

**CLEARWATER SEAFOODS  
INCOME FUND**

**Annual and Special Meeting of Unitholders  
to be held on May 15, 2007**

**NOTICE OF MEETING  
and  
MANAGEMENT INFORMATION CIRCULAR**

March 28, 2007

Dear Unitholders,

You are invited to attend the annual and special meeting of unitholders of Clearwater Seafoods Income Fund, which will be held at Pier 21 in Halifax, Nova Scotia, at 10:30 a.m. (Atlantic Daylight Time) on Tuesday, May 15, 2007. The meeting will give you the opportunity to learn more about Clearwater Seafoods Income Fund, receive its financial results, and hear about its plans for the future. You will also meet the trustees, as well as the directors and senior management of CS ManPar Inc.

The attached notice of meeting and management information circular describes the business to be conducted at the meeting. Even if you cannot attend the meeting, it is important that your units be represented and voted by using the enclosed proxy or voting instruction form. We encourage you to familiarize yourself with the issues by reading the management information circular, and then vote as soon as possible. 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 UNITHOLDERS

The annual and special meeting of unitholders of Clearwater Seafoods Income Fund will be held

On: Tuesday, May 15, 2007  
At: 10:30 a.m. (Atlantic Daylight Time)  
At: Pier 21  
Kenneth C Rowe Heritage Hall  
1055 Marginal Road  
Halifax, Nova Scotia

for the following purposes:

- to elect trustees for the ensuing year;
- to appoint auditors for the ensuing year and to authorize the trustees to fix the remuneration to be paid to the auditors;
- to receive the financial statements of Clearwater Seafoods Income Fund and Clearwater Seafoods Limited Partnership for the year ended December 31, 2006 and the auditors' reports on the statements; and
- to consider and, if thought advisable, to pass, with or without variation, a special resolution, substantially in the form set out in the accompanying management information circular, to approve the amendment of the note indenture dated as of July 31, 2002 between Clearwater Seafoods Holding Trust and Computershare Trust Company of Canada to change the interest rate on the series 1 notes issued thereunder from 5% to 0.1% (or such other amount as the Fund may specify in writing from time to time), such amendment to be effective as of January 1, 2007; and
- to transact such other business as may properly be brought before the meeting.

Registered unitholders are encouraged to complete the enclosed proxy form to be returned 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 by fax to the attention of the Proxy Department at 1-866-249-7775 (within North America) or (416) 263-9524 (outside North America). **Proxies must be received by Computershare Investor Services Inc. no later than 10:30 a.m. (Atlantic Daylight Time) on Friday, May 11, 2007.**

By Order of the Board of Trustees

Halifax, Nova Scotia  
March 28, 2007

(Signed) THOMAS D. TRAVES  
Chairman

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**CLEARWATER SEAFOODS INCOME FUND  
MANAGEMENT INFORMATION CIRCULAR**

All information in this management information circular (this “**Circular**”) is as of March 28, 2007 unless otherwise indicated.

This Circular is furnished in connection with the solicitation of proxies on behalf of the trustees (the “**Trustees**”) of Clearwater Seafoods Income Fund (the “**Fund**”) by the management of CS ManPar Inc. (“**CS ManPar**”), as managing general partner of Clearwater Seafoods Limited Partnership (“**Clearwater**”), administrator of the Fund, for use at the annual and special meeting (the “**Meeting**”) of holders of units and special trust units of the Fund (collectively “**unitholders**”) to be held at the time and place and for the purposes set forth in the attached notice of meeting.

**THE FUND**

The Fund is an unincorporated open-ended trust established under the laws of the Province of Ontario by an amended and restated declaration of trust (the “**Declaration of Trust**”). The Fund is administered by the Trustees and by Clearwater pursuant to an administration agreement (the “**Administration Agreement**”) among the Fund, Clearwater and Clearwater Seafoods Holdings Trust (“**CSHT**”) dated July 31, 2002. See “**Management Contracts — Administration Agreement**”.

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 Clearwater, and such other investments as the Trustees may determine.

Clearwater 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 Fund holds, indirectly, an approximate 55.71% interest in Clearwater.

Clearwater has outstanding 29,407,626 Class A units (the “**Class A Units**”), and 3,836,735 Class C units (the “**Class C Units**”) and 7,372,881 Class D units (the “**Class D Units**”), all of which are owned indirectly by the Fund, and 23,381,217 Class B units (the “**Exchangeable Units**”) all of which are owned indirectly by the Fund. Subject to certain limitations, the holders of Exchangeable Units have the right to indirectly exchange such units for units (“**Units**”) of the Fund on a one-for-one basis (subject to adjustment in certain circumstances) and such holders hold an equivalent number of special trust units (“**Special Trust Units**”) of the Fund, which will be cancelled on exchange of the Exchangeable Units. The Class C units and the Class D units were issued by Clearwater (indirectly) to the Fund concurrently with the issue by the Fund of convertible debentures. The Class C Units are non-voting and redeemable and retractable at a price of \$12.25 per unit, subject to certain restrictions. The Class D units are also non-voting and redeemable and retractable at a price of \$5.90 per unit, subject to certain restrictions.

The Fund has outstanding 29,407,626 Units and 23,381,217 Special Trust Units. The Special Trust Units were issued solely to provide voting rights to the holders of the Exchangeable Units.

**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 Clearwater; 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 Clearwater, 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 Clearwater.**

## VOTING

### Who Can Vote?

#### One Vote Per Unit and One Vote Per Special Trust Unit

March 21, 2007 is the record date to determine the holders of Units and Special Trust Units who are entitled to receive notice of the Meeting. Each such holder is entitled to one vote for each Unit and one vote for each Special Trust Unit registered in his or her name as of March 21, 2007.

As of March 21, 2007, there were 29,407,626 Units and 23,381,217 Special Trust Units outstanding.

To the knowledge of the Trustees, the only person(s) or companies that beneficially owns, directly or indirectly, or exercises control or direction over Units or Special Trust Units carrying more than 10% of the votes attached to Units and Special Trust Units are as follows:

<u>Name</u>	<u>Number of Units Owned on a Fully Diluted Basis</u>	<u>Percentage of Units Owned on a Fully Diluted Basis</u>
Clearwater Fine Foods Incorporated <sup>(1)</sup> . . . . .	24,656,422	46.71%

#### Notes

(1) Clearwater Fine Foods Incorporated (“CFFI”) holds 1,275,205 Units and 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, 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 Unit will be cancelled.

### Voting in Person

Registered unitholders who attend the Meeting in Halifax on May 15, 2007 can cast one vote for each Unit and one vote for each Special Trust Unit on resolutions put before the Meeting. If you are a registered unitholder who will attend and vote in person at the Meeting, you do not need to complete or return the proxy form. Please register your attendance with the scrutineer, Computershare Investor Services Inc., upon arrival at the Meeting.

### Voting by Proxy

If you do not plan to come to the Meeting, you can vote by using the enclosed proxy form to appoint someone who will be there as your proxy holder. You can either tell that person how you want to vote, or let him or her choose for you.

### What is a Proxy?

A proxy is a document that authorizes someone else to attend the Meeting and cast the votes for a registered unitholder. If you are a registered unitholder, a proxy form for the Meeting is enclosed in this package. Use it to appoint a proxy holder. (You can also use any other legal proxy form.)

### Appointing a Proxy holder

Your proxy holder is the person you appoint to cast your votes for you. **You can choose anyone you want to be your proxy holder;** it does not have to be another unitholder. Just fill in the person’s name in the blank space provided on the enclosed proxy form. If you leave the space in the proxy form blank, the persons designated in the form, who are Trustees or officers of CS ManPar, are appointed to act as your proxy holder. Your proxy authorizes the proxy holder to vote and otherwise act for you at the Meeting, including any continuation after adjournment of the Meeting.

If you vote on the issues by marking the appropriate boxes on the proxy form, your Units and/or Special Trust Units will be voted as instructed. If you do not mark any boxes, your proxy holder can vote your Units and/or Special Trust Units as he or she sees fit (see “**Your Proxy Vote**”).

To record your vote, you must return the signed proxy by 10:30 a.m. (Atlantic Daylight Time) on Friday, May 11, 2007, to the Toronto office of Fund's transfer agent, Computershare Investor Services Inc., at:

100 University Avenue, 9<sup>th</sup> Floor  
Toronto, Ontario M5J 2Y1

or

Fax to (416) 263-9524 (Toronto or outside of North America) or 1-866-249-7775 (North America).

The document appointing a proxy holder must be in writing and completed and signed by a unitholder or his or her attorney authorized in writing or, if the unitholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized. Persons signing as officers, attorneys, executors, administrators, trustees, etc., should so indicate and provide satisfactory evidence of such authority.

#### **Webcast of Meeting**

The Meeting may also be viewed via webcast on [www.clearwater.ca](http://www.clearwater.ca) commencing at 10:30 a.m. (Atlantic Daylight Time) on Tuesday, May 15, 2007. Unitholders may view the Meeting but will not be able to vote via the webcast. Unitholders wishing to vote must either attend the Meeting in person or submit a proxy form as described in this Circular.

#### **Changing Your Mind**

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, you or your authorized attorney must state clearly, in writing, that you want to revoke your proxy, and deliver such document to this address:

Clearwater Seafoods Income Fund  
757 Bedford Highway  
Bedford, Nova Scotia, B4A 3Z7  
Canada  
Attention: Assistant Secretary  
Fax: (902) 443-7797

The proxy can be revoked if a revocation: (i) is received by (or on) the last business day before the day of the Meeting (or of the continuation of the Meeting after adjournment), (ii) is deposited with the Chairman of the Meeting on the day of the Meeting (or of the continuation), or (iii) in any other way the law permits.

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 10:30 a.m. (Atlantic Daylight Time) on Friday, May 11, 2007, you can still vote your Units and/or Special Trust Units, but must do so in person at the Meeting.

#### **Your Proxy Vote**

If you have filled out and signed your proxy correctly (exactly as your name appears on the proxy form), and delivered it to the transfer agent by 10:30 a.m. (Atlantic Daylight Time) on Friday, May 11, 2007, then your proxy holder can vote for you at the Meeting. If you have specified on the proxy form how you want to vote on a particular issue (by marking FOR, or WITHHOLD), then your proxy holder must vote your Units and/or Special Trust Units accordingly on any ballot.

**If you have NOT specified how to vote on a particular issue, then your proxy holder can vote your Units and/or Special Trust Units as he or she sees fit; and if you have appointed the persons designated in the proxy**

**form as your proxy holder, unless otherwise specified, your Units and/or Special Trust Units will be voted at the Meeting as follows:**

- **FOR the election of the three nominees to the board of trustees listed under the heading “Matters to be Considered at the Meeting — Election of Trustees”;**
- **FOR the appointment of KPMG LLP as auditors of the Fund; and**
- **FOR the special resolution substantially in the form set out in this Circular, to approve the amendment of the note indenture dated as of July 31, 2002 between Clearwater Seafoods Holding Trust and Computershare Trust Company of Canada to change the interest rate on the series 1 notes issued thereunder from 5% to 0.1% (or such other amount as the Fund may specify in writing from time to time), such amendment to be effective as of January 1, 2007.**

If any amendments are proposed to the matters described in the attached notice of meeting, or if any other matters properly come before the Meeting, your proxy holder can vote your Units and/or Special Trust Units as he or she sees fit. The notice includes all the matters to be presented at the Meeting that are known to the Trustees as of the date of this Circular.

### **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.

### **Information for Beneficial Holders**

Most unitholders are “beneficial owners” who are non-registered unitholders. Their Units and/or Special Trust Units are registered in the name of an intermediary, such as a securities broker, financial institution, trustee, custodian or other nominee who holds the Units and/or Special Trust Units on their behalf, or in the name of a clearing agency in which the intermediary is a participant (such as The Canadian Depository for Securities Limited). Intermediaries have obligations to forward meeting materials to the non-registered holders, unless otherwise instructed by the holder (and as required by regulation in some cases, despite such instructions). Only registered unitholders or their duly appointed proxy holders are permitted to vote at the Meeting. Non-registered holders should follow the directions of their intermediaries with respect to the procedures to be followed for voting. Generally, intermediaries will provide non-registered holders with either: (a) a voting instruction form for completion and execution by the non-registered holder, or (b) a proxy form, executed by the intermediary and restricted to the number of Units and/or Special Trust Units owned by the non-registered holder, but otherwise uncompleted. These are procedures to permit the non-registered holders to direct the voting of the Units and/or Special Trust Units that they beneficially own.

If the non-registered holder wishes to attend and vote in person at the Meeting, they must insert their own name in the space provided for the appointment of a proxy holder on the voting instruction form or proxy form provided by the intermediary and carefully follow the intermediary’s instructions for return of the executed form or other method of response.

### **Solicitation Of Proxies**

The Trustees request that you sign and return the proxy form to ensure your votes are exercised at the Meeting. Clearwater will pay the cost of proxy solicitation, which will be primarily by mail. However, proxies may also be solicited by telephone, fax or personal contact, or by any other means of communication, or by the Trustees who will not be remunerated therefor.

## MATTERS TO BE CONSIDERED AT 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 unitholders or until their successors are duly elected or appointed.

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.

<p>THOMAS D. TRAVES, 58 Halifax, Nova Scotia Units: 14,530<sup>(1)</sup></p>	<p>Dr. Traves is President and Vice-Chancellor of Dalhousie University. He has been a Trustee since July 31, 2002, Chairs the Trustees and currently sits on the Corporate Governance and Compensation Committee of CS ManPar</p>	<p>Attended 6 of 6 meetings of the directors, 6 of 6 meetings of the trustees and 2 of 2 CGCC meetings<sup>(2)</sup></p>
<p>BERNARD R. WILSON, 63 Mississauga, Ontario Units: 2,000<sup>(1)</sup></p>	<p>Mr. Wilson was Vice Chairman of PricewaterhouseCoopers from 2001 to June 30, 2005. He has been a Trustee since May 2006 and currently Chairs the Audit Committee and sits on the Corporate Governance and Compensation Committee of CS ManPar</p>	<p>Attended 4 of 6 meetings of the directors, 4 of 6 meetings of the trustees, 2 of 4 of the Audit Committee and 1 of 2 CGCC meetings<sup>(2)</sup></p>
<p>BRIAN CROWLEY, 51 Dartmouth, Nova Scotia Units: 9,300<sup>(1)</sup></p>	<p>Dr. Crowley is the founding President of the Atlantic Institute for Market Studies formed in 1994. He has been a Trustee since May 2006 and currently sits on the Audit and Corporate Governance and Compensation Committees of CS ManPar</p>	<p>Attended 4 of 6 meetings of the directors, 4 of 6 meetings of the trustees, 2 of 4 of the Audit Committee and 1 of 2 CGCC meetings<sup>(2)</sup></p>

#### 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 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, 2006. Eighteen committee meetings were held during fiscal 2006 — six board of director meetings, six trustee meetings, four Audit Committee meetings and two Corporate Governance and Compensation Committee (“CGCC”) meetings. Bernard Wilson and Brian Crowley were elected trustees and directors in May 2006 and have since attended all meetings.

### 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 unitholders or until their successor is appointed and that the Trustees be authorized to fix the remuneration of the auditors.

The aggregate amount of fees billed by KPMG LLP during the year for audit and audit-related services including the year ended December 31, 2006 annual audit and reviews of the interim financial statements as well as other audit and review related services was \$438,100 (2005 — \$447,800). The aggregate amount of fees billed by KPMG LLP for all non-audit services rendered during the year ended December 31, 2006, was \$280,800 (2005 — \$120,000). 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 Fund’s annual information form for the year ended December 31, 2006 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.

### **Financial Statements**

The consolidated financial statements of the Fund and Clearwater for the year ended December 31, 2006, together with the auditors' reports on the statements, are contained in the 2006 Annual Report. No formal action will be taken at the Meeting to approve the financial statements, the requirements of the Declaration of Trust having been satisfied by their advance circulation to unitholders. If any unitholders have questions regarding such financial statements, such questions may be brought forward at the Meeting.

### **Interest on CSHT Notes**

The note indenture (the "**CSHT Note Indenture**") dated as of July 31, 2002 between Clearwater Seafoods Holding Trust and Computershare Trust Company of Canada currently contemplates that the interest rate on the series 1 notes issued thereunder shall be 5%. In order to provide the trustees with more flexibility to ensure that distributions are made to Unitholders in the most tax efficient manner from time to time, the trustees believe that it is appropriate and in the best interests of Unitholders to amend the CSHT Note Indenture to change the interest rate on the series 1 notes issued thereunder from 5% to 0.1% (or such other amount as the Fund may specify in writing from time to time), such amendment to be effective as of January 1, 2007. The proposed amendments to the CSHT Note Indenture to give effect to this change are set forth in Schedule "A" to this Circular.

The Declaration of Trust requires that certain amendments to the CSHT Note Indenture, including the above-noted amendment, be approved by special resolution of Unitholders.

In addition, approval of these amendments is subject to the consent of Clearwater's lenders. For the purpose of receiving the approval of Unitholders by special resolution, a special resolution must be proposed at a duly convened meeting of Unitholders at which a quorum is present, and approved by the holders of more than 66 $\frac{2}{3}$ % of the Units represented at the meeting and voted on the resolution. The proposed special resolution will be presented at the Meeting in substantially the form set forth below, and will be adopted if it receives the affirmative vote of more than 66 $\frac{2}{3}$ % of the votes cast thereon either in person or by proxy.

The Trustees have determined that the amendment to the CSHT Note Indenture to change the interest rate on the series 1 notes issued thereunder from 5% to 0.1% (or such other amount as the Fund may specify in writing from time to time), such amendment to be effective as of January 1, 2007, is in the best interests of the Fund and its Unitholders and recommend that the Unitholders vote "FOR" the following special resolution:

"BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. the amendments of the Note Indenture, as described in Schedule "A" to the Management Information Circular of the Fund dated March 28, 2007, to provide that the amendment to the CSHT Note Indenture to change the interest rate on the series 1 notes issued thereunder from 5% to 0.1% (or such other amount as the Fund may specify in writing from time to time), such amendment to be effective as of January 1, 2007, is approved; and
2. any Trustee of the Fund is hereby authorized and directed, for and on behalf of and in the name of the Fund and CSHT, to do all such acts and things and to execute and deliver all such documents and instruments as may be considered necessary to implement these special resolutions."

## COMPENSATION

### Compensation of Trustees and Directors

In the last fiscal year, the Fund paid its Trustees, and CS ManPar paid its directors that are not also Trustees of the Fund or officers of CS ManPar, the following:

- a basic payment of \$30,000 for the fiscal year;
- 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, to a limit of \$15,000, regardless of the number of meetings 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 also reimbursed the directors for out-of-pocket expenses for attending these meetings, and the directors also participate in the insurance and indemnification arrangements. During the year ended December 31, 2006, the Fund and CS ManPar paid the Trustees a total of \$149,033 (2005 — \$181,669) and the directors, excluding those who are Trustees, a total of \$75,817 (2005 — \$90,000).

### Board of Directors of CS ManPar

The board of directors of CS ManPar consists of the Trustees and the persons set out in the following table.

COLIN E. MACDONALD, 58 Halifax, Nova Scotia Units and Special Trust Units: 24,705,872 <sup>(1)(2)(3)</sup>	Mr. MacDonald is the Chief Executive Officer of CS ManPar. He has been a director since July 31, 2002.	Attended 6 of 6 director meetings
JOHN C. RISLEY, 58 Halifax, Nova Scotia Units and Special Trust Units: 24,656,422 <sup>(1)(2)</sup>	Mr. Risley is the Chairman of CS ManPar. He has been a director since July 31, 2002.	Attended 6 of 6 director meetings
HUGH K. SMITH, 62 Halifax, Nova Scotia Units: 50,000 <sup>(1)</sup>	Mr. Smith is Vice President of Municipal Group of Companies and counsel at Stewart McKelvey Stirling Scales. He has been a director since July 31, 2002.	Attended 5 of 6 director meetings and 1 of 2 CGCC meetings
BRENDAN PADDICK, 43 Freeport, Grand Bahama Island Units: 20,000 <sup>(1)</sup>	Mr. Paddick is the Chief Executive Officer of Columbus Communications Inc. since September of 2004. He was the Chief Executive Officer of Persona Inc and Persona Communications Inc from 1992 to 2004. He has been a director since 2006 and currently sits on the Audit Committee.	Attended 5 of 6 director meetings, plus 3 of 4 audit committee meetings <sup>(4)</sup>

#### 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 are the sole shareholders and directors of CFFI and, as such, beneficially own and control and direct the Units and Special Trust Units owned by Clearwater Fine Foods Incorporated.
- (3) Mr. Colin MacDonald holds 49,450 Units directly.
- (4) Brendan Paddick was elected as a director in May 2006 and has since attended all meetings.

During 2003, the board of directors 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 a security holders' 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 Units (on a fully diluted basis, including the exchange of the Exchangeable 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 Units (on a fully diluted basis, including the exchange of the Exchangeable 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 Units (on a fully diluted basis, including the exchange of the Exchangeable Units), it will be entitled to appoint two directors;
- once CFFI holds less than 20% of the Units (on a fully diluted basis, including the exchange of the Exchangeable Units), it will not have the right to appoint any directors.

### **Executive Compensation**

Under applicable securities legislation, the Fund is required to disclose certain financial and other information relating to the compensation of its Chief Executive Officer and the Fund's four most highly compensated executive officers (other than the Chief Executive Officer). The Fund, however, does not carry on a business; its purpose is to hold, directly or indirectly, investments in entities engaged in the harvesting, processing, distribution and marketing of seafood and such other investments as the Trustees may determine. The executive officers of CS ManPar, as managing general partner of Clearwater, the administrator of the Fund, are responsible for the management of Clearwater's and its subsidiaries' business. The Summary Compensation Table below provides a summary of compensation earned by the Chief Executive Officer and the other four most highly compensated executive officers of CS ManPar and its subsidiaries (the "**Named Executives**").

## SUMMARY COMPENSATION TABLE

Name and Principal Position <sup>(7)</sup>	Year	Annual Compensation (amounts stated in Canadian dollars unless stated otherwise)			Long Term Compensation		
		Salary (\$)	Bonus <sup>(1)(5)</sup> (\$)	Other Annual Compensation (\$)	Awards		Payouts
					Securities under Options/SARs Granted <sup>(2)</sup> (\$)	Restricted Shares or Restricted Share Units <sup>(3)</sup> (\$)	All other Compensation <sup>(4)</sup> (\$)
COLIN E. MACDONALD, . . . . .	2006	150,000	0	34,687	—	—	—
Chief Executive Officer	2005	150,000	0	34,180			
	2004	150,000	0	17,910			
ROBERT D. WIGHT, . . . . .	2006	216,300	106,000		—	—	—
Vice President, Finance and Chief Financial Officer	2005	210,000	0	15,071			
	2004	210,000	0	11,966			
ERIC R. ROE, . . . . .	2006	216,300	106,000	9,600	—	—	—
Chief Operating Officer	2005	210,000	0	9,600			
	2004	210,000	0	9,600			
MICHAEL PITTMAN, . . . . .	2006	216,300	106,000	9,600	—	—	—
Vice President, Fleet	2005	210,000	0	9,600			
	2004	210,000	0	9,600			
RICK BETZ . . . . .	2006	US247,200	114,701	US7,920	—	—	—
Vice-President, North America	2005	US240,000	US41,106	US7,920			

Notes

- (1) The bonus paid to Mr. Betz in 2005 related to a signing bonus.
- (2) The Fund does not have an option plan.
- (3) The Fund does not issue restricted Units.
- (4) No other compensation was paid.
- (5) Mr. MacDonald — has chosen to forego his 2006 bonus, which Clearwater will donate to certain charitable organizations.
- (6) Messrs. Wight, Roe, Pittman and Betz hold or beneficially hold 210,000, 70,000, 6,000 and 0 Units, respectively. CFFI holds 1,275,205 Units as well as an additional 23,381,217 Special Trust Units (total of 24,656,422 Units and Special Trust Units). Messrs. MacDonald and Risley beneficially own, and exercise control or direction over such Units and Special Trust Units as the sole directors and shareholders of CFFI. Mr. MacDonald also holds 49,450 Units directly.

### Employment Contracts

All of the Named Executives are parties to employment agreements with Clearwater, which outline the terms and conditions pertaining to their employment. These employment contracts generally provide for minimum base salaries, which, in the case of Mr. MacDonald, is \$150,000 per annum and, in the case of the others, is \$216,300 Canadian to \$247,200 USD per annum. The contracts also provide that the Named Executives shall be entitled to participate in any short-term or long-term incentive plans established by CS ManPar, although no parameters are set out. Each contract provides that the senior officer's employment may be terminated by Clearwater by giving twenty-four months written notice of termination or by paying an amount in lieu thereof.

## EXECUTIVE COMPENSATION REPORT

### Corporate Governance and Compensation

The Fund does not have a standing Corporate Governance and Compensation Committee. In lieu of a governance committee, the Trustees are directly responsible for developing the Fund's approach to governance issues, filling vacancies among the Trustees and periodically reviewing the composition and effectiveness of the Trustees and the contribution of individual Trustees, although the Corporate Governance and Compensation Committee of CS ManPar, which is comprised of all of the Trustees, also reports to the board on matters concerning corporate governance and compensation in respect of the Fund and its subsidiaries as described below. The Trustees are also responsible for adopting and periodically reviewing and updating the Fund's written corporate disclosure policy.

The Corporate Governance and Compensation Committee is responsible for overall governance for Clearwater and has established clear sets of responsibilities for the Board as a whole, for its committee and for the CEOs. It also has done this for the CEO, with defined limits to his responsibilities.

The Corporate Governance and Compensation Committee conducts an annual review of the performance of the CEO as measured against objectives established mutually in the prior year by the Committee and the CEO and reviewed by the Chairman of the committee with the full board. The results of this annual review are communicated to the full board, which then makes an evaluation of the overall performance of the CEO. This performance evaluation is communicated to the CEO by the Chairman of the Committee. The evaluation is also used by the committee in its deliberations concerning the CEO's annual compensation. The board has established limits on management's authority depending on the nature and size of the proposed transaction. These limits permit some flexibility within approved budgets but otherwise will not be exceeded without board approval.

The full Board reviews and approves annual strategic and operating and financial objectives; management prepares these and the CEO is accountable for them.

### Report on Executive Compensation

It is one of the responsibilities of the Corporate Governance and Compensation Committee, which in 2006 was comprised of Messrs. Smith, Traves, Wilson and Crowley to make recommendations on the level of compensation of the senior executives of CS ManPar. In carrying out this mandate, the Corporate Governance and Compensation Committee members, all of whom are outside and unrelated directors, consult with the other outside director, Mr. Paddick, in the making of decisions on the matter.

With respect to annual base salaries, Mr. MacDonald's annual base salary is \$150,000, which is less than the \$216,300 Canadian to \$247,200 USD annual base salary earned by other named executive officers of Clearwater. Mr. MacDonald has agreed to this annual base salary in light of the fact that he holds a substantial indirect interest in CFFI. He believes that a lower salary better aligns his interest with the interest of the public unitholders.

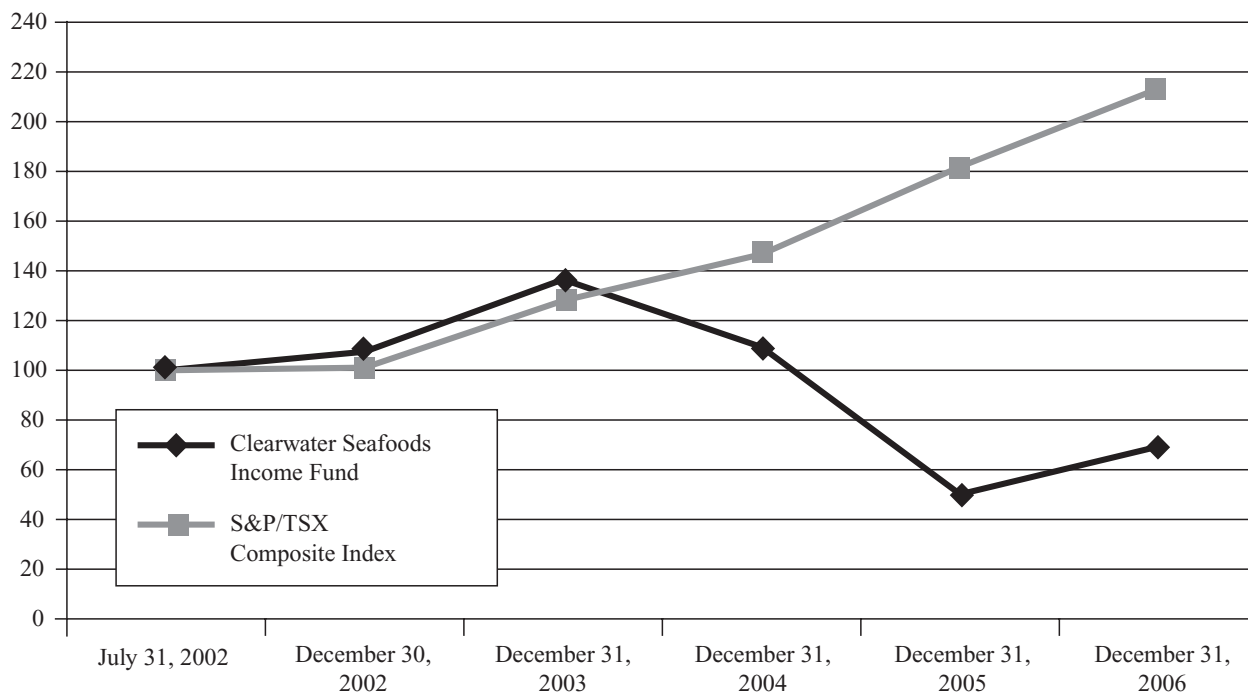
In 2006, the executive officers received short-term bonuses as disclosed in the Summary Compensation Table. The Chief Executive Officer who would have been entitled to a bonus of \$180,000 has opted to forgo such bonus. Clearwater will donate his bonus to charitable organizations.

Submitted by:

Hugh Smith  
Thomas D. Traves  
Bernard R. Wilson  
Brian Crowley

## 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 for the period from July 31, 2002, when the Units were listed on the TSX for trading, to December 31, 2002 and for the fiscal years ended December 31, 2003, 2004, 2005 and 2006. On December 31, 2006, the closing price of the Units on the TSX was \$4.97 (2005 — \$3.75).



	July 31, 2002	December 30, 2002	December 31, 2003	December 31, 2004	December 31, 2005	December 31, 2006
Clearwater Seafoods Income Fund	100	102.27	118.46	86.67	37.19	69.35
S&P/TSX Composite Index	100	101.03	127.97	146.50	178.37	213.23

### 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 (2005 — \$25 million). Losses are subject to a deductible of \$75,000 or, in the case of securities claims, \$250,000 (2005 — \$250,000).

For the period from January 1, 2006 to December 31, 2006, the total premium paid on the policy, including fees, was \$184,575 (2005 — \$260,781).

The trust declaration of each of the Fund and CSHT and the by-laws of CS ManPar also provides 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 Clearwater pursuant to the Administration Agreement.

Under the terms of the Administration Agreement, Clearwater, through its managing general partner, CS ManPar, provides (for no additional consideration, other than payment to Clearwater 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 Unitholders all information to which Unitholders are entitled under the Declaration of Trust including relevant information with respect to income taxes; (iv) call and hold meetings of 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 of the Fund, the Board of Directors of CS ManPar and the management team of Clearwater 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 Clearwater.

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

This Audit Committee is comprised of Bernard Wilson (Chair), Brian Crowley and Brendan Paddick. The Corporate Governance and Compensation Committee is comprised of Hugh Smith (Chair), Tom Traves, Bernard Wilson, and Brian Crowley.

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

The Ontario Securities Commission has published policies for effective corporate governance. These guidelines are set out in Appendix A attached to this management information circular, along with commentary as to Clearwater's conformity to them.

### INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Clearwater had the following transactions and balances with CFFI during 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Transactions		
Charge by CFFI to Clearwater for use of a corporate airplane . . . . .	252,000	65,000
Charge to CFFI by Clearwater for rent and other services . . . . .	234,000	280,000
Charged by CFFI to Clearwater for management fees . . . . .	200,000	90,000
Balances		
Receivable (payable) from CFFI . . . . .	(8,000)	639,000
Distribution payable to CFFI . . . . .	1,169,000	—

In addition, Clearwater was charged approximately \$139,000 for vehicle leases in 2006 (December 31, 2005 — \$175,000) and approximately \$81,000 for other services (December 31, 2005 — \$51,000) by companies controlled by a relative of an officer of Clearwater.

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 Clearwater, or any unitholder who beneficially owns more than 10% of the Units or Special Trust 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**

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, 2006, 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 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  
March 28, 2007

## APPENDIX A

### CORPORATE GOVERNANCE DISCLOSURE

The Ontario Securities Commission (“OSC”) issued National Policy 58-201 and National Instrument 58-101 in 2005, which, effectively replaces the former TSX guidelines followed for corporate governance disclosures. These disclosures and guidelines are set out below along with Clearwater’s conformity to them. The requirements of the OSC are in italics with Clearwater’s response indicated below the requirement. References to the Fund, CS ManPar and Clearwater are abbreviated below to the “company”. The information disclosed in the form is based on information available as of March 28, 2007.

#### 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>• Tom Traves — member of the Corporate Governance and Compensation Committee</li> <li>• Hugh Smith — Chair of the Corporate Governance and Compensation Committee</li> <li>• Bernie Wilson — Chair of the Audit Committee and member of the Corporate Governance and Compensation Committee</li> <li>• Brian Crowley — member of the Corporate Governance and Compensation Committee and the Audit Committee</li> <li>• Brendan Paddick — 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 — Chairman of CS ManPar Inc., the Managing Partner of Clearwater Seafoods Limited Partnership and significant shareholder</li> <li>• Colin MacDonald — CEO of CS ManPar Inc., the Managing Partner of Clearwater Seafoods Limited Partnership and significant shareholder</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. The majority of directors of CS ManPar Inc. are independent.</p>
<b>(d)</b>	<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>Tom Traves does not serve as a director of any other reporting issuers.</p> <p>Hugh Smith also serves as a director for the following issuers:</p> <ul style="list-style-type: none"> <li>• Clarke Inc.</li> <li>• Royal Host REIT</li> </ul> <p>Bernie Wilson serves a director for the following issuers:</p> <ul style="list-style-type: none"> <li>• Consolidated Thompson Iron Mines Limited</li> <li>• Crowflight Minerals Inc.</li> <li>• Goldengate Group</li> </ul>

	<p>Brian Crowley does not serve as a director of any other reporting issuers.</p> <p>Brendan Paddick does not serve as a director of any other reporting issuers.</p> <p>John Risley also serves as a director for the following issuers:</p> <ul style="list-style-type: none"> <li>• Clarke Inc</li> <li>• FPI Limited</li> </ul> <p>Colin MacDonald 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 6 times during 2006 and included management, the trustees met 6 times during 2006 without management in attendance, the audit committee met 4 times during 2006 without management in attendance and the Corporate Governance and Compensation Committee met twice during 2006 without management in attendance. During 2007, regular meetings without the inclusion of management are scheduled to be held on a regular basis.</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 the Company'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>Hugh Smith 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>Bernie Wilson is the Chair of the Audit Committee and is an independent director. His role and responsibilities are outlined in the Committee's Mandate.</p> <p>John Risley is the Chair of CS ManPar Inc., the managing partner of the Fund and is not independent, however the Trustees of Clearwater Seafoods Income Fund 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 6 board meetings, 6 trustee meetings, 4 audit committee meetings and 2 corporate governance and compensation committee meetings.</p> <ul style="list-style-type: none"> <li>• Tom Traves attended 6 of 6 board meetings, 6 of 6 trustee meetings and 2 of 2 corporate governance and compensation committee meetings</li> <li>• Hugh Smith attended 5 of 6 board meetings and 1 of 2 corporate governance and compensation committee meetings</li> <li>• Bernard Wilson attended 4 of 6 board meetings, 4 of 6 trustee meetings, 2 of 4 audit committee meetings and 1 of 2 corporate governance and compensation committee meetings</li> <li>• Brian Crowley attended 4 of 6 board meetings, 4 of 6 trustee meetings, 2 of 4 audit committee meetings and 1 of 2 corporate governance and compensation committee meetings</li> <li>• Brendan Paddick attended 5 of 6 board meetings and 3 of 4 audit 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 Canadian Business Corporations Act, the applicable Declarations of Trusts and Limited Partnership Agreements, the company’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 company’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>.</p> <p>Please refer to appendix B “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 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>(ii) <i>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 the Company 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>	
<b>(a)</b>	<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. 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 departure from the code.</p>
<b>(b)</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>
<b>(c)</b>	<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>	
<b>(a)</b>	<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 gathering names of potential candidates for nomination. They are to screen the candidates’ qualifications against the current skill and experience requirements of the Board and provide recommendations in this regard to the full Board. However, all directors are encouraged to identify potential candidates and direct input is provided from the Chairman and CEO.</p>
<b>(b)</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>
<b>(c)</b>	<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>	
<b>(a)</b>	<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>(b)</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>
<b>(c)</b>	<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>
<b>(d)</b>	<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 an established Disclosure and Risk Management Committees comprised of the management and employees of the Company, both of which report to the Board on a regular basis.</p> <p>The Disclosure Committee is responsible for assisting the Company’s Chief Executive Officer and Chief Financial Officer (the “Senior Officers”) in fulfilling their oversight responsibilities with respect to accurate and timely public reporting and disclosure by the Company.</p> <p>The Risk Management Committee was established in early 2006 and is responsible for assisting the Company’s Chief Executive Officer and Chief Financial Officer (the “Senior Officers”) 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 an annual 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 B

### 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 recommend to the board the members proposed for re-election to the board.
- Select and make recommendations to the board on new candidates for directorship, after consultation with 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, ie. 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.

Examine and make recommendations to the board 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.

**SCHEDULE "A"**

**PROPOSED AMENDMENTS TO THE CSHT NOTE INDENTURE**

1. Section 2.2(e) is amended and restated as follows:

effective as of January 1, 2007, bear interest at the rate of 0.1% per annum, or such other amount as the Fund may specify in writing from time to time (after as well as before maturity, with interest or overdue interest at the same rate), payable monthly in arrears on each Interest Payment Date for the Interest Period relating to such Interest Payment Date;