> <ul style="list-style-type: none"> <li>▪ High Liner Foods Incorporated</li> </ul> <p>Harold Giles does not serve as a director of any other reporting issuers.</p>
(e)	<p><i>Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.</i></p> <p>The Trustees, all of whom are independent, from time to time meet separately and, at other times, as part of the Board or Directors and committees thereof.</p> <p>The members of the Board have met 7 times during 2010 and included management, the trustees met 4 times during 2010 without management in attendance, the audit committee met 4 times during 2010 without management in attendance. During 2010, regular meetings without the inclusion of management were held at the conclusion of all board meetings.</p> <p>A committee may convene meetings of the committee without management present and any member of the Board may call a meeting to be held without the management present and members of the Audit Committee meet directly with Clearwater's auditors at least quarterly without management present.</p>
(f)	<p><i>Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.</i></p> <p>Thomas Traves is the member of the Corporate Governance and Compensation Committee and is an independent director. His role and responsibilities are outlined in the committee's mandate.</p> <p>Bernie Wilson is the Chair of the Audit Committee and is an independent director. His role and responsibilities are outlined in the Audit Committee's Mandate.</p> <p>Harold Giles is the Chair of the Corporate Governance and Compensation Committee and is an independent director. His role and responsibilities are outlined in the committee's mandate.</p> <p>Colin MacDonald is the Chairman of CS ManPar, the managing partner of the Fund and is not independent, however the Trustees are independent.</p>

(g)	<p><i>Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.</i></p> <p>There were 7 board meetings, 4 trustee meetings and 5 Audit Committee meetings</p> <ul style="list-style-type: none"> <li>▪ Tom Traves attended 7 of 7 board meetings and 4 of 4 trustee meetings, 2 of 2 Corporate Governance and Compensation Committee meetings, and 8 of 8 special meetings for search for CEO candidate.</li> <li>▪ Bernard Wilson attended 6 of 7 board meetings, 4 of 4 trustee meetings and 4 of 4 Audit Committee meetings and 6 of 8 special meetings for search for CEO candidate.</li> <li>▪ Stan Spavold attended 6 of 7 board meetings, 3 of 4 Audit Committee meetings, 3 of 8 special meetings to search for CEO candidate and 3 of 3 Corporate Governance and Compensation Committee meetings.</li> <li>▪ Brendan Paddick attended 6 of 7 board meetings and 4 of 4 Audit Committee meetings and 6 of 8 special meetings to search for CEO candidate.</li> <li>▪ Colin MacDonald attended 9 of 9 board meetings and 8 of 8 special meetings to search for CEO candidate.</li> <li>▪ John Risley attended 6 of 7 board meetings and 2 of 8 special meetings to search for a CEO candidate.</li> <li>▪ Mickey MacDonald attended 6 of 7 board meetings, 3 of 3 Corporate Governance and Compensation Committee meetings and 3 of 8 special meetings to search for CEO candidate.</li> <li>▪ Since becoming a board member in June 2010, Harold Giles attended 3 of 3 board meetings, 2 of 2 trustee meetings and 1 of 1 Governance and Compensation Committee Meetings.</li> </ul>
<b>Section 2 – Board Mandate</b>	
	<p><i>Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.</i></p> <p>The boards act in accordance with the <i>Canadian Business Corporations Act</i>, the applicable declarations of trust and limited partnership agreement, Clearwater's Code of Business Conduct, conflict of interest policies, corporate disclosure policy and corporate governance policy including the related charters of the board committees as well as other applicable laws. The Board approves all significant decisions that affect the company and its subsidiaries before they are implemented. The Board supervises their implementation and reviews the results. Copies of the Clearwater's Code of Business Conduct, conflict of interest policies, corporate disclosure policy and corporate governance guidelines can be found on the company's website at <a href="http://www.clearwater.ca">www.clearwater.ca</a>. Clearwater's Code of Business Conduct is also available on SEDAR under the Fund's SEDAR profile.</p> <p>Please refer to Appendix "H" "Corporate Governance and Compensation Committee Mandate".</p>
<b>Section 3 – Position Descriptions</b>	
(a)	<p><i>Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.</i></p> <p>There is a written description for the chair of a committee in the Corporate Governance and Compensation Committee Mandate.</p> <p>The role of the Board is to establish an agreed upon planning process, then review, question and validate, and ultimately approve, the strategies for Clearwater. The Board believes that management is responsible for the development of individual business unit and overall corporate strategy. The Board receives presentations from management with respect to the long-term direction of Clearwater, strategic priorities, and performance. The Board reviews and analyzes these presentations to ensure that there is congruence between strategic plans, performance, and unitholder expectations.</p>

(b)	<p><i>Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.</i></p> <p>There is a written position description for the CEO, which is reviewed annually to evaluate the performance of the CEO and determine his/her compensation.</p>
<b>Section 4 – Orientation and Continuing Education</b>	
(a)	<p><i>Briefly describe what measures the board takes to orient new directors regarding</i></p> <p><i>(i) the role of the board, its committees and its directors, and</i></p> <p><i>(ii) the nature and operation of the issuer's business.</i></p> <p>New directors will be provided with an orientation and education program, which will include written information about the duties and obligations of Directors, the businesses and operations of Clearwater, documents from recent Board meetings and opportunities for meeting and discussions with senior management and other Directors. The details of the orientation of each new Director will be tailored to that director's individual needs and areas of interest.</p>
(b)	<p><i>Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.</i></p> <p>On a regular basis, Management of Clearwater provides presentations on the operations to the board to continually update them on the status of the business and to provide awareness of current issues and financial results.</p>
<b>Section 5 – Ethical Business Conduct</b>	
(a)	<p><i>Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code:</i></p> <p><i>(i) disclose how a person or company may obtain a copy of the code;</i></p> <p><i>(ii) describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and</i></p> <p><i>(iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.</i></p> <p>Clearwater has a written "Code of Business Conduct", "Employees' Conflict of Interest Policy" and "Directors' Conflict of Interest Policy". A copy of the code can be obtained on the company's website and is provided at the time of hire. Clearwater's Code of Business Conduct is also available on SEDAR under the Fund's SEDAR profile. Compliance is monitored through an "Ethics Hotline" that allows individuals to report illegal or unethical business practices, fraud, theft and financial controls and audit matters via phone or e-mail. There have been no reports filed pertaining to the conduct of a director or executive officer that constitutes a departure from the code.</p>
(b)	<p><i>Describe any steps the board takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.</i></p> <p>No inside director shall be a voting member of a Board Committee but may attend meetings of such committee as appropriate as a non-voting or ex-officio member as has been the case for the Corporate Governance and Compensation Committee. Non-members of the board may also be invited to the meetings to provide additional insight to various transactions and agreements to provide a more complete picture of the issue. Directors may also, at the expense of Clearwater, retain the services of an advisor on matters involving their responsibilities at the authorization of the Corporate Governance and Compensation Committee.</p>

(c)	<p><i>Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.</i></p> <p>The board meets regularly to ensure that a clear line of communication always remains open and reviews the policies of the company to ensure that proper processes are in place to promote ethical business conduct and makes recommendations and revisions when necessary. A statement on Corporate Governance is maintained on the Clearwater website along with a number of important policies.</p> <p>The Corporate Governance and Compensation Committee is also responsible for performing an annual assessment of the overall performance of the board, board committees, and each individual director's contribution and reporting on that assessment.</p>
<b>Section 6 – Nominations of Directors</b>	
(a)	<p><i>Describe the process by which the board identifies new candidates for board nomination.</i></p> <p>The Corporate Governance and Compensation Committee is responsible for assist the board in reviewing recommendations for directorship as prepared by the Chairman of the Board.</p>
(b)	<p><i>Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.</i></p> <p>The nominating committee responsibilities are carried out by the Corporate Governance and Compensation Committee, which is composed of all independent directors.</p>
(c)	<p><i>If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.</i></p> <p>The nominating committee's responsibilities are carried out by the Corporate Governance and Compensation Committee, whose responsibilities, powers and operation is discussed above.</p>
<b>Section 7 – Compensation</b>	
(a)	<p><i>Describe the process by which the board determines the compensation for the issuer's directors and officers.</i></p> <p>The Corporate Governance and Compensation Committee reviews the compensation of outside directors on a periodic basis. Inside directors are not compensated. The committee will make recommendations to the board for consideration when it believes changes in compensation are warranted.</p>
(b)	<p><i>Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.</i></p> <p>The Corporate Governance and Compensation committee is composed of all independent directors.</p>
(c)	<p><i>If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.</i></p> <p>The Corporate Governance and Compensation committee's responsibilities as outlined in the attached mandate.</p>
(d)	<p><i>If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.</i></p> <p>Not applicable.</p>

<b>Section 8 – Other Board Committees</b>	
	<p><i>If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.</i></p> <p>The Company has re-established the Risk Management Committee in 2010, it is comprised of the management and employees of the Company and it reports to the Audit Committee on a regular basis. The Risk Management Committee is responsible for assisting the Company's CEO and Chief Financial Officer in fulfilling their oversight responsibilities with risk management.</p>
<b>Section 9 – Assessments</b>	
	<p><i>Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.</i></p> <p>The Corporate Governance and Compensation Committee is responsible for making a regular assessment of the overall performance of the Board, Board Committees, and of each individual Director's contribution, and reporting on the results of that assessment. The objective of this review is to contribute to a process of continuous improvement in the Board's execution of its responsibilities. It is expected that the result of such reviews will be to identify any areas where the Directors and/or management believe that the Board could make a better collective contribution to overseeing the affairs of Clearwater and meeting its overall responsibilities.</p>

## **APPENDIX "H"**

### **CORPORATE GOVERNANCE AND COMPENSATION COMMITTEE MANDATE**

#### Corporate Governance

Although the Board of Directors of CS ManPar Inc is ultimately responsible under the law for the stewardship of Clearwater Seafoods Limited Partnership, the Corporate Governance and Compensation Committee also acknowledges that it is responsible for the stewardship of the Company and the development and monitoring of Clearwater's corporate governance system. The committee is responsible for reviewing the overall governance principles for Clearwater, recommending any changes to these principles and monitoring their disclosure. This committee monitors best practices among other major Canadian companies to ensure that Clearwater continues to carry out high standards of corporate governance.

The committee will assess the integrity of the CEO and other executive officers and ensure that the CEO and executive officers work to create a culture of integrity throughout the organization through policies and practice. The committee has established clear sets of responsibilities for the Board as a whole, for its committee and for the CEO.

#### **Roles and Responsibilities**

Chair of the Corporate Governance and Compensation Committee and Audit Committee:

- The Committee chair is responsible for the management and the effective performance of his committee. He takes all reasonable measures to ensure that the committee fully executes its mandate. His responsibilities include:
  - Providing leadership to enhance committee effectiveness by taking all reasonable steps to ensure:
    - the committee works as a cohesive group and providing the leadership essential to achieve this;
    - that the resources available to the committee (in particular, timely and relevant information) are adequate to supports its work;
    - that a process is in place for the assessment on a regular basis of the effectiveness of the committee and the contribution of each of its members.
  - Managing the committee
    - Chairing committee meetings;
    - Setting the agenda of each committee meeting, in consultation with the Corporate Secretary;
    - Adopting procedures allowing the committee to conduct its work effectively and efficiently;
    - Taking all reasonable steps to ensure that the conduct of committee meetings facilitates discussions and provides adequate time for serious in depth discussion of the business under consideration;
    - Overseeing the committee's full discharge of its responsibilities.

The chair reports to the Board on the deliberations of the committee and on any decisions or recommendations of the committee.

All members of the Corporate Governance and Compensation Committee

- The Board believes that management is responsible for the development of individual business unit and overall corporate strategy. The Board receives presentations from management with respect to the long-term direction of Clearwater, strategic priorities, and performance. The Board reviews and analyzes these presentations to ensure that there is congruence between strategic plans, performance, and unitholder expectations
- Annually the committee will review and make recommendations to the Board on:
  - The size of the Board and its Committees
  - The status of each director
  - The conformity of Clearwater's practices to stock exchange corporate governance guidelines
  - Clearwater's guidelines of the Board of Directors on Corporate Governance
- Administer the board's relationship to management and oversee the adoption and implementation of structures and processes to assist the board to function independently from management.
- Annually review and make recommendations to the board on the adequacy and form of the compensation of the Chairman of the Board, if any, and other outside directors to ensure that the compensation reflects the responsibilities and risks involved.
- Annually review the members proposed for re-election to the board.
- Assist the board in reviewing recommendations for directorship as prepared by the Chairman of the Board and the Chief Executive Officer and such other persons as the committee may consider appropriate.
- Annually review and make recommendations to the board on the size, membership and chairs of committees of the board, after consultation with the Chairman of the Board and the Chief Executive Officer.
- Periodically review and make recommendations to the board on the board's committee structure and the powers and mandates of the committees.
- Oversee processes to periodically assess the effectiveness of the board and its committees and the contribution of individual directors.
- Upon request, approve in appropriate circumstances the engagement by a director of an outside advisor at Clearwater's expense.

**CEO**

As the senior executive position within the organization, the incumbent is accountable to and reports the Board of Directors in the following areas:

- Recommending a developed vision and long range strategy that leads to increased shareholder value;
- Developing the overall direction of the business which includes strategy and the implementation of that strategy to maximize business opportunities;
- Recommending to the Board, business plans and operating and capital budgets that support business strategy;
- Leading management group and fostering a corporate culture promoting a positive and ethical work climate which promotes innovation, growth, personal accountability and integrity; Ensuring integrity in all matters;

- Providing positive relations with all external factions, i.e. customers, the financial community, government and acts as the external representation of the company, serving as the chief spokesperson;
- Achieving maximum return on invested capital while pursuing and negotiating mergers, acquisitions and dispositions;
- Overseeing the financial and human resource assets;
- Ensuring continuous improvement in the quality of all tangible and intangible assets;
- Achievement of the financial and operational goals as approved by the Board and maintaining their consistent competitiveness;
- Ensuring competitiveness by effectively monitoring and anticipating change in competitive environment; this includes staying abreast of influential events and trends;
- Developing initiatives to improve effectiveness of the organization to execute strategy and achieve objectives;

Evaluation of the incumbent will be based on the accomplishment of the leadership initiatives, which will be related to the above accountabilities and will continue to meet the overall objectives of the Corporation.

### **Strategic planning and identification of risks**

The Board believes that management is responsible for the development of individual unit and overall corporate strategy. The role of the Board is to establish an agreed upon planning process, then review, question and validate, and ultimately approve, the strategies for Clearwater. The Board receives presentations from management with respect to the long-term direction of Clearwater, strategic priorities, and performance. The Board reviews and analyzes these presentations to ensure that there is congruence between strategic plans, performance and unitholder expectation.

The board directly and through the audit committee and the corporate governance and compensation committee, is responsible for understanding the principal risks associated with the company's businesses and operations on an ongoing basis. The principal risks of the company are those related to resource supply, food processing and product liability, customers, economic fluctuations, government regulations and the ongoing development of leaders. The audit committee meets regularly to review reports and discuss significant financial risk areas with management and the external auditors. The board, through the audit committee, ensures that the company adopts risk management policies.

A Risk Management Committee has been established to identify risks and ensure the implementation of appropriate systems to manage these risks.

### **Succession planning**

The Corporate Governance and Compensation Committee oversees Clearwater's compensation programs, practices, and the performance of senior management. The board approves the CEO's corporate objectives and compensation. The Board also ensures that adequate provisions have been made for senior management training and succession.

The Board considers as one of its most critical functions the selection of a Chief Executive Officer and senior management team that fits Clearwater's current culture, understands its business strategy and inspires others to follow their lead. The Board expects succession planning and management development to be a key ongoing process with a detailed annual report on these areas to be made to the Corporate Governance and Compensation Committee and to the full Board.

### **Corporate Communications Policy**

The board approves all the company's major communications, including annual and quarterly reports, proxy circulars, annual information forms, financing documents and related press releases. The company communicates through a number of channels including its web site. The board approved the company's disclosure policy, which covers the accurate and



timely communication of all-important information. This policy is updated annually and includes procedures for communication with analysts, investors and the media.

#### **Integrity of internal control and management information systems**

The board, through the audit committee examines the effectiveness of the company's internal control processes and management information systems. The board consults with management of the company to ensure the integrity of these systems.

#### **Feedback**

An e-mail address will be set up and maintained to allow stakeholders to contact the committee directly, allowing the committee to receive feedback related to corporate governance principles and guidelines.

#### **Meeting of the Committee**

The committee will meet quarterly at a minimum without the presence of management and meet quarterly at a minimum with management. The attendance for the meetings will be recorded with any materials that will be reviewed or discussed will be distributed in advance.

#### **Compensation**

Review and make recommendations to the board of directors on the appointment of officers of Clearwater.

Review succession planning for Clearwater and its operating companies as prepared by senior management, including the training and development of senior management.

Periodically review the position description of the Chief Executive Officer and annually review his or her objectives.

Evaluate at least annually the performance of the Chief Executive Officer and determine his or her compensation.

Annually review with the Chief Executive Officer the performance of the officers of Clearwater and approve their compensation.

Review recommendations made to the board by the Chairman and Chief Executive Officer on the introduction of or major revisions to compensation, benefit and incentive plans (including the long-term incentive plan), policies and programs that affect Clearwater or the most senior officers of the operating companies.

Review the Corporate Governance and Compensation Committee report on Executive Compensation forming part of management information circulars.

Review compliance with the Code of Business Conduct and Conflict of Interest Policy and receive an annual report from management thereon.

Review the compensation of outside directors on a periodic basis. Inside directors are not compensated. The committee will make recommendations to the board for considerations when it believes changes in compensations are warranted.