

CLEARWATER SEAFOODS INCOME FUND



NOTICE OF SPECIAL MEETING

OF UNITHOLDERS OF CLEARWATER SEAFOODS INCOME FUND

– and –

NOTICE OF SERIAL MEETING

OF HOLDERS OF THE 7.00% CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES DUE 2010 AND HOLDERS OF THE SERIES 2007 7.25% CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES DUE 2014 OF CLEARWATER SEAFOODS INCOME FUND

to be held on

September 22, 2008

– and –

MANAGEMENT INFORMATION CIRCULAR

with respect to a

PROPOSED TRANSACTION

involving

CLEARWATER SEAFOODS INCOME FUND

– and –

CS ACQUISITION LIMITED PARTNERSHIP

These materials are important and require your immediate attention. They require unitholders and debentureholders of Clearwater Seafoods Income Fund to make important decisions. If you are in doubt as to what decision to make, please contact your financial, legal or other professional advisors. If you have any questions or require more information with regard to voting your units or debentures, as applicable, please contact Computershare using the information provided on the back cover.

THE TRUSTEES UNANIMOUSLY RECOMMEND THAT MINORITY UNITHOLDERS VOTE FOR THE PROPOSED TRANSACTION AS SET OUT IN THE MANAGEMENT INFORMATION CIRCULAR. THE TRUSTEES ARE NOT MAKING ANY RECOMMENDATION TO DEBENTUREHOLDERS REGARDING HOW TO VOTE THEIR DEBENTURES.

August 22, 2008

Dear Unitholders and Debentureholders:

Clearwater Seafoods Income Fund (the "Fund") and CS Acquisition Limited Partnership ("Acquisition LP"), a limited partnership controlled by a consortium led by Clearwater Fine Foods Inc., have agreed, pursuant to the terms of a transaction agreement dated August 14, 2008, to undertake a transaction whereby Acquisition LP will acquire the Fund's indirect interest in Clearwater Seafoods Limited Partnership ("Clearwater"), which holds the Fund's operating business, through a direct investment by Acquisition LP in Clearwater, following which the Fund will:

- (i) redeem all of the outstanding trust units of the Fund other than 10,669,307 trust units beneficially owned by members of the purchaser consortium for a cash redemption price of \$4.50 per trust unit; and
- (ii) redeem all of the outstanding 7.00% Convertible Unsecured Subordinated Debentures due 2010 of the Fund and the Series 2007 7.25% Convertible Unsecured Subordinated Debentures due 2014 of the Fund for a cash redemption price of 101% of the principal amount of each debenture plus accrued and unpaid interest to but excluding the closing date for the proposed transaction.

In order for the proposed transaction to be completed, the holders of the Fund's trust units and special trust units must pass a special resolution approving the proposed transaction and certain amendments to the Fund's declaration of trust and certain other material documents relating to the Fund and/or to which the Fund is a party to, among other things, provide for the redemption of the trust units described above. In addition, completion of the proposed transaction is conditional upon the holders of each series of debentures, voting separately as a series, passing an extraordinary resolution approving certain amendments to the indenture governing the debentures, which will provide for the redemption of all of the outstanding debentures. The redemption of the trust units and the debentures described above will occur upon the closing of the proposed transaction, which is currently anticipated to occur in early October, 2008.

The Fund will hold a special meeting of unitholders and a serial meeting of debentureholders at the location and times set forth in the accompanying notices of meeting in order to pass the special resolution of unitholders and the extraordinary resolution of debentureholders, respectively. The notices of meeting and the accompanying management information circular of the Fund set forth information about: (i) the process that culminated in the Fund's agreement to enter into the proposed transaction with Acquisition LP; (ii) the terms of the proposed transaction; (iii) the meeting of unitholders; and (iv) the meeting of debentureholders.

As described in greater detail in the Fund's information circular, the board of trustees of the Fund, after consultation with its outside legal advisors and upon receiving the formal valuation and fairness opinion of BMO Capital Markets, has unanimously determined that the consideration of \$4.50 per trust unit to be received by the "minority unitholders" (as defined in the accompanying management information circular) pursuant to the proposed transaction is fair, from a financial point of view, to the minority unitholders, and that the proposed transaction is in the best interests of the minority unitholders, and has unanimously approved the transaction agreement. The board of trustees of the Fund unanimously recommends that minority unitholders vote FOR the special resolution of unitholders described above, the full text of which is set out in the accompanying management information circular. Neither the Fund nor the board of trustees is making any recommendation to debentureholders regarding how to vote their debentures on the extraordinary resolution of debentureholders described above, the full text of which is set out in the accompanying management information circular.

The price of \$4.50 per trust unit to be received by the minority unitholders pursuant to the proposed transaction is at the upper end of the \$3.80 to \$4.60 fair market value range determined by BMO Capital Markets in its formal valuation and represents a premium of approximately 32% over the volume weighted average trading price of \$3.42 for the trust units on the Toronto Stock Exchange during the period of 20 trading days ended on August 13, 2008, the last trading day immediately prior to the announcement of the proposed transaction. BMO Capital Markets has also provided a fairness opinion to

the board of trustees, each of whom was determined to be an “independent director” for the purposes of MI 61-101 (as defined in the accompanying management information circular), that the consideration of \$4.50 per trust unit to be received by the minority unitholders pursuant to the proposed transaction is fair, from a financial point of view, to the minority unitholders.

We encourage you to read the materials in the accompanying information circular carefully. Your vote is important. Whether or not you attend the meeting of unitholders or the meeting of debentureholders, as applicable, please take the time to vote your units and debentures, as applicable, in accordance with the instructions contained in the accompanying management information circular.

If you are in doubt as to what decision to make, please contact your financial, legal or other professional advisors. If you have any questions or require more information with regard to voting your units or debentures, as applicable, please contact Computershare, the transfer agent for the units and the trustee for the debentures, using the information provided on the back cover.

Thank you.

(Signed) THOMAS D. TRAVES
Chairman of the Board of Trustees

TABLE OF CONTENTS

	<u>Page</u>
NOTICE OF SPECIAL MEETING OF UNITHOLDERS.....	1
NOTICE OF SERIAL MEETING OF DEBENTUREHOLDERS.....	3
MANAGEMENT INFORMATION CIRCULAR.....	5
NOTICE TO UNITHOLDERS AND DEBENTUREHOLDERS IN THE UNITED STATES.....	5
CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS.....	5
INFORMATION CONTAINED IN THIS CIRCULAR.....	6
FREQUENTLY ASKED QUESTIONS ABOUT THE PROPOSED TRANSACTION.....	7
SUMMARY.....	13
Overview of the Proposed Transaction.....	13
Parties to the Proposed Transaction.....	13
The Unitholder Meeting.....	15
The Debentureholder Meeting.....	15
Background to the Proposed Transaction.....	16
Recommendation of the Trustees.....	17
Reasons for the Trustees' Recommendation.....	17
BMO Capital Markets' Valuation and Fairness Opinion.....	19
Summary of the Transaction Agreement.....	19
Position of the Debentureholders if the Debentureholder Approval is not Obtained and the Proposed Transaction is Completed.....	23
Principal Legal Matters.....	24
Certain Canadian Federal Income Tax Considerations.....	24
Proxy Information.....	25
Unit Redemption and Debenture Redemption.....	26
GLOSSARY OF TERMS.....	28
SOLICITATION OF PROXIES AND VOTING INSTRUCTIONS.....	34
Beneficial Unitholders and Debentureholders.....	34
Registered Unitholders and Debentureholders.....	35
Quorum and Votes Necessary to Pass the Unitholder Resolution and Debentureholder Resolution.....	37
GENERAL INFORMATION REGARDING VOTING UNITS AND DEBENTURES.....	38
Units.....	38
Debentures.....	38
Principal Holders of Voting Securities.....	38
SPECIAL BUSINESS OF THE UNITHOLDER MEETING.....	38
SPECIAL BUSINESS OF THE DEBENTUREHOLDER MEETING.....	39
REVIEW AND APPROVAL OF THE PROPOSED TRANSACTION.....	39
Background to the Proposed Transaction.....	39
Recommendation of the Trustees.....	43

Reasons for the Trustees' Recommendation.....	43
BMO Capital Markets' Valuation and Fairness Opinion.....	44
SUMMARY OF THE TRANSACTION AGREEMENT	46
Transaction Steps	46
Representations and Warranties.....	48
Conditions Precedent to Completion of the Proposed Transaction	48
Covenants of the Fund Regarding Conduct of Business.....	50
The Trustees' Fiduciary Duty	51
Protection of the Trustees and the Fund.....	51
Termination Events.....	52
Transaction Expenses.....	53
SUMMARY OF OTHER MATERIAL DOCUMENTS RELATED TO THE PROPOSED TRANSACTION	54
Debt Commitment Letters.....	54
Keep-Well Undertaking	54
Undertaking of Certain Members of the Purchaser Consortium.....	55
Guarantee of CFFI	55
THE UNIT REDEMPTION	55
THE DEBENTURE REDEMPTION	55
POSITION OF THE DEBENTUREHOLDERS IF THE DEBENTUREHOLDER APPROVAL IS NOT OBTAINED AND THE PROPOSED TRANSACTION IS COMPLETED.....	56
INFORMATION REGARDING THE FUND	57
INFORMATION REGARDING THE PURCHASER CONSORTIUM.....	57
Members of the Purchaser Consortium.....	57
PRINCIPAL LEGAL MATTERS	58
Regulatory Matters.....	58
Canadian Securities Law Matters	58
Stock Exchange De-Listing and Reporting Issuer Status	59
CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS.....	59
OWNERSHIP BY TRUSTEES, DIRECTORS, OFFICERS AND OTHERS OF THE FUND'S SECURITIES.....	62
Ownership of Securities of the Fund	62
Commitments to Acquire Securities of the Fund.....	63
Approval of the Unitholder Resolution and Debentureholder Resolution.....	63
Benefits of the Proposed Transaction	63
PREVIOUS PURCHASES AND SALES OF SECURITIES OF THE FUND.....	63
Previous Purchases.....	63
Previous Sales	64
MATERIAL CHANGES IN THE AFFAIRS OF THE FUND	64
RISK FACTORS	64
Risks Relating to the Proposed Transaction	64
Risks Relating to the Fund.....	65

TRADING HISTORY OF UNITS AND DEBENTURES	66
DISTRIBUTIONS	67
EXPENSES OF THE PROPOSED TRANSACTION	68
EXISTING TRUSTEES', DIRECTORS' AND OFFICERS' INSURANCE	68
MANAGEMENT CONTRACTS	69
Administration Agreement.....	69
INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS.....	69
INTEREST OF PERSONS IN THE MATTERS TO BE ACTED UPON AT THE MEETING.....	70
LEGAL MATTERS.....	70
AUDITORS, TRANSFER AGENT AND REGISTRAR.....	70
OTHER BUSINESS	70
ADDITIONAL INFORMATION.....	70
CONSENT OF BMO NESBITT BURNS INC.	71
CONSENT OF GOODMAN'S LLP.....	72
TRUSTEES' APPROVAL	73
APPENDIX A SPECIAL RESOLUTION	A-1
APPENDIX B DEBENTUREHOLDER RESOLUTION	B-1
APPENDIX C VALUATION AND FAIRNESS OPINION	C-1
APPENDIX D TRANSACTION AGREEMENT.....	D-1

CLEARWATER SEAFOODS INCOME FUND

NOTICE OF SPECIAL MEETING OF UNITHOLDERS

NOTICE IS HEREBY GIVEN that a special meeting (the “**Unitholder Meeting**”) of the holders (the “**Unitholders**”) of trust units (the “**Trust Units**”) and the special trust units (“**Special Trust Units**” and, together with the Trust Units, the “**Units**”) of Clearwater Seafoods Income Fund (the “**Fund**”) will be held at 10:30 a.m. (Halifax time) on September 22, 2008, at the Marriott Harbourfront Hotel, Acadia C, 1919 Upper Water Street, Halifax, Nova Scotia, for the following purposes:

1. to consider and, if deemed appropriate, to adopt, with or without amendment, the special resolution (the “**Unitholder Resolution**”) in the form annexed as Appendix “A” to the management information circular (the “**Circular**”) accompanying this notice, approving: (i) the transactions (the “**Proposed Transaction**”) contemplated by a transaction agreement dated August 14, 2008 (the “**Transaction Agreement**”) between the Fund and CS Acquisition Limited Partnership (“**Acquisition LP**”), a limited partnership controlled by a consortium (the “**Purchaser Consortium**”) led by Clearwater Fine Foods Inc. (“**CFFI**”), pursuant to which Acquisition LP will acquire the Fund’s indirect interest in Clearwater Seafoods Limited Partnership and (ii) certain amendments to the Fund’s amended and restated declaration of trust dated July 31, 2002, as amended (the “**Declaration of Trust**”) and the Fund Material Documents (as defined in the Circular), to, among other things, provide for the redemption of all of the outstanding Trust Units, other than 10,669,307 of the 11,609,740 Trust Units beneficially owned by members of the Purchaser Consortium, on the Closing Date (each as defined in the Circular) for cash consideration equal to \$4.50 per Trust Unit; and
2. to transact such other business as may properly come before the Unitholder Meeting or any adjournment thereof.

Accompanying this notice are: (1) a letter to Unitholders and Debentureholders (as defined in the Circular); (2) the Circular; and (3) a form of proxy or voting instruction form for the Unitholder Meeting. The Circular, which provides additional information relating to the matters to be considered at the Unitholder Meeting, forms part of this notice.

The Unitholder Resolution, if passed at the Unitholder Meeting or any adjournment thereof in accordance with the provisions of the Declaration of Trust, will be binding upon all Unitholders, whether present or absent from the Unitholder Meeting. Accordingly, it is important that your Units be represented and voted whether or not you plan to attend the Unitholder Meeting in person. The board of trustees of the Fund (the “**Trustees**”), each of whom was determined to be an “independent director” for the purposes of MI 61-101 (as defined in the Circular), have established the record date for the Unitholder Meeting as the close of business on August 22, 2008 (the “**Record Date**”). Only Unitholders of record at the close of business on the Record Date will be entitled to notice of the Unitholder Meeting or any adjournment thereof, and to vote at the Unitholder Meeting. No Unitholder becoming a Unitholder of record after the Record Date will be entitled to vote at the Unitholder Meeting or any adjournment thereof.

The Trustees, after consultation with their outside legal advisors and upon receiving the formal valuation and fairness opinion provided by BMO Capital Markets, have unanimously determined that the consideration of \$4.50 per Trust Unit to be received by the Minority Unitholders (as defined in the Circular) pursuant to the Proposed Transaction is fair, from a financial point of view, to the Minority Unitholders, and that the Proposed Transaction is in the best interests of the Minority Unitholders. THE TRUSTEES UNANIMOUSLY RECOMMEND THAT MINORITY UNITHOLDERS VOTE FOR THE UNITHOLDER RESOLUTION AS SET FORTH IN THE CIRCULAR.

The Trust Units and Special Trust Units have been issued in the form of global certificates registered in the name of CDS & Co. and CFFI, respectively, and, as such, CDS & Co. and CFFI are the sole registered Unitholders. Only registered Unitholders, or their duly appointed proxyholders, have the right to vote at the Unitholder Meeting, or to appoint or revoke a proxy. However, CDS & Co., or its duly appointed proxyholders, may only vote the Trust Units in accordance with instructions received from the beneficial Unitholders. Beneficial Unitholders as of the Record Date wishing to vote their Trust Units at the Unitholder Meeting must provide instructions to their broker or other nominee through which their Trust Units are held in sufficient time prior to the deadline for depositing proxies for the Unitholder Meeting to permit their broker or other nominee to instruct CDS & Co., or its duly appointed proxyholders, as to how to vote their Trust Units at the Unitholder Meeting. Please refer to the information contained under the heading "Solicitation of Proxies and Voting Instructions" in the Circular for instructions as to how to vote your Trust Units at the Unitholder Meeting.

If you have any questions or require more information with regard to voting your Units please contact Computershare Investor Services Inc., the transfer agent for the Units, using the information provided on the back cover.

DATED at Halifax, Nova Scotia, this 22nd day of August, 2008.

By Order of the Board of Trustees,

(Signed) THOMAS D. TRAVES
Chairman of the Board of Trustees

CLEARWATER SEAFOODS INCOME FUND

NOTICE OF SERIAL MEETING OF DEBENTUREHOLDERS

NOTICE IS HEREBY GIVEN that a serial meeting (the “**Debentureholder Meeting**”) of the holders (the “**Debentureholders**”) of the 7.00% Convertible Unsecured Subordinated Debentures due 2010 (the “**Series 1 Debentures**”) and the Series 2007 7.25% Convertible Unsecured Subordinated Debentures due 2014 (the “**Series 2 Debentures** and, together with the Series 1 Debentures, the “**Debentures**”) of the Fund will be held at 11:00 a.m. (Halifax time) on September 22, 2008, at the Marriott Harbourfront Hotel, Acadia C, 1919 Upper Water Street, Halifax, Nova Scotia, for the following purposes:

1. to consider and, if deemed appropriate, to adopt, with or without amendment, the extraordinary resolution (the “**Debentureholder Resolution**”) in the form annexed as Appendix “B” to the management information circular (the “**Circular**”) accompanying this notice, approving certain amendments to the trust indenture governing the Debentures dated as of June 15, 2004, between the Fund and Computershare Trust Company of Canada and the first supplemental indenture thereto dated March 9, 2007 (collectively, the “**Debenture Trust Indenture**”) to, among other things, provide for the redemption of the Debentures by the Fund, at its election, on the Closing Date (as defined in the Circular) 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 (as defined in the Circular) (the “**Debenture Redemption**”); and
2. to transact such other business as may properly come before the Debentureholder Meeting or any adjournment thereof.

Accompanying this notice are: (1) a letter to Unitholders (as defined in the Circular) and Debentureholders; (2) the Circular; and (3) a form of proxy or voting instruction form for the Debentureholder Meeting. The Circular, which provides additional information relating to the matters to be considered at the Debentureholder Meeting, forms part of this notice.

The Debentureholder Resolution, if passed by the holders of the Series 1 Debentures and the Series 2 Debentures at the Debentureholder Meeting, or any adjournment thereof, in accordance with the provisions of the Debenture Trust Indenture, will be binding upon all Debentureholders of such series, whether present or absent from the Debentureholder Meeting. Accordingly, it is important that your Debentures be represented and voted whether or not you plan to attend the Debentureholder Meeting in person. The board of trustees of the Fund (the “**Trustees**”) have established the record date for the Debentureholder Meeting as the close of business on August 22, 2008 (the “**Record Date**”). Only Debentureholders of record at the close of business on the Record Date will be entitled to notice of the Debentureholder Meeting or any adjournment thereof, and to vote at the Debentureholder Meeting. No Debentureholder becoming a Debentureholder of record after such time will be entitled to vote at the Debentureholder Meeting or any adjournment thereof.

Neither the Fund nor the Trustees are making any recommendation to Debentureholders regarding how to vote their Debentures on the Debentureholder Resolution. Debentureholders must make their own decision as to whether to vote in favour of or against the Debentureholder Resolution. Debentureholders should carefully consider the consequences of voting in favour of or against the Debentureholder Resolution, including the information contained under the heading “Position of the Debentureholders if the Debentureholder Approval is Not Obtained and the Proposed Transaction is Completed” in the Circular.

The Debentures have been issued in the form of global certificates registered in the name of CDS & Co. and, as such, CDS & Co. is the sole registered Debentureholder. Only registered Debentureholders, or their duly appointed proxyholders, have the right to vote at the Debentureholder Meeting, or to appoint or revoke a proxy. However, CDS & Co., or its duly appointed proxyholders, may only vote the Debentures in accordance with instructions received from the beneficial Debentureholders. Beneficial

Debentureholders as of the Record Date wishing to vote their Debentures at the Debentureholder Meeting must provide instructions to their broker or other intermediary through which they hold their Debentures in sufficient time prior to the deadline for depositing proxies for the Debentureholder Meeting to permit their broker or other nominee to instruct CDS & Co., or its duly appointed proxyholders, as to how to vote their Debentures at the Debentureholder Meeting. Please refer to the information contained under the heading "Solicitation of Proxies and Voting Instructions" in the Circular for instructions as to how to vote your Debentures at the Debentureholder Meeting.

If you have any questions or require more information with regard to voting your Debentures please contact Computershare Trust Company of Canada, the trustee for the Debentures, using the information provided on the back cover.

DATED at Halifax, Nova Scotia this 22nd day of August, 2008.

By Order of the Board of Trustees,

(Signed) THOMAS D. TRAVES
Chairman of the Board of Trustees

MANAGEMENT INFORMATION CIRCULAR

This Circular is furnished in connection with the solicitation of proxies or voting instructions by and on behalf of the management of Clearwater Seafoods Income Fund (the “Fund”). The accompanying form of proxy or voting instruction form is for use at the Unitholder Meeting or the Debentureholder Meeting, as applicable, and at any adjournment or postponement of such meetings, and for the purposes set forth in the accompanying notice of Unitholder Meeting and notice of Debentureholder Meeting, respectively. A glossary of certain terms used in this Circular can be found in “Glossary of Terms” in this Circular.

NOTICE TO UNITHOLDERS AND DEBENTUREHOLDERS IN THE UNITED STATES

The Fund is an unincorporated open-ended limited purpose trust established under the laws of the Province of Ontario, Canada. The solicitation of proxies and the Proposed Transaction described in this Circular involve securities of a Canadian issuer and are being effected in accordance with Canadian securities laws, the Declaration of Trust and the Debenture Trust Indenture. The proxy rules under the United States *Securities Exchange Act of 1934*, as amended, are not applicable to the Fund or this solicitation; accordingly, this solicitation is not being effected in accordance with such U.S. securities laws. Unitholders and Debentureholders should be aware that the requirements under Canadian laws may differ from requirements under United States corporate and securities laws relating to United States entities.

The enforcement by investors of civil liabilities under U.S. federal securities laws may be affected adversely by the fact that the Fund is formed under the laws of the Province of Ontario, that a majority of its trustees are residents of Canada and that a substantial portion of its assets may be located outside the United States. You may not be able to sue the Fund or its trustees in a Canadian court for violations of U.S. securities laws. It may be difficult to compel the Fund to subject itself to a judgment of a U.S. court.

THE PROPOSED TRANSACTION HAS NOT BEEN APPROVED OR DISAPPROVED BY ANY SECURITIES REGULATORY AUTHORITY, NOR HAS ANY SECURITIES REGULATORY AUTHORITY PASSED UPON THE FAIRNESS OR MERITS OF THE PROPOSED TRANSACTION OR UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements included herein constitute “forward-looking statements”. All statements included in this Circular that address future events, conditions or results of operations, including in respect of the Proposed Transaction, are forward-looking statements. These forward-looking statements can be identified by the use of forward-looking words such as “may”, “should”, “will”, “could”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “believe”, “future” or “continue” or the negative forms thereof or similar variations. These forward-looking statements are based on certain assumptions and analyses made by management in light of their experiences and their perception of historical trends, current conditions and expected future developments, as well as other factors they believe are appropriate in the circumstances. Unitholders and Debentureholders are cautioned not to put undue reliance on such forward-looking statements, which are not a guarantee of performance and are subject to a number of risks and uncertainties, including, without limitation, those set forth under the heading “Risk Factors” in this Circular. Many of those risks and uncertainties are outside the control of the Fund and could cause actual results to differ materially from those expressed or implied by such forward-looking statements. In making such forward-looking statements, management has relied upon a number of material factors and assumptions, including with respect to total allowable catch levels, selling prices, weather, fuel and other input costs, general economic and financial conditions, interest rates, exchange rates, equity markets, business competition, changes in government regulations or in tax laws, acts and omissions of third parties and the ability of the Fund to complete the Proposed Transaction. Such forward-looking statements should, therefore, be construed in light of such factors and assumptions. All forward-looking

statements are expressly qualified in their entirety by the cautionary statements set forth above. The Fund is under no obligation, and expressly 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 by applicable law.

INFORMATION CONTAINED IN THIS CIRCULAR

No person has been authorized to give information or to make any representations in connection with the matters to be considered at the Unitholder Meeting or the Debentureholder Meeting other than those contained or incorporated by reference in this Circular and, if given or made, any such information or representations should not be relied upon in making a decision as to how to vote on the Unitholder Resolution or the Debentureholder Resolution or be considered to have been authorized by the Fund or the Trustees.

This Circular does not constitute an offer to buy, or a solicitation of an offer to sell, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation.

Unitholders and Debentureholders should not construe the contents of this Circular as legal, tax or financial advice and should consult with their own professional advisors as to the relevant legal, tax, financial or other matters in connection herewith.

FREQUENTLY ASKED QUESTIONS ABOUT THE PROPOSED TRANSACTION

*The following is a list of frequently asked questions and answers regarding the Unitholder Meeting and the Debentureholder Meeting. These questions and answers are provided for convenience only and should be read in conjunction with, and are qualified in their entirety by, the more detailed information appearing or referred to elsewhere in this Circular, including the appendices and documents or portions of documents incorporated by reference in this Circular. Certain capitalized terms used in these questions and answers are defined in "Glossary of Terms" found on pages 28 to 33. **Unitholders and Debentureholders are urged to read this Circular and the attached Appendices in their entirety.***

Q: As a Unitholder, what am I voting on?

A: Unitholders are being asked to vote FOR the Unitholder Resolution approving the Proposed Transaction and certain amendments to the Declaration of Trust and the Fund Material Documents which will, among other things, result in the redemption by the Fund of all of the outstanding Trust Units (other than 10,669,307 of the 11,609,740 Trust Units beneficially owned by members of the Purchaser Consortium) on the Closing Date for cash consideration equal to \$4.50 per Trust Unit.

Unitholders are also being asked to approve the transaction of any other business that may properly come before the Unitholder Meeting or any adjournments or postponements thereof.

Q: As a Debentureholder, what am I voting on?

A: Debentureholders are being asked to vote on the Debentureholder Resolution approving certain amendments to the Debenture Trust Indenture to, among other things, provide for the redemption of the Debentures by the Fund, at its election, on the Closing Date 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.

Debentureholders are also being asked to approve the transaction of any other business that may properly come before the Debentureholder Meeting or any adjournments or postponements thereof.

Q: What will Unitholders receive pursuant to the Proposed Transaction?

A: If the Proposed Transaction is completed, Unitholders will be entitled to receive \$4.50 in cash for each outstanding Trust Unit (other than 10,669,307 of the 11,609,740 Trust Units beneficially owned by members of the Purchaser Consortium) that such Unitholder owns as of the Effective Time of the Proposed Transaction, subject to applicable withholding tax. The cash payment is payable in Canadian dollars only.

Q: How does the Unit Redemption Price to be received by Minority Unitholders pursuant to the Proposed Transaction compare to the market price of the Trust Units before the Proposed Transaction was announced?

A: The Unit Redemption Price of \$4.50 per Trust Unit to be received by Minority Unitholders pursuant to the Proposed Transaction is at the upper end of the \$3.80 to \$4.60 fair market value range determined by BMO Capital Markets in its formal valuation and represents a premium of approximately 32% over the volume weighted average trading price of \$3.42 for the Trust Units on the TSX during the period of 20 trading days ended on August 13, 2008, the last trading day immediately prior to the announcement of the Proposed Transaction.

Q: What will Debentureholders receive pursuant to the Proposed Transaction?

A: If the Proposed Transaction is completed, Debentureholders will be entitled to receive cash consideration equal to 101% of the aggregate principal amount of Debentures that such Debentureholder owns as of the Effective Time of the Proposed Transaction, plus accrued and

unpaid interest to but excluding the Closing Date and subject to applicable withholding tax. The cash payment is payable in Canadian dollars only.

Q: What will happen if the Debentureholder Approval is not obtained and the Proposed Transaction is Completed?

A: Approval of the Debentureholder Resolution by the holders of both the Series 1 Debentures and Series 2 Debentures, in accordance with the provisions of the Debenture Trust Indenture, is a condition to the completion of the Proposed Transaction that may be waived at the option of Acquisition LP. Therefore, it is possible that the Proposed Transaction could be completed without obtaining the Debentureholder Approval. Please see “Position of the Debentureholders if the Debentureholder Approval is not obtained and the Proposed Transaction is Completed.”

Q: How does the Debenture Redemption Price to be received by Debentureholders pursuant to the Proposed Transaction compare to the market price of the Debentures before the Proposed Transaction was announced?

A: The Debenture Redemption Price to be received by the holders of the Series 1 Debentures and Series 2 Debentures represents a premium of approximately 15% and 27%, respectively, over the volume weighted average trading price of \$88.18 and \$79.78 for the Series 1 Debentures and Series 2 Debentures, respectively, on the TSX during the period of 20 trading days ended on August 13, 2008, the last trading day immediately prior to the announcement of the Proposed Transaction.

Q: What vote is required at the Unitholder Meeting to approve the Unitholder Resolution?

A: The Unitholder Resolution must be passed by the affirmative vote of: (i) more than 66⅔% of the votes cast by Unitholders present or represented by proxy at the Unitholder Meeting and entitled to vote on the Unitholder Resolution, and (ii) at least a simple majority of the votes cast by Minority Unitholders present or represented by proxy at the Unitholder Meeting and entitled to vote on the Unitholder Resolution. Pursuant to and subject to the terms of the Transaction Agreement, Acquisition LP has agreed and certain members of the Purchaser Consortium have provided undertakings, to vote or cause to be voted the votes attaching to the Units held or beneficially owned by them in favour of the Unitholder Resolution.

Q: What vote is required at the Debentureholder Meeting to approve the Debentureholder Resolution?

A: For the Debentureholder Resolution to be adopted in respect of a series of Debentures in accordance with the provisions of the Debenture Trust Indenture, it must be approved by the holders of not less than 66⅔% of the principal amount of each of the Series 1 Debentures and the Series 2 Debentures, present or represented by proxy at the Debentureholder Meeting and entitled to vote on the Debentureholder Resolution, each voting separately as a series.

Q: What is the recommendation of the Trustees?

A: The Trustees, after consultation with their outside legal advisors and upon receiving the Valuation and Fairness Opinion from BMO Capital Markets and considering the factors described under “Review and Approval of the Proposed Transaction – Reasons for the Trustees’ Recommendation”, have unanimously determined that the Unit Redemption Price to be received by the Minority Unitholders pursuant to the Proposed Transaction is fair, from a financial point of view, to the Minority Unitholders, and that the Proposed Transaction is in the best interests of the Minority Unitholders. The Trustees unanimously approved the Transaction Agreement and the Proposed Transaction and authorized the Fund to enter into the Transaction Agreement. **The Trustees unanimously recommend that Minority Unitholders vote FOR the Unitholder Resolution.**

Q: Why are the Trustees making this recommendation?

A: In reaching their conclusion that the Unit Redemption Price to be received by Minority Unitholders pursuant to the Proposed Transaction is fair, from a financial point of view, to the Minority Unitholders and that the Proposed Transaction is in the best interests of the Fund, the Trustees considered and relied upon a number of factors, including those described under the headings “Review and Approval of the Proposed Transaction — Recommendation of the Trustees” and “Review and Approval of the Proposed Transaction — BMO Capital Markets’ Valuation and Fairness Opinion”.

Q: When and where is the Unitholder Meeting and Debentureholder Meeting?

A: The Unitholder Meeting will take place at 10:30 a.m. (Halifax time) on September 22, 2008, at the Marriott Harbourfront Hotel, Acadia C, 1919 Upper Water Street, Halifax, Nova Scotia.

The Debentureholder Meeting will take place at 11:00 a.m. (Halifax time) on September 22, 2008, at the Marriott Harbourfront Hotel, Acadia C, 1919 Upper Water Street, Halifax, Nova Scotia.

Q: Who is soliciting my proxy?

A: Unitholders’ and Debentureholders’ proxies are being solicited by or on behalf of management of the Fund. This Circular is furnished in connection with that solicitation. In addition Acquisition LP may in certain circumstances, at its own expense, directly or by engaging a soliciting dealer, actively solicit proxies in favour of the Unitholder Approval and Debentureholder Approval on behalf of Management of the Fund. It is expected that the solicitation will be made primarily by mail, but proxies may also be solicited personally by representatives of the Fund and Acquisition LP. As of the date of this Circular, no third party solicitation agent has been engaged by the Fund or Acquisition LP. However, the Fund or Acquisition LP may retain a solicitation agent for the Unitholder Meeting and/or Debentureholder Meeting on terms and at a cost that the Fund anticipates would be customary for solicitation services in similar transactions. The total cost of the solicitation of proxies will be borne by the Fund except that the Transaction Agreement requires Acquisition LP to pay the costs in respect of any third party proxy solicitation services.

Q: Who can attend and vote at the Unitholder Meeting and Debentureholder Meeting and what is the quorum for the Unitholder Meeting and Debentureholder Meeting?

A: Unitholders of record as of the close of business on August 22, 2008, the Record Date for the Unitholder Meeting, are entitled to receive notice of and to attend and vote at the Unitholder Meeting, or any adjournments or postponements of the Unitholder Meeting. The presence of two or more individuals present in person either holding personally or representing as proxies not less in aggregate than 10% of the votes attached to all outstanding Units is necessary for a quorum at the Unitholder Meeting

Debentureholders of record as of the close of business on August 22, 2008, the Record Date for the Debentureholder Meeting, are entitled to receive notice of and to attend and vote at the Debentureholder Meeting, or any adjournments or postponements of the Debentureholder Meeting. The presence of one or more Debentureholders present in person or by proxy and representing at least 25% in principal amount of the outstanding Debentures and at least 25% in principal amount of each series of Debentures is necessary for a quorum at the Debentureholder Meeting.

The Meeting Materials are being sent to beneficial Unitholders and Debentureholders. Only CDS & Co., as the registered holder of Trust Units and Debentures, and CFFI, as the registered holder of Special Trust Units, or their respective duly appointed proxyholders, are permitted to vote at the Unitholder Meeting and Debentureholder Meeting, as applicable. However, in accordance with applicable securities laws, the Fund is distributing copies of the Meeting Materials to

depositories and other intermediaries for onward distribution to beneficial Unitholders and Debentureholders. Beneficial Unitholders and Debentureholders can direct their broker or other intermediary to vote their Units and Debentures, as applicable, in accordance with their instructions. Please see “Solicitation of Proxies and Voting Instructions – Beneficial Unitholders and Debentureholders”

Q: How many Units and Debentures are entitled to vote at the Unitholder Meeting and the Debentureholder Meeting, respectively?

A: As of August 22, 2008, there were 27,745,695 Trust Units and 23,381,217 Special Trust Units issued and outstanding and, subject to MI 61-101, entitled to vote at the Unitholder Meeting on all matters proposed to come before the Unitholder Meeting on the basis of one vote for each Unit held. To the knowledge of the Fund, votes attached to a total of 11,609,740 Trust Units and all of the Special Units will be excluded in determining whether approval of a majority of the votes cast by Minority Unitholders for the Proposed Transaction has been obtained for the purposes of MI 61-101.

As of August 22, 2008, there were \$45,000,000 aggregate principal amount of Series 1 Debentures and \$44,389,000 aggregate principal amount of Series 2 Debentures issued and outstanding and entitled to vote at the Debentureholder Meeting on all matters proposed to come before the Debentureholder Meeting on the basis of one vote in respect of each \$1,000 principal amount of Debentures held.

Q: In addition to the Unitholder Approval and the Debentureholder Approval, are there any other approvals required for the Proposed Transaction?

A: Yes, the Proposed Transaction is subject to the receipt of certain anti-trust and other regulatory approvals in Canada. See “Principal Legal Matters — Regulatory Matters”

Q: Do any Trustees or executive officers of the Fund have any interest in the Proposed Transaction that are different from, or in addition to, those of Unitholders and Debentureholders?

A: Except as described under “General Information Regarding Voting Units – Principal Holders of Voting Securities”, “Ownership by Trustees, Directors, Officers and Others of the Fund’s Securities” and “Interests of Informed Persons in Material Transactions” in this Circular, no Trustee or executive officer of the Fund nor any of their respective associates or affiliates has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting.

Q: Will the Trust Units and Debentures continue to be listed on the TSX following completion of the Proposed Transaction?

A: It is intended that the Trust Units and, if appropriate, the Debentures, will be de-listed from the TSX on or about the Closing Date, which is expected to occur in early October, 2008. In addition, following completion of the Proposed Transaction, the Fund intends to make an application to cease to be a “reporting issuer”.

Q: What action am I required to take to receive the Unit Redemption Price or Debenture Redemption Price, as applicable?

A: Unitholders and Debentureholders are not required to take any action in order to receive payment of the Unit Redemption Price or Debenture Redemption Price, as applicable. On the Closing Date, CDS & Co., the sole registered holder of the Trust Units and Debentures will surrender the global certificates representing the Trust Units and Debentures to be redeemed to Computershare in exchange for payment of the aggregate Unit Redemption Price and the aggregate Debenture Redemption Price (together with accrued and unpaid interest to but excluding the Closing Date), respectively. As promptly as practicable following the Closing Date, CDS will transfer, directly

or indirectly, the applicable portion of the aggregate Unit Redemption Price and the aggregate Debenture Redemption Price (together with accrued and unpaid interest to but excluding the Closing Date) to the broker or other intermediary through which each applicable Unitholder and Debentureholder holds their Trust Units or Debentures, as applicable.

Q: When can I expect to receive consideration for my Units or Debentures?

A: As soon as practicable after the completion of the Proposed Transaction and receipt of the global certificates for the Debentures and the Trust Units, the Depositary will make a payment, directly or indirectly, to each Unitholder and Debentureholder in the amount of the Unit Redemption Price or Debenture Redemption Price (together with accrued and unpaid interest to but excluding the Closing Date), as applicable, multiplied by the number of Units or the principal amount of Debentures owned. The amount of time that it takes a Unitholder's or Debentureholder's broker or intermediary to receive such consideration will depend on the particular broker or intermediary. Beneficial Unitholders and Debentureholders should contact their broker or other intermediary to determine when they will receive the Unit Redemption Price or Debenture Redemption Price, as applicable.

Q: How will the votes at the Unitholder Meeting and Debentureholder Meeting be counted?

A: Computershare Investor Services Inc., the Fund's Transfer Agent, counts and tabulates the proxies at the Unitholder Meeting and Computershare Trust Company of Canada, the Debenture Trustee, counts and tabulates the proxies at the Debentureholder Meeting.

Q: When will the Proposed Transaction be Completed?

A: The Closing Date for the Proposed Transaction is expected to occur in early October, 2008. Because the Proposed Transaction is subject to a number of conditions, some of which are beyond the Fund's and Acquisition LP's control, the exact timing of Closing of the Proposed Transaction cannot be predicted.

Q: What are the tax consequences of the Proposed Transaction to me?

A: On the redemption of a Trust Unit for \$4.50 on the Unit Redemption, a Unitholder will generally realize a capital gain (or capital loss) in respect of the redemption of the Trust Unit on the Unit Redemption to the extent that the redemption proceeds exceed (or are less than) the Unitholder's adjusted cost base of the Trust Unit and the Unitholder's reasonable costs of disposition.

On the redemption of a Debenture on the Debenture Redemption, a Debentureholder will generally realize a capital gain (or capital loss) equal to the amount by which the Debentureholder's proceeds of disposition (other than an amount received or deemed to be received on account of interest) exceed (or are less than) the Debentureholder's adjusted cost base of the Debentures and the Debentureholder's reasonable costs of disposition. In connection with the redemption of a Debenture on the Debenture Redemption, Debentureholders will receive a payment of accrued and unpaid interest to but excluding the Closing Date. In addition, the 1% premium paid by the Fund to a Debentureholder upon the Debenture Redemption will generally be deemed to be interest received at that time by such Debentureholder to the extent that such premium can reasonably be considered to relate to, and does not exceed the value on the date of the Debenture Redemption, of the interest that would have been paid or payable by the Fund on the Debentures for taxation years of the Fund ending after the date of the Debenture Redemption. Such interest (or deemed interest) will be included in computing the Debentureholder's income, except to the extent such amount was otherwise included in the Debentureholder's income, and will be excluded in computing the Debentureholder's proceeds of disposition of the Debenture.

For further disclosure regarding certain Canadian federal income tax considerations, including considerations relevant to a Unitholder and/or a Debentureholder who, for

purposes of the Tax Act and any applicable tax convention, is not resident in Canada, see “Certain Canadian Federal Income Tax Considerations”.

The foregoing summary is intended to be illustrative of the tax consequences of the Proposed Transaction, including the Unit Redemption and the Debenture Redemption and is not intended to be tax advice to any particular Unitholder or Debentureholder. Unitholders and/or Debentureholders should consult their own tax advisors with respect to their particular circumstances.

Q: Who can I contact if I have questions?

A: If you are in doubt as to how to vote your Units or Debentures, as applicable, please contact your financial, legal or other professional advisors. If you have any questions or require more information with regard to voting your Units or Debentures, as applicable, please contact Computershare using the information provided on the back cover.

SUMMARY

The following is a summary of information appearing elsewhere in this Circular. This summary is provided for convenience only and this summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing or referred to elsewhere in this Circular, including the appendices and documents or portions of documents incorporated by reference in this Circular. Certain capitalized terms used in this summary and the Circular are defined in "Glossary of Terms" found on pages 28 to 33. Unitholders and Debentureholders are urged to read this Circular and the attached Appendices in their entirety.

Overview of the Proposed Transaction

On August 14, 2008, Clearwater Seafoods Income Fund (the "**Fund**") and CS Acquisition Limited Partnership ("**Acquisition LP**"), a limited partnership controlled by a consortium (the "**Purchaser Consortium**") led by Clearwater Fine Foods Inc. ("**CFFI**") and which also includes Maruha Nichiro (Canada), Inc. ("**Maruha**") and existing Unitholders Clarke Inc., Mickey MacDonald, and Glitnir Banki hf (collectively, the "**Rollover Unitholders**" and, together with CFFI and Maruha, the "**Purchaser Consortium**"), entered into a transaction agreement (the "**Transaction Agreement**"), pursuant to which the parties agreed to undertake a series of transactions (the "**Proposed Transaction**") whereby Acquisition LP will acquire the Fund's indirect interest in Clearwater Seafoods Limited Partnership ("**Clearwater**") through a direct investment by Acquisition LP in Clearwater, following which, among other things, the Fund will redeem (i) all of the outstanding trust units of the Fund (the "**Trust Units**"), other than 10,669,307 of the 11,609,740 Trust Units beneficially owned by members of the Purchaser Consortium, for a cash redemption price of \$4.50 (the "**Unit Redemption Price**") per Trust Unit (the "**Unit Redemption**") and (ii) all of the outstanding 7.00% Convertible Unsecured Subordinated Debentures due 2010 of the Fund (the "**Series 1 Debentures**") and the Series 2007 7.25% Convertible Unsecured Subordinated Debentures due 2014 of the Fund (the "**Series 2 Debentures**" and, together with the Series 1 Debentures, the "**Debentures**") for a cash redemption price of 101% of the principal amount of each Debenture (the "**Debenture Redemption Price**") plus accrued and unpaid interest to but excluding the Closing Date (the "**Debenture Redemption**").

Pursuant to the terms of the Transaction Agreement, a copy of which is attached as Appendix "D" to this Circular, the Fund and Acquisition LP have each agreed to various covenants, representations and warranties, conditions and termination provisions. See "Summary of Transaction Agreement" and Appendix "D" to this Circular.

Parties to the Proposed Transaction

Clearwater Seafoods Income Fund

The Fund is an unincorporated open-ended limited purpose trust established under the laws of the Province of Ontario pursuant to the Declaration of Trust. The Fund holds an approximate 54.27% interest in Clearwater. Clearwater is recognized for its consistent quality, wide diversity and reliable delivery of premium seafood including scallops, lobster, clams, coldwater shrimp, crab and groundfish. Clearwater harvests, processes and sells approximately 76 million pounds of seafood annually. Its operations consist primarily of harvesting premium shellfish in the offshore fisheries off the coasts of Atlantic Canada and Argentina, processing shellfish on board state-of-the-art factory vessels or in modern shore-based processing plants in Atlantic Canada and marketing and distributing premium shellfish to over 1,300 customers in North America, Europe and Asia. Clearwater currently has operations in Canada, the United States, Europe, Asia and Argentina, employing approximately 1,200 people worldwide as of August 22, 2008. It operates approximately 19 vessels, with the majority ranging in size from 100 feet to 235 feet. Clearwater also operates six modern shore-based processing plants and three distribution facilities.

See "Information Regarding the Fund".

The Purchaser Consortium

Acquisition LP is a limited partnership controlled by the Purchaser Consortium. Acquisition LP was established under the laws of Ontario on August 13, 2008 for the purpose of entering into the Transaction Agreement and consummating the Proposed Transaction and has not otherwise carried on any business prior to the date hereof, other than in respect of the Proposed Transaction. The registered office and records of Acquisition LP are located at 5300 Commerce Court West, 199 Bay Street, Toronto, Ontario, M5L 1B9.

CFFI is a corporation amalgamated under the laws of Canada and currently holds a 48.23% interest in the Fund on a fully diluted basis through its ownership of 1,275,205 Trust Units and 23,381,217 special trust units of the Fund (“**Special Trust Units**” and, together with the Trust Units, the “**Units**”). The registered office and records of CFFI are located at 757 Bedford Highway, Bedford, Nova Scotia, Canada, B4A 3Z7. CFFI currently holds a 44.85% direct interest in Clearwater through its ownership of 23,381,217 Class B Units and a 51% interest in CS ManPar, the managing general partner of Clearwater. The Limited Partnership Agreement provides that so long as CFFI holds at least 45% of the Units (on a fully diluted basis), CFFI has the right to appoint four of the seven directors of CS ManPar. Colin E. MacDonald and John C. Risley, each of whom is a director and officer of CS ManPar, are the sole shareholders of CFFI.

Maruha, a corporation incorporated under the laws of Canada, is a wholly owned indirect subsidiary of Maruha Nichiro Holdings, Inc. (“**Maruha Nichiro Holdings**”), a Japanese corporation. The principal business of Maruha Nichiro Holdings is the production, harvesting, procuring, processing and marketing of marine products and the production and sale of a variety of frozen food products to the global market. The registered office and records of Maruha are located at 1000 de la Gauchetière St. West, 9th Floor, Montreal, Quebec H3B 5H4.

Clarke Inc. (“**Clarke**”) is an activist and catalyst investment company that creates shareholder value by identifying businesses with the potential for improved performance, and working actively to uncover the value. Clarke's securities trade on the TSX under the symbols “CKI”, “CKI.DB” and “CKI.DB.A”. Clarke currently holds 3,134,275 Trust Units and will contribute 2,849,059 Trust Units to Acquisition LP in exchange for an interest in Acquisition LP, with the balance of 285,216 Trust Units to be redeemed for the Unit Redemption Price pursuant to the Unit Redemption along with the Minority Unitholders.

Glitnir Banki hf (“**Glitnir**”) is a Nordic bank, that offers a broad range of financial services, including corporate banking, investment banking, capital markets, investment management and retail banking. Glitnir's shares are listed on the OMX Nordic Exchange in Iceland under the symbol, “GLB”. Glitnir currently holds 2,291,300 Trust Units and will contribute 2,082,794 Trust Units to Acquisition LP in exchange for an interest in Acquisition LP, with the balance of 208,506 Trust Units to be redeemed for the Unit Redemption Price pursuant to the Unit Redemption along with the Minority Unitholders. Prior to the closing of the Proposed Transaction, Glitnir may transfer its interest in the Purchaser Consortium to FP Resources Limited (formerly FPI Limited) in exchange for securities in FP Resources Limited. FP Resources Limited is a privately owned investment company in which CFFI currently has a 30.7% interest, Glitnir has a 30.5% interest and Mickey MacDonald has a 20.3% interest.

Mickey MacDonald is a businessman resident in Halifax, Nova Scotia. He currently holds 4,908,960 Trust Units and will contribute 4,462,249 Trust Units to Acquisition LP in exchange for an interest in Acquisition LP, with the balance of 446,711 Trust Units to be redeemed for the Unit Redemption Price pursuant to the Unit Redemption along with the Minority Unitholders. Mickey MacDonald is the brother of Colin E. MacDonald.

See “Information Regarding the Purchaser Consortium”.

The Unitholder Meeting

The Fund will hold a special meeting (the “**Unitholder Meeting**”) of holders of Units (“**Unitholders**”) at 10:30 a.m. (Halifax time), on September 22, 2008, at the Marriott Harbourfront Hotel, Acadia C, 1919 Upper Water Street, Halifax, Nova Scotia, for the purposes set forth in the accompanying notice of Unitholder Meeting. The record date for the determination of Unitholders entitled to notice of and to vote at the Unitholder Meeting has been established as the close of business on August 22, 2008 (the “**Record Date**”).

The Unitholder Resolution

As a condition to completing the Proposed Transaction, at the Unitholder Meeting, Unitholders will be asked to consider and, if deemed appropriate, to adopt, with or without amendment, a special resolution (the “**Unitholder Resolution**”) approving, among other things: (i) the Proposed Transaction and (ii) certain amendments to the Fund’s amended and restated declaration of trust dated July 31, 2002, as amended (the “**Declaration of Trust**”) and the Fund Material Documents to, among other things, provide for the Unit Redemption (collectively, the “**Unitholder Approval**”). The full text of the Unitholder Resolution is attached to this Circular as Appendix “A”.

For the Unitholder Resolution to be approved at the Unitholder Meeting in accordance with the Declaration of Trust, the Unitholder Resolution must be passed by more than 66⅔% of the votes cast by Unitholders present or represented by proxy at the Unitholder Meeting and entitled to vote on the Unitholder Resolution. In addition, pursuant to Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”), the Unitholder Resolution must be approved by a majority of the votes cast by Minority Unitholders present or represented by proxy at the Unitholder Meeting and entitled to vote on the Unitholder Resolution.

The Unitholder Resolution, if passed at the Unitholder Meeting or any adjournment thereof in accordance with the provisions of the Declaration of Trust, will be binding upon all Unitholders, whether present or absent from the Unitholder Meeting.

See “Special Business of the Unitholder Meeting”.

Units Eligible to be Voted at the Unitholder Meeting

On August 22, 2008, the Fund had 27,745,695 Trust Units and 23,381,217 Special Trust Units issued and outstanding. Subject to MI 61-101, each Unitholder of record at the close of business on the Record Date will be entitled to vote on all matters proposed to come before the Unitholder Meeting on the basis of one vote for each Unit held. To the knowledge of the Fund, votes attached to a total of 11,609,740 Trust Units and all of the Special Units will be excluded in determining whether approval of a majority of the votes cast by the Minority Unitholders for the Proposed Transaction has been obtained for the purposes of MI 61-101.

See “General Information Regarding Voting Units and Debentures – Units”.

The Debentureholder Meeting

The Fund will hold a serial meeting (the “**Debentureholder Meeting**”) of holders (“**Debentureholders**”) of the Series 1 Debentures and the Series 2 Debentures at 11:00 a.m. (Halifax time), on September 22, 2008, at the Marriott Harbourfront Hotel, Acadia C, 1919 Upper Water Street, Halifax, Nova Scotia, for the purposes set forth in the accompanying notice of Debentureholder Meeting. The record date for the determination of Debentureholders entitled to notice of and to vote at the Debentureholder Meeting has been established as the close of business on the Record Date, being August 22, 2008.

The Debentureholder Resolution

In order to complete the Proposed Transaction, at the Debentureholder Meeting, Debentureholders will be asked to consider and, if deemed appropriate, to adopt, with or without amendment, an extraordinary resolution (the “**Debentureholder Resolution**”) approving certain amendments to the trust indenture

governing the Debentures dated as of June 15, 2004, between the Fund and Computershare Trust Company of Canada and the first supplemental indenture dated March 9, 2007 (collectively, the “**Debenture Trust Indenture**”) to, among other things, provide for the Debenture Redemption (the “**Debentureholder Approval**”). The full text of the Debentureholder Resolution is attached to this Circular as Appendix “B”.

For the Debentureholder Resolution to be adopted in respect of a series of Debentures in accordance with the provisions of the Debenture Trust Indenture, it must be approved by the holders of not less than 66⅔% of the principal amount of each of the Series 1 Debentures and the Series 2 Debentures, present or represented by proxy at the Debentureholder Meeting and entitled to vote on the Debentureholder Resolution, each voting separately as a series.

The Debentureholder Resolution, if passed by the holders of the Series 1 Debentures and the Series 2 Debentures at the Debentureholder Meeting, or any adjournment thereof, in accordance with the provisions of the Debenture Trust Indenture, will be binding upon all Debentureholders of such series, whether present or absent from the Debentureholder Meeting.

See “Special Business of the Debentureholder Meeting”.

Debentures Eligible to be Voted at the Debentureholder Meeting

As of August 22, 2008, there were \$45,000,000 aggregate principal amount of Series 1 Debentures and \$44,389,000 aggregate principal amount of Series 2 Debentures issued and outstanding. Each Debentureholder of record at the close of business on the Record Date will be entitled to one vote on all matters proposed to come before the Debentureholder Meeting on the basis of one vote in respect of each \$1,000 principal amount of Debentures held.

See “General Information Regarding Voting Units and Debentures – Debentures”

Background to the Proposed Transaction

The following is a summary of the events and circumstances, including meetings, negotiations, discussions and actions, leading up to the execution of the Transaction Agreement and public announcement of the Proposed Transaction on August 14, 2008.

During the first nine months of 2007, Clearwater experienced significant deterioration in its financial performance due primarily to softening scallop sales, disruptions to its clam fleet, rising fuel costs and the effects of the strengthening Canadian dollar.

At meetings of the board of directors of CS Manpar and the Trustees in September 2007 and October 2007, representatives of CFFI indicated that CFFI was considering its options with respect to its interest in the Fund, including the possibility of seeking partners to take Clearwater private, although it was uncertain whether any such transaction was feasible. The Trustees determined to monitor events to determine if and when any action was warranted on the part of the Fund.

At its meeting on November 13, 2007, the Trustees resolved to proceed with a review of the Fund’s strategic alternatives, including engaging a financial advisor. The strategic review was prompted by a number of factors, including Clearwater’s weak financial performance over the first nine months of 2007, the challenges faced by the Fund in maintaining distributions, concerns regarding the effects of changes to Canadian tax legislation affecting income trusts and CFFI’s review of its options. On that date, the Trustees announced that it had initiated a process for identifying and considering strategic alternatives available to maximize Unitholder value. CFFI concurrently announced its support for the Fund’s strategic review while reiterating its commitment to maintaining Clearwater as a long term strategic investment and its belief in the long term prospects of the business.

Throughout the end of 2007 and the first half of 2008, CFFI sought to identify an equity partner to participate in a going-private transaction involving the Fund, identifying a potential partner by May 2008. In July 2008, CFFI advised the Trustees that CFFI was continuing its negotiations with an equity partner

and potential lenders, and requested that, to assist with such negotiations, CFFI desired to obtain the Fund's feedback regarding the nature of the transaction that CFFI had been discussing with its potential financing sources. CFFI also provided an indication of the potential range of cash consideration per Trust Unit that the financing arrangements under discussion would permit. Representatives of CFFI provided a draft Transaction Agreement to the Trustees and their advisors, and negotiations regarding the form of the potential transaction and the terms of the Transaction Agreement continued until August 14, 2008. During this time, the Trustees met several times with their legal advisors and BMO Capital Markets to consider the potential transaction.

On August 13, 2008, CFFI advised the Trustees that it had obtained the equity and debt financing commitments required to complete a transaction that would provide Unitholders with a price of \$4.50 per Trust Unit. After meeting with their legal advisors and receiving the Valuation and Fairness Opinion from BMO Capital Markets, and considering a number of factors, including those described under "Review and Approval of the Proposed Transaction – Reason's for the Trustees' Recommendation", on August 14, 2008, the Trustees unanimously determined that the consideration per Trust Unit to be received pursuant to the Proposed Transaction was fair, from a financial point of view, to the Minority Unitholders, and that the Proposed Transaction was in the best interests of the Minority Unitholders, and unanimously adopted a resolution approving the Proposed Transaction and the Transaction Agreement, and resolved to support and to recommend that the Minority Unitholders provide the Unitholder Approval. The Fund then executed and delivered the Transaction Agreement and the Proposed Transaction was announced by press release.

See "Review and Approval of the Proposed Transaction – Background to the Proposed Transaction".

Recommendation of the Trustees

The Trustees, after consultation with their outside legal advisors, and upon receiving the Valuation and Fairness Opinion from BMO Capital Markets, have unanimously determined that the Unit Redemption Price to be received by the Minority Unitholders pursuant to the Proposed Transaction is fair, from a financial point of view, to the Minority Unitholders, and that the Proposed Transaction is in the best interests of the Minority Unitholders. Each of the Trustees was determined to be an "independent director" for the purposes of MI 61-101 and as a result, the Trustees did not form an "independent committee" (as such term is defined in MI 61-101). **THE TRUSTEES UNANIMOUSLY RECOMMEND THAT MINORITY UNITHOLDERS VOTE FOR THE UNITHOLDER RESOLUTION.**

See "Review and Approval of the Proposed Transaction – Recommendation of the Trustees".

Reasons for the Trustees' Recommendation

In making the recommendation referred to above, the Trustees considered various factors, including the factors set out below.

- (a) *Premium to Market Price.* The Unit Redemption Price of \$4.50 per Trust Unit to be received by the Minority Unitholders pursuant to the Proposed Transaction represents a premium of approximately 32% over the volume weighted average price of the Trust Units based on the trading volume on the TSX over the 20 trading days ended August 13, 2008, the last day of trading before the announcement of the Proposed Transaction.
- (b) *Valuation and Fairness Opinion.* The Trustees have received the Valuation and Fairness Opinion that states that, as of the date of the Valuation and Fairness Opinion, and based upon and subject to the assumptions, limitations, analysis and such other matters as BMO Capital Markets considered relevant all as set forth in the Valuation and Fairness Opinion, the fair market value of the Trust Units is in the range of \$3.80 to \$4.60 per Trust Unit, and the Unit Redemption Price of \$4.50 per Trust Unit to be received by the Minority Unitholders pursuant to the Proposed Transaction is fair, from a financial point of view, to the Minority Unitholders. The Trustees noted that the Unit Redemption Price to be received by the Minority Unitholders pursuant to the

Proposed Transaction is at the upper end of the fair market value range determined by BMO Capital Markets in its Valuation and Fairness Opinion.

- (c) *Cash Consideration.* The Unit Redemption Price to be received by the Minority Unitholders pursuant to the Proposed Transaction will be paid entirely in cash, which provides Minority Unitholders certainty of value for their Trust Units.
- (d) *Immediate Liquidity.* The Proposed Transaction provides Minority Unitholders with immediate and complete liquidity for their Trust Units, the historical trading volumes for which have been low.
- (e) *Financial Challenges Facing the Fund.* The Fund has faced several financial challenges in recent periods, including high fuel costs, a relatively high Canadian dollar, weak markets for certain of its products and disruptions with its fleet. As a result of these challenges, the financial performance of the Fund has deteriorated. The Fund has not been able to pay distributions on its Fund Units since December 2007, and there can be no assurance that distributions will be reinstated in the near or medium term future, or at all. In addition, a significant amount of debt of Clearwater matures at the end of 2008 such that, if the Proposed Transaction is not completed, Clearwater will need to refinance its debt in what is currently a difficult credit market. There can be no assurance that such debt refinancing will be available on favourable terms or at all. The Trustees' assessment is that many of these issues will likely continue to present significant challenges to the Fund and Clearwater for the foreseeable future.
- (f) *Fund Structure.* The current structure of the Fund poses additional challenges over and above the company-specific factors outlined above. As a result of the Canadian government's income trust legislation that will impose a tax on all income trusts commencing in 2011, income trusts' ability to raise new equity capital needed for growth has been significantly negatively affected. For income trusts that have had weak financial performance, such as the Fund, these negative impacts have been amplified.
- (g) *Lack of Alternative Proposals.* Following the announcement on November 13, 2007 that the Trustees would conduct a strategic review process, the Fund has not received any expressions of interest from parties other than CFFI. CFFI has advised the Trustees that in its process of seeking partners for a going-private transaction, CFFI contacted numerous parties, including Canadian and U.S. financial sponsors, Canadian pension funds, and strategic players, however, only a limited number submitted proposals to CFFI. Only one strategic partner, Maruha Nichiro Holdings, a global seafood company that sees significant long term value in the assets, made a proposal that CFFI believed could be viewed as acceptable. Given its approximate 48% voting control of the Fund, CFFI is effectively able to veto any significant transaction requiring Unitholder approval, including a sale of all or substantially all the assets of the Fund. CFFI has consistently advised the Fund that it has no interest in selling its interest in the Fund or Clearwater, making a successful alternative proposal unlikely.
- (h) *Ability to Seek and Respond to Superior Proposals.* Under the Transaction Agreement, the Trustees have reserved the ability to seek and to respond to proposals that may deliver greater value to the Minority Unitholders than the Proposed Transaction. In addition, the Trustees may support a superior proposal without becoming obligated to pay any termination or break fees.

The foregoing discussion of information and factors considered by the Trustees is not intended to be exhaustive. In addition, in reaching its determination and recommendation, the Trustees did not collectively assign any relative or specific weight to the foregoing factors which were considered, and individual Trustees may have given different weight to different factors.

Minority Unitholders should consider the Proposed Transaction carefully and come to their own conclusions as to acceptance or rejection of the Proposed Transaction. Minority Unitholders who are in doubt as to how to respond should consult their own financial, legal and other professional

advisors. Minority Unitholders are advised that acceptance of the Proposed Transaction may have tax consequences and that they should consult their tax advisors.

See “Review and Approval of the Proposed Transaction – Reasons for the Trustees’ Recommendation”.

BMO Capital Markets’ Valuation and Fairness Opinion

BMO Capital Markets has delivered the Valuation and Fairness Opinion to the Trustees which states that as of August 13, 2008, and based upon and subject to the assumptions, limitations, analysis and such other matters as BMO Capital Markets considered relevant, as set forth in the Valuation and Fairness Opinion, the fair market value range for the Trust Units is between \$3.80 and \$4.60 per Trust Unit and that the Unit Redemption Price of \$4.50 per Trust Unit to be received by the Minority Unitholders pursuant to the Proposed Transaction is fair, from a financial point of view, to the Minority Unitholders.

BMO Capital Markets has advised that it is qualified to provide the independent valuation and is of the view that it is independent of all interested parties in the Proposed Transaction for the purposes of MI 61-101. As described elsewhere in this Circular, the Trustees have relied upon, among other things, the Valuation and Fairness Opinion in recommending to Minority Unitholders that they approve the Proposed Transaction.

In connection with the preparation of the Valuation and Fairness Opinion, BMO Capital Markets reviewed, among other things, information provided by the Fund, Clearwater, CS ManPar, and the Purchaser Consortium and undertook various procedures, including meeting with Management, the Trustees and representatives of CFFI, as more specifically described in the Valuation and Fairness Opinion. The full text of the Valuation and Fairness Opinion, which sets forth, among other things, the assumptions, limitations on the scope of review undertaken by BMO Capital Markets and certain other matters, is attached as Appendix “C” to this Circular and includes a discussion of the valuation methodologies used by BMO Capital Markets. Unitholders are urged to read the Valuation and Fairness Opinion in its entirety. The summary of the Valuation and Fairness Opinion described in this Circular is qualified in its entirety by reference to the full text of the Valuation and Fairness Opinion. BMO Capital Markets provided the Valuation and Fairness Opinion solely for the information and assistance of the Trustees in connection with their consideration of the Proposed Transaction. The Valuation and Fairness Opinion is not a recommendation as to how Unitholders should vote with respect to the Unitholder Resolution.

See “Review and Approval of the Proposed Transaction – BMO Capital Markets’ Valuation and Fairness Opinion”.

Summary of the Transaction Agreement

The Transaction Agreement is described beginning at page 46 and a copy is attached in its entirety as Appendix “D” to this Circular. You should read the Transaction Agreement in its entirety because it contains important provisions governing the terms and conditions of the Transaction Agreement.

Transaction Steps

If the Unitholder Approval is obtained, the Proposed Transaction will consist of a number of transaction steps, including, among others, the Unit Redemption and, if the Debentureholder Approval is obtained, the Debenture Redemption, which shall occur or be deemed to occur in the order set forth in the Transaction Agreement (provided that none of the transaction steps shall be deemed to occur unless all such steps shall have occurred and been completed).

See “Summary of the Transaction Agreement – Transaction Steps”.

Conditions Precedent to Completion of the Proposed Transaction

(i) Mutual Conditions to Completion of the Proposed Transaction

The Transaction Agreement provides that the obligations of the Fund and Acquisition LP to complete the Proposed Transaction are subject to the satisfaction or waiver of a number of conditions, including the following:

- (a) the Fund shall have received the Unitholder Approval;
- (b) no Applicable Law shall be in effect that makes the consummation of the Proposed Transaction illegal or otherwise prohibits or enjoins the Fund, Clearwater or Acquisition LP from consummating the Proposed Transaction; and
- (c) the Transaction Agreement shall not have been terminated in accordance with its terms.

(ii) Conditions to Completion for the Benefit of Acquisition LP

The obligation of Acquisition LP to complete the Proposed Transaction is subject to the satisfaction or waiver of the following conditions:

- (a) all covenants of the Fund under the Transaction Agreement to be performed on or before the Effective Time shall have been duly performed by the Fund in all material respects;
- (b) all representations and warranties of the Fund set forth in the Transaction Agreement shall be true and correct in all respects as though made on and as of the Effective Time, without regard to any materiality or Material Adverse Effect qualifications contained in them as of the Effective Time (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date), except where the failure or failures of all such representations and warranties to be so true and correct in all respects would not reasonably be expected to have a material adverse effect and for the purposes of this condition “material adverse effect” shall mean (i) a Material Adverse Effect; and (ii) any other change effect, event, development, occurrence or state of facts which results in the Clearwater Entities, either individually or collectively, incurring or suffering any loss, damage, claim, expense, or loss in an aggregate amount exceeding \$15,000,000 (other than any write-down of the Fund’s investments in Clearwater as a result of the Proposed Transaction);
- (c) the Notes shall have been redeemed or repaid in full on or prior to the Closing Date on terms and conditions satisfactory to Acquisition LP and all related security interests shall have been released;
- (d) the Debentureholders shall have approved the Debentureholder Resolution in accordance with applicable law and the Debenture Trust Indenture;
- (e) the Licence Consents shall have been obtained on terms and conditions satisfactory to Acquisition LP, acting reasonably;
- (f) there shall not have occurred, following the date of the Transaction Agreement or exist a Material Adverse Effect;
- (g) immediately prior to the Effective Time, there shall not have occurred or exist any breach of, or default or event of default under, (or any state of facts which, after notice or lapse of time or both, will result in a breach of, or default or event of default under) the Note Indenture, the Debenture Trust Indenture or the Existing Credit Facilities other than, in each case, a breach, default or event of default that would not be reasonably likely to have a “material adverse effect”;
- (h) there shall not be pending or threatened any Proceeding by any Governmental Authority or any other Person: (i) seeking to prohibit or restrict the consummation of the Proposed Transaction or seeking to obtain from the Fund or Acquisition LP any material damages directly or indirectly in connection with the Proposed Transaction; (ii) seeking to restrain or limit the ability of

Acquisition LP to hold the assets of or control the Clearwater Entities; or (iii) which, if successful, is reasonably likely to have a Material Adverse Effect;

- (i) as at the Effective Time, the “eligible accounts” and “eligible inventory” contemplated by the Debt Financing Commitment Letters shall be greater than \$75,000,000;
- (j) as at the Effective Time, the Fund and its subsidiaries shall have total indebtedness (on a consolidated basis but excluding hedging obligations) not exceeding \$230,000,000;
- (k) the ratio of consolidated earnings before interests, taxes, depreciation and amortization to fixed charges of the Fund and its subsidiaries (on a consolidated basis for the four fiscal quarters ending September 30, 2008) shall not be less than 1.25:1.0;
- (l) the ratio of consolidated earnings before interest, taxes, depreciation and amortization to interest expense on senior indebtedness of the Fund and its subsidiaries (on a consolidated basis) for the four fiscal quarters ending September 30, 2008 shall not be less than 2.50:1;
- (m) the ratio of total indebtedness to earnings before interest, taxes, depreciation and amortization of the Fund and its subsidiaries (on a consolidated basis) for the four fiscal quarters ending September 30, 2008 shall not be greater than 5.50:1.0;
- (n) as at the Effective Time, the net worth of the Fund and its subsidiaries (on a consolidated basis) shall not be less than \$70 million (excluding any write-down of the Fund’s investment in Clearwater as a result of the Proposed Transaction); and
- (o) the extension of the currently outstanding ISK\$2.46 billion bonds shall have been completed substantially in accordance with the draft bond issue agreement between Clearwater Finance and Glitnir, copies of which have been provided to each of the parties to the Transaction Agreement.

(iii) Conditions to Completion for the Benefit of the Fund

The obligation of the Fund to complete the Proposed Transaction is subject to the satisfaction or waiver of the following conditions:

- (a) all covenants of Acquisition LP under the Transaction Agreement to be performed on or before the Effective Time shall have been duly performed by Acquisition LP in all material respects;
- (b) all representations and warranties of Acquisition LP set forth in the Transaction Agreement shall be true and correct in all material respects as of the Effective Time as though made on and as of the Effective Time (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date, and except in each case, for those representations and warranties that are subject to a materiality qualification, which must be true and correct in all material respects);
- (c) there shall be sufficient funds available in the appropriate Clearwater Entities in order to complete the Proposed Transaction including, without limitation, funds from the subscription by Acquisition LP for Class E Units and the availability of funds under the Debt Financing Commitment Letters; and
- (d) there shall not be pending or threatened any Proceeding by any Governmental Authority or any other Person seeking to prohibit or restrict the consummation of the Proposed Transaction or seeking to obtain from the Fund any material damages directly or indirectly in connection with the Proposed Transaction.

See “Summary of the Transaction Agreement – Conditions Precedent to Completion of the Proposed Transaction”.

Termination Events

The Transaction Agreement may be terminated: (i) by the mutual written agreement of the Fund and Acquisition LP; or (ii) by either the Fund or Acquisition LP if: (a) the Effective Time shall not have occurred on or before the Outside Date, except that the right to terminate the Transaction Agreement under this provision shall not be available to any party whose failure to fulfill any of its obligations has been the cause of, or resulted in, the failure of the Effective Time to occur by such date; (b) after the date of the Transaction Agreement, there shall be enacted or made any Applicable Law (or any Applicable Law shall have been amended) that makes consummation of the Proposed Transaction illegal or otherwise prohibited or enjoins the Fund or any of its Subsidiaries or Acquisition LP from consummating the Proposed Transaction and such Applicable Law (if applicable) or injunction shall have become final and non-appealable; or (c) the Unitholder Approval shall not have been obtained at the Unitholder Meeting (including any adjournment or postponement thereof).

(i) Termination by the Fund

The Fund may terminate the Transaction Agreement if a breach of any representation or warranty or failure to perform any covenant or agreement on the part of Acquisition LP set forth in the Transaction Agreement shall have occurred that would cause the conditions set forth under “Summary of the Transaction Agreement – Conditions Precedent to Completion of the Proposed Transaction – Mutual Conditions Precedent to Completion” or “Summary of the Transaction Agreement – Conditions Precedent to Completion of the Proposed Transaction – Conditions to Completion for the Benefit of the Fund” not to be satisfied, and such condition is incapable of being satisfied by the Outside Date; provided that the Fund is not then in breach of the Transaction Agreement so as to cause any of the conditions set forth under “Summary of the Transaction Agreement – Conditions Precedent to Completion of the Proposed Transaction – Mutual Conditions Precedent to Completion” or “Summary of the Transaction Agreement – Conditions Precedent to Completion of the Proposed Transaction – Conditions to Completion for the Benefit of Acquisition LP” not to be satisfied.

(ii) Termination by Acquisition LP

Acquisition LP may terminate the Transaction Agreement by providing written notice to the Fund if:

- (a) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of the Fund set forth in the Transaction Agreement shall have occurred that would cause the conditions set forth under “Summary of the Transaction Agreement – Conditions Precedent to Completion of the Proposed Transaction – Mutual Conditions Precedent to Completion” or “Summary of the Transaction Agreement – Conditions Precedent to Completion of the Proposed Transaction – Conditions to Completion for the Benefit of Acquisition LP” not to be satisfied, and such conditions are incapable of being satisfied by the Outside Date; provided that Acquisition LP is not then in breach of the Transaction Agreement so as to cause any of the conditions set forth under “Summary of the Transaction Agreement – Conditions Precedent to Completion of the Proposed Transaction – Mutual Conditions Precedent to Completion” or “Summary of the Transaction Agreement – Conditions Precedent to Completion of the Proposed Transaction – Conditions to Completion for the Benefit of the Fund” not to be satisfied;
- (b) prior to obtaining Unitholder Approval, the Trustees withdraw, amend, modify or qualify, in a manner adverse to Acquisition LP, the approval or recommendation of the Trustees of the Proposed Transaction, or shall fail to reaffirm such approval or recommendation within two Business Days of receipt of any written request to do so by Acquisition LP; or
- (c) a Material Adverse Effect exists or has occurred following the date of the Transaction Agreement;

See “Summary of the Transaction Agreement – Termination Events”.

Transaction Expenses

Pursuant to the Transaction Agreement, the Fund and Acquisition LP shall each pay their respective legal, financial advisory and accounting costs and expenses incurred in connection with the preparation, execution and delivery of the Transaction Agreement and all documents and instruments executed or prepared pursuant to the Transaction Agreement and any other costs and expenses whatsoever and howsoever incurred, except that Acquisition LP shall pay, among others, (i) the reasonable out-of-pocket expenses of BMO Capital Markets in respect of the Valuation and Fairness Opinion, and (ii) the costs of any dealer or proxy solicitation service engaged in connection with the solicitation of proxies for the Unitholder Meeting and/or Debentureholder Meeting.

If the Proposed Transaction is not completed and the Transaction Agreement is terminated as a result of a breach of the Transaction Agreement by Acquisition LP or a breach of any of the undertakings delivered by members of the Purchaser Consortium dated the date of the Transaction Agreement, Acquisition LP shall reimburse the Fund in respect of any costs and expenses incurred in respect of the Transaction Agreement or the Proposed Transaction (which costs and expenses shall include, without limitation, any prepayment penalties, breakage fees, expenses or other fees incurred in respect of (i) the withdrawal of notices of prepayment sent in respect of the Existing Credit Facilities and the Notes; and (ii) the transactions contemplated by the Debt Financing Commitment Letters). CFFI has provided a guarantee of this obligation of Acquisition LP.

See “Summary of the Transaction Agreement – Transaction Expenses”.

Position of the Debentureholders if the Debentureholder Approval is not Obtained and the Proposed Transaction is Completed

The Debentureholder Approval is a condition to the completion of the Proposed Transaction that may be waived at the option of Acquisition LP.

The volume weighted average trading price for the Series 1 Debentures and the Series 2 Debentures on the TSX during the period of 20 trading days prior to the announcement of the Proposed Transaction was \$88.18 and \$79.78, respectively, which is 88.18% and 79.78% of the principal amount of the Series 1 Debentures and Series 2 Debentures, respectively. The Debenture Redemption Price to be received by Debentureholders pursuant to the Debenture Redemption is 101% of the principal amount of the Series 1 Debentures and Series 2 Debentures. Accordingly, the Debenture Redemption Price represents a 15% and 27% premium over the volume weighted average trading price for the Series 1 Debentures and the Series 2 Debentures, respectively, on the TSX during the period of 20 trading days prior to the announcement of the Proposed Transaction.

Each of the Series 1 Debentures and Series 2 Debentures are convertible into Trust Units at the option of the Debentureholders. Currently, the Conversion Price for the Series 1 Debentures is \$12.25 such that approximately 81.6327 Trust Units would be issuable for each \$1,000 principal amount of Series 1 Debentures converted. The current Conversion Price for the Series 2 Debentures is \$5.90 such that approximately 169.4915 Trust Units would be issuable for each \$1,000 principal amount of Series 2 Debentures converted. Accordingly, if a Debentureholder were to convert \$1,000 principal amount of Series 1 Debentures or Series 2 Debentures, as applicable, into Trust Units prior to the Effective Time, such Debentureholder would receive, on completion of the Proposed Transaction, aggregate consideration of \$367.35, in the case of Series 1 Debentures, or \$762.71, in the case of Series 2 Debentures, which in each case is less than the Debenture Redemption Price of \$1,010 that such Debentureholder would receive pursuant to the Debenture Redemption if such holder did not convert such Debentures and if the Debentureholder Approval is obtained and the Proposed Transaction is completed.

The Debentures are not currently redeemable at the option of the Fund or the Debentureholders. If the Debentureholder Approval is not obtained and the Proposed Transaction is completed, the Debentures will continue to accrue interest in accordance with the terms of the Debenture Trust Indenture. If the Debentureholder Approval is not obtained, following completion of the Proposed Transaction, the Fund

may be required to make an offer to purchase all of the outstanding Debentures at a redemption price that would be equal to the Debenture Redemption Price.

Following the Proposed Transaction, any Debentureholder who wishes to convert all or a portion of such holder's Debentures into Trust Units, would be entitled to receive and would be required to accept, upon conversion, in lieu of the number of Trust Units then sought to be acquired by such holder pursuant to the conversion of such holder's Debentures, the consideration that such holder would have been entitled to receive pursuant to the Proposed Transaction had such holder held such number of Trust Units sought to be acquired at the Effective Time.

See "Position of the Debentureholders if the Debentureholder Approval is not Obtained and the Proposed Transaction is Completed".

Principal Legal Matters

Regulatory Matters

The Proposed Transaction is conditional upon the filing of all required notifications, the receipt of all consents and approvals and certain other regulatory requirements to the extent necessary as determined by the parties, acting reasonably.

See "Principal Legal Matters – Regulatory Matters".

Canadian Securities Law Matters

The Proposed Transaction constitutes a "business combination" under MI 61-101 because it may involve the termination of certain Unitholders' interest in the Fund without such Unitholders' consent. MI 61-101 provides that, unless exempted, a reporting issuer proposing to carry out a business combination is required to obtain a formal valuation of the affected securities from a qualified independent valuator and to provide the holders of the affected securities with a summary of such valuation. For the purposes of the Proposed Transaction, the Units are considered "affected securities" within the meaning of MI 61-101. See "Review and Approval of the Proposed Transaction – BMO Capital Markets' Valuation and Fairness Opinion" and see Appendix "C" to this Circular for a copy of the Valuation and Fairness Opinion.

In addition, MI 61-101 requires that, in addition to any other required securityholder approval, in order to complete a business combination, the approval of a simple majority of the votes cast by Minority Unitholders must be obtained.

See "Principal Legal Matters – Canadian Securities Law Matters".

Stock Exchange De-Listing and Reporting Issuer Status

After submission of the requisite notices and applications, it is intended that the Trust Units and, if appropriate, the Debentures, will be de-listed from the TSX on or about the Closing Date, which is expected to occur in early October, 2008. In addition, following completion of the Proposed Transaction, the Fund intends to make an application to cease to be a "reporting issuer".

See "Principal Legal Matters – Stock Exchange De-Listing and Reporting Issuer Status".

Certain Canadian Federal Income Tax Considerations

On the redemption of a Trust Unit for \$4.50 on the Unit Redemption, a Unitholder will generally realize a capital gain (or capital loss) in respect of the redemption of the Trust Unit on the Unit Redemption to the extent that the redemption proceeds exceed (or are less than) the Unitholder's adjusted cost base of the Trust Unit and the Unitholder's reasonable costs of disposition.

On the redemption of a Debenture on the Debenture Redemption, a Debentureholder will generally realize a capital gain (or capital loss) equal to the amount by which the Debentureholder's proceeds of disposition (other than an amount received or deemed to be received on account of interest) exceed (or are less than) the Debentureholder's adjusted cost base of the Debentures and the Debentureholder's

reasonable costs of disposition. In connection with the redemption of a Debenture on the Debenture Redemption, Debentureholders will receive a payment of accrued and unpaid interest to but excluding the Closing Date. In addition, the 1% premium paid by the Fund to a Debentureholder upon the Debenture Redemption will generally be deemed to be interest received at that time by such Debentureholder to the extent that such premium can reasonably be considered to relate to, and does not exceed the value on the date of the Debenture Redemption, of the interest that would have been paid or payable by the Fund on the Debentures for taxation years of the Fund ending after the date of the Debenture Redemption. Such interest (or deemed interest) will be included in computing the Debentureholder's income, except to the extent such amount was otherwise included in the Debentureholder's income, and will be excluded in computing the Debentureholder's proceeds of disposition of the Debenture.

For further disclosure regarding certain Canadian federal income tax considerations, including considerations relevant to a Unitholder and/or a Debentureholder who, for purposes of the Tax Act and any applicable tax convention, is not resident in Canada, see "Certain Canadian Federal Income Tax Considerations".

The foregoing summary is intended to be illustrative of the tax consequences of the Proposed Transaction, including the Unit Redemption and the Debenture Redemption and is not intended to be tax advice to any particular Unitholder or Debentureholder. Unitholders and/or Debentureholders should consult their own tax advisors with respect to their particular circumstances.

See "Certain Canadian Federal Income Tax Considerations".

Proxy Information

Beneficial Unitholders and Debentureholders

The Trust Units and Debentures have been issued in the form of global certificates registered in the name of CDS & Co. and the Special Trust Units have been issued in the form of a global certificate registered in the name of CFFI. As such, CDS & Co. and CFFI are the sole registered holders of the Units and Debentures. Accordingly, substantially all Unitholders and Debentureholders do not hold their Units or Debentures, as applicable, in their own name. Such Units and Debentures are held by such Unitholders and Debentureholders, respectively, through one or more intermediaries (such as a bank, trust company, securities dealer or broker, or trustee or administrator of a self-administered RRSP, RRIF, RESP or similar plan).

Only registered Unitholders and Debentureholders, or their respective duly appointed proxyholders, are permitted to attend and vote at the Unitholder Meeting and Debentureholder Meeting, respectively, or to appoint or revoke a proxy. If you are a beneficial owner, you are entitled to: (i) direct how the Units or Debentures, as applicable, beneficially owned by you are to be voted, or (ii) obtain a form of legal proxy that will entitle you to attend and vote at the Unitholder Meeting or Debentureholder Meeting, as applicable.

Applicable Canadian securities law requires the Fund to forward Meeting Materials to depositories and other intermediaries for onward distribution to beneficial Unitholders and Debentureholders who have not waived their right to receive such materials, and to seek voting instructions from such beneficial Unitholders and Debentureholders in advance of the Unitholder Meeting and Debentureholder Meeting, respectively. Typically, intermediaries will use a service company (such as Broadridge Financial Solutions, Inc.) to forward the Meeting Materials to, and to obtain voting instructions from, beneficial owners.

If you are a beneficial Unitholder or Debentureholder, you will receive either a voting instruction form or a form of proxy with your Meeting Materials. The purpose of these documents is to permit you to direct the voting of the Units and/or Debentures you beneficially own. **Every broker and other intermediary has its own mailing procedures and provides its own return instructions, which should be carefully followed by beneficial Unitholders and Debentureholders in order to ensure that their Units and**

Debentures, as applicable, are voted at the Unitholder Meeting and Debentureholder Meeting, respectively.

See “Solicitation of Proxies and Voting Instructions – Beneficial Unitholders and Debentureholders”.

Registered Unitholders and Debentureholders

If you are a registered Unitholder or Debentureholder and do not wish to, or are unable to, attend the Unitholder Meeting or Debentureholder Meeting, respectively, you can exercise your right to vote:

- (a) in the case of registered Unitholders, by completing, signing and returning a form of proxy for the Units to Computershare by: (i) facsimile to (416) 263-9524 (Toronto or outside of North America) or 1-866-249-7775 (North America); or (ii) by mail or delivery in person to Computershare Investor Services Inc. at 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1, in each case so as to ensure that the form of proxy arrives not later than 10:30 a.m. (Halifax time), on September 19, 2008 or, if the Unitholder Meeting is adjourned, 24 hours (excluding Saturdays, Sundays and holidays) before any adjourned Unitholder Meeting.
- (b) in the case of registered Debentureholders, by completing, signing and returning a form of proxy for the Series 1 Debentures or Series 2 Debentures, as applicable, to Computershare by: (i) facsimile to (416) 263-9524 (Toronto or outside of North America) or 1-866-249-7775 (North America); or (ii) by mail or delivery in person to Computershare Trust Company of Canada at 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1, in each case so as to ensure that the applicable form(s) of proxy arrives not later than 11:00 a.m. (Halifax time), on September 19, 2008 or, if the Debentureholder Meeting is adjourned, 24 hours (excluding Saturdays, Sundays and holidays) before any adjourned Debentureholder Meeting.

If you have submitted a form of proxy and later wish to revoke it, you can do so by:

- (a) completing and signing the applicable form of proxy bearing a later date and depositing it with Computershare as described above;
- (b) depositing a document that is signed by you (or by someone you have properly authorized to act on your behalf): (i) at the registered office of the Fund, 757 Bedford Highway, Bedford, Nova Scotia, B4A 3Z7 to the attention of the “Assistant Secretary”, at any time up to the last Business Day preceding the day of the Unitholder Meeting or Debentureholder Meeting, as applicable, or any adjournment thereof, at which the form of proxy is to be used; or (ii) with the chairman of the Unitholder Meeting or Debentureholder Meeting, as applicable, before the meeting starts on the day of the meeting or any adjournment thereof; or
- (c) following any other procedure that is permitted by law.

Only registered Unitholders and Debentureholders have the right to revoke a proxy. Beneficial Unitholders and Debentureholders who wish to change their vote must make appropriate arrangements with their respective brokers or other intermediaries.

See “Solicitation of Proxies and Voting Instructions – Registered Unitholders and Debentureholders”.

Unit Redemption and Debenture Redemption

If the Unitholder Resolution and Debentureholder Resolution are approved by Unitholders and Debentureholders, respectively, the Unit Redemption and the Debenture Redemption will be completed on the Closing Date. Unitholders and Debentureholders are not required to take any action in order to receive payment of the Unit Redemption Price or Debenture Redemption Price, as applicable.

On the Closing Date, CDS & Co., the sole registered holder of the Trust Units and Debentures will surrender the global certificates representing the Trust Units and Debentures to be redeemed to Computershare in exchange for payment of the aggregate Unit Redemption Price and the aggregate Debenture Redemption Price (together with accrued and unpaid interest to but excluding the Closing Date), as applicable, in each case subject to any applicable withholding tax. As promptly as practicable

following the Closing Date, CDS will transfer, directly or indirectly, the applicable portion of the aggregate Unit Redemption Price and aggregate Debenture Redemption Price (together with accrued and unpaid interest to but excluding the Closing Date), as applicable, in each case subject to applicable withholding tax, to the broker or other intermediary through which each applicable Unitholder and Debentureholder holds their Trust Units or Debentures, as applicable.

See “The Unit Redemption” and “The Debenture Redemption”.

GLOSSARY OF TERMS

The following is a glossary of terms used frequently throughout this Circular.

“**Acquisition LP**” – CS Acquisition Limited Partnership, a limited partnership established under the laws of Ontario.

“**Administration Agreement**” – the administration agreement between the Fund, the Trust and Clearwater dated July 31, 2002, a copy of which is available on SEDAR at www.sedar.com.

“**affiliate**” – has the meaning ascribed thereto in Section 1.2 of National Instrument 45-106 – *Prospectus and Registration Exemptions* as in effect on the date hereof, but with respect to the Fund shall be deemed to include Clearwater, CS ManPar and their respective Subsidiaries and, in the case of Acquisition LP, shall be deemed not to include the Fund, CS ManPar, Clearwater or any of their respective Subsidiaries.

“**Applicable Law**” – with respect to any Person, any domestic or foreign federal, national, state, provincial or local law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement enacted, adopted, promulgated or applied by a Governmental Authority that is binding upon or applicable to such Person, as amended unless expressly specified otherwise.

“**associate**” – has the meaning attributed to that term in the Securities Act.

“**Authorizations**” – with respect to any Person, any order, permit, approval, consent, waiver, licence, allowance, certificate, exemption, notification, program participation requirement, sign-off, registration with or similar authorization of any Governmental Authority having jurisdiction over the Person, including, without limitation, any licence, permit, approval or quota in relation to fisheries or fishing.

“**BMO Capital Markets**” – BMO Nesbitt Burns Inc.

“**Board of Trustees**” – the board of trustees of the Fund.

“**Business Day**” – a day, other than a Saturday, Sunday or other day on which commercial banks in Toronto, Ontario or Halifax, Nova Scotia are closed.

“**CDS**” – CDS Clearing and Depository Services Inc.

“**CFFI**” – Clearwater Fine Foods Inc., a corporation amalgamated under the laws of Canada.

“**Circular**” – this management information circular of the Fund for the Unitholder Meeting and Debentureholder Meeting and all appendices, schedules and exhibits and all documents or any portion thereof incorporated by reference herein.

“**Clarke**” – Clarke Inc.

“**Class A Unit**” – the Class A limited partnership units of Clearwater.

“**Class B Unit**” – the Class B general partnership units of Clearwater, which are exchangeable for Trust Units at any time at the option of the holder.

“**Class C Unit**” – the Class C limited partnership units of Clearwater.

“**Class D Unit**” – the Class D limited partnership units of Clearwater.

“**Class E Unit**” – the Class E limited partnership units of Clearwater.

“**Clearwater**” – Clearwater Seafoods Limited Partnership, a limited partnership established under the laws of the Province of Nova Scotia.

“**Clearwater Entities**” collectively refers to the Fund and its Subsidiaries and Joint Ventures.

“**Clearwater Finance**” – Clearwater Finance Inc., a corporation incorporated under the laws of Canada.

“**Closing**” – the completion of the Proposed Transaction on the Closing Date, in accordance with the terms of the Transaction Agreement.

“**Closing Date**” – the date upon which the Closing occurs, being a date that is as soon as practicable and in any event no later than the third Business Day after the satisfaction or waiver (subject to Applicable Law) of the conditions (excluding conditions that, by their terms, are to be satisfied on the Closing Date, but subject to the satisfaction or, where permitted the waiver, of those conditions as of the Closing Date) set forth under the heading “Conditions Precedent to Completion of the Proposed Transaction”, and is expected to occur in early October, 2008.

“**Code**” – the *U.S. Internal Revenue Code of 1986*, as amended.

“**Computershare**” – the Transfer Agent or the Debenture Trustee or both, as the context requires.

“**Conversion Price**” – the price at which each Trust Unit may be issued upon conversion of the Debentures in accordance with the provisions of the Debenture Trust Indenture.

“**CRA**” – Canada Revenue Agency.

“**CS Manpar**” – CS ManPar Inc., a corporation incorporated under the laws of Canada and the managing general partner of Clearwater.

“**CSHT**” – Clearwater Seafoods Holdings Trust, a trust established under the laws of the Province of Ontario.

“**CSHT Declaration of Trust**” – the declaration of trust of CSHT dated July 17, 2002, as the same may be supplemented, amended, restated or replaced from time to time in accordance with its terms.

“**CSHT Note Indenture**” – the trust indenture providing for the issuance of notes in series, including the CSHT Notes, dated July 31, 2002 between CSHT and Computershare Trust Company of Canada, as amended from time to time, and includes all supplemental indentures made pursuant thereto.

“**CSHT Notes**” - the Series 1 Notes issued by CSHT to the Fund in the aggregate principal amount of \$230,887,936.

“**Debenture Redemption**” – the redemption of all of the outstanding Debentures for the Debenture Redemption Price plus accrued and unpaid interest to but excluding the Closing Date.

“**Debenture Redemption Price**” – 101% of the principal amount of each Debenture.

“**Debenture Trust Indenture**” – the trust indenture dated as of June 15, 2004, between the Fund and Computershare Trust Company of Canada and the first supplemental indenture thereto dated March 9, 2007.

“**Debenture Trustee**” – Computershare Trust Company of Canada, the trustee under the Debenture Trust Indenture.

“**Debentureholder Approval**” – approval of the Debentureholder Resolution by the holders of not less than 66⅔% of the principal amount of each of the Series 1 Debentures and the Series 2 Debentures, present or represented by proxy at the Debentureholder Meeting and entitled to vote on the Debentureholder Resolution, each voting separately as a series.

“**Debentureholder Meeting**” – the serial meeting of Debentureholders, including any adjournment or postponement thereof, to be called and held in accordance with Applicable Law and the Debenture Trust Indenture to consider the Debentureholder Resolution.

“**Debentureholder Resolution**” – the extraordinary resolution approving amendments to the Debenture Trust Indenture to be considered at the Debentureholder Meeting, to be substantially in the form and content of Schedule “B” hereto.

“**Debentureholders**” – the registered or beneficial holders of the outstanding Debentures, as the context requires.

“**Debentures**” – collectively, the Series 1 Debentures and the Series 2 Debentures.

“**Debt Financing Commitment Letters**” – debt financing commitment letters dated August 13, 2008, in the aggregate amount of up to \$130,000,000 and U.S.\$65,000,000.

“**Declaration of Trust**” – the amended and restated declaration of trust of the Fund dated July 31, 2002, as the same may be supplemented, amended, restated or replaced from time to time in accordance with its terms.

“**Effective Time**” – 8:00 a.m. (Toronto time) on the Closing Date.

“**Engagement Agreement**” – the letter agreement dated January 25, 2008 between the Trustees and BMO Capital Markets.

“**Exchange Agreement**” – the exchange agreement dated July 31, 2002, by and among, *inter alia*, the Fund, Clearwater and CFFI.

“**Existing Credit Facilities**” – the revolving term debt facility of Clearwater in the maximum amount of \$50 million.

“**Fund**” – Clearwater Seafoods Income Fund.

“**Fund Material Documents**” – the Declaration of Trust, the CSHT Declaration of Trust, the CSHT Note Indenture, the Limited Partnership Agreement, the Exchange Agreement and the Non-Competition Agreement.

“**Glitnir**” – Glitnir Banki hf.

“**Governmental Authority**” – any (a) multinational, federal, national, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau, ministry or agency, domestic or foreign, (b) any subdivision, agent, commission, board, or authority of any of the foregoing, (c) any quasi-governmental or private body exercising any regulatory, self-regulatory, expropriation or taxing authority under or for the account of any of the foregoing, or (d) any stock exchange.

“**GP Shares**” – the common shares of CS ManPar.

“**Joint Venture**” – any entity in which Clearwater has a direct or indirect interest, other than a Subsidiary, and which holds property, assets or Authorizations which are material to Clearwater.

“**Keep-Well Undertaking**” – the undertaking from Maruha Nichiro Holdings dated August 14, 2008 delivered to the Fund and the members of the Purchaser Consortium other than Maruha.

“**Licence Consents**” – all consents or approvals in respect of the fish export Licence(s) and certificate(s) of registration issued to Clearwater under the Canadian federal Fish Inspection Regulations for Clearwater fish processing plants or facilities to the extent necessary as determined by the Fund and Acquisition LP, acting reasonably.

“**Limited Partnership Agreement**” – the amended and restated limited partnership agreement relating to Clearwater dated as of July 31, 2002 among CS ManPar, CSHT, CFFI, Atlantic Shrimp Company Limited and 2348800 Nova Scotia Limited, as amended from time to time.

“**Management**” – the management of the Fund and/or its Subsidiaries, as applicable, including, without limitation, management of Clearwater and CS ManPar.

“**Maruha**” – Maruha Nichiro (Canada), Inc.

“**Maruha Nichiro Holdings**” – Maruha Nichiro Holdings, Inc.

“**Material Adverse Effect**” – any change, effect, event, development, occurrence or state of facts: (a) that is, or would reasonably be expected to be, material and adverse to the business, operations, results of operations, liabilities (including contingent liabilities), obligations (whether absolute, accrued, conditional

or otherwise), cash flow, capital, properties, assets, Authorizations or condition (financial or otherwise) of the Clearwater Entities on a consolidated basis, other than any change, effect, event, development, occurrence or state of facts relating to: (i) any change in general economic conditions in Canada or any change in Canadian securities, financial or currency exchange markets; (ii) any change in the trading volume or market price of the Trust Units primarily resulting from a change, effect, event, development or occurrence excluded from the definition of Material Adverse Effect under clauses (i), (iii) or (iv) hereof; (iii) any change or development resulting from any act of terrorism or any outbreak of hostilities or war (or any escalation or worsening thereof); or (iv) the announcement of the entering into of the Transaction Agreement; provided, however, that any such change referred to in clauses (i) or (iii) above does not primarily relate only to (or have the effect of primarily relating only to) the Clearwater Entities or disproportionately adversely affect the Clearwater Entities compared to other companies or other entities operating in Canada in the industries in which Clearwater operates, or (b) that would materially impair the Fund's ability to perform its obligations under the Transaction Agreement or the agreements contemplated by the Debt Financing Commitment Letters in any material respect.

“**material fact**” and “**material change**” – have the meanings attributed to those terms in the Securities Act as it exists on the date of this Circular.

“**Meeting Materials**” – the letter to Unitholders and Debentureholders, the notice of Unitholder Meeting, the notice of Debentureholder Meeting, the Circular and all other documents provided to Unitholders or Debentureholders, as applicable.

“**MI 61-101**” – Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* of the Canadian Securities Administrators.

“**Minority Unitholders**” – all Unitholders other than (i) any members of the Purchaser Consortium; (ii) any other “interested party” (within the meaning of MI 61-101); (iii) any “related party” (within the meaning of MI 61-101) of any interested party unless the related party meets that description solely in its capacity as a director or senior officer of one or more persons that are neither “interested parties” nor “issuer insiders” of the Fund; and (iv) any person or company acting jointly or in concert with any of the foregoing.

“**Non-Competition Agreement**” – the non-competition agreement made as of July 31, 2002 between John C. Risley, Colin E. MacDonald, Atlantic Shrimp Company Limited, CFFI and Clearwater.

“**Note Indenture**” – the trust indenture providing for the issuance of senior secured notes in series dated December 5, 2003 between Clearwater Finance, Clearwater and BNY Trust Company of Canada, and includes all supplemental indentures made pursuant thereto.

“**Notes**” – the senior secured notes issued pursuant to the Note Indenture, consisting of \$43,000,000 Series A notes, U.S.\$15,000,000 Series B notes, \$20,000,000 Series C notes and U.S.\$5,000,000 Series D notes.

“**Outside Date**” – October 31, 2008, or such later date as Acquisition LP and the Fund may agree in writing.

“**Person**” – includes any individual, firm, partnership, limited partnership, limited liability partnership, joint venture, venture capital fund, limited liability company, unlimited liability company, association, trust, trustee, executor, administrator, legal personal representative, estate, body corporate, corporation, company, unincorporated association or organization, Governmental Authority, syndicate or other entity, whether or not having legal status.

“**Proceeding**” – any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative.

“**Proposed Transaction**” – the transactions contemplated by the Transaction Agreement, including the transaction steps set out in Section 2.1 of the Transaction Agreement.

“**Purchaser Consortium**” – collectively, CFFI, Maruha and the Rollover Unitholders.

“**Record Date**” – August 22, 2008, being the date for determining Unitholders and Debentureholders of record entitled to notice of and to vote at the Unitholder Meeting and Debentureholder Meeting, respectively.

“**Rollover Unitholders**” – Clarke, Mickey MacDonald, and Glitnir.

“**Securities Act**” – the *Securities Act* (Ontario), as amended.

“**SEDAR**” – the System for Electronic Document Analysis and Retrieval described in National Instrument 13-101 – *System for Electronic Document Analysis and Retrieval* (SEDAR) and available for public view at www.sedar.com.

“**Series 1 Debentures**” – the debentures of the Fund designated as the “7.00% Convertible Unsecured Subordinated Debentures due 2010”.

“**Series 2 Debentures**” – the debentures of the Fund designated as the “Series 2007 7.25% Convertible Unsecured Subordinated Debentures” due 2014.

“**Special Trust Units**” – the special trust units of the Fund.

“**Subsidiary**” – has the meaning ascribed thereto in Section 1.1 of National Instrument 45-106 – *Prospectus and Registration Exemptions* as in effect on the date hereof, but with respect to the Fund shall be deemed to include Clearwater, CS ManPar and their respective Subsidiaries and, in the case of Acquisition LP, shall be deemed not to include the Fund, CS ManPar, Clearwater or any of their respective Subsidiaries.

“**Tax Act**” – the *Income Tax Act* (Canada) and the regulations thereunder, as amended.

“**Transaction Agreement**” – the Transaction Agreement between the Fund and Acquisition LP dated August 14, 2008, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof, a copy of which is attached as Appendix “D” to this Circular.

“**Transfer Agent**” – Computershare Investor Services Inc., the transfer agent for the Fund.

“**Trust**” – Clearwater Seafoods Holding Trust, an unincorporated open-ended trust established under the laws of the Province of Ontario.

“**Trust Units**” – the trust units of the Fund.

“**Trustees**” – Thomas D. Traves, Bernard R. Wilson and Brian Crowley, in their capacity as trustees of the Fund.

“**TSX**” – the Toronto Stock Exchange.

“**Unit Redemption**” – the redemption of all of the outstanding Trust Units, other than 10,669,307 of the 11,609,740 Trust Units beneficially owned by members of the Purchaser Consortium, on the Closing Date for the Unit Redemption Price.

“**Unit Redemption Price**” – \$4.50 per Trust Unit.

“**Unitholder Approval**” – (a) approval of the Unitholder Resolution by more than 66⅔% of the votes cast by the Unitholders present in person or represented by proxy at the Unitholder Meeting in accordance with the Declaration of Trust; and (b) minority approval of the Unitholder Resolution within the meaning of MI 61-101.

“**Unitholder Meeting**” – the special meeting of Unitholders, including any adjournment or postponement thereof, to be called and held in accordance with Applicable Law and the Declaration of Trust to consider the Unitholder Resolution.

“**Unitholder Resolution**” – the special resolution of Unitholders approving the Proposed Transaction to be considered at the Unitholder Meeting as set forth in Appendix “A” to this Circular.

“**Unitholders**” – the registered or beneficial holders of the issued and outstanding Units, as the context requires.

“**Units**” – collectively, all of the Trust Units and Special Trust Units.

“**U.S.**” or “**United States**” – United States of America.

“**Valuation and Fairness Opinion**” – the formal valuation of the Trust Units prepared by BMO Capital Markets, under the supervision of the Trustees in accordance with MI 61-101, and the fairness opinion received by the Trustees from BMO Capital Markets stating that the Unit Redemption Price to be received by the Minority Unitholders pursuant to the Proposed Transaction is fair, from a financial point of view, to the Minority Unitholders, a copy of which is attached to this Circular as Appendix “C”.

MANAGEMENT INFORMATION CIRCULAR
SOLICITATION OF PROXIES AND VOTING INSTRUCTIONS

The information contained in this Circular is furnished in connection with the solicitation of proxies from (i) registered Unitholders (and of voting instructions in the case of beneficial Unitholders) to be used at the Unitholder Meeting to be held at 10:30 a.m. (Halifax time), on September 22, 2008, at the Marriott Harbourfront Hotel, Acadia C, 1919 Upper Water Street, Halifax, Nova Scotia; and (ii) registered Debentureholders (and of voting instructions in the case of beneficial Unitholders) to be used at the Debentureholder Meeting to be held at 11:00 a.m. (Halifax time), on September 22, 2008, at the Marriott Harbourfront Hotel, Acadia C, 1919 Upper Water Street, Halifax, Nova Scotia. It is expected that the solicitation will be made primarily by mail, but proxies and voting instructions may also be solicited personally by representatives of the Fund or by Acquisition LP. The information contained in this Circular is given as at August 22, 2008, except where otherwise noted.

The solicitation of proxies and voting instructions by this Circular is being made by or on behalf of the representatives of the Fund. The total cost of the solicitation of proxies will be borne by the Fund except that the Transaction Agreement requires Acquisition LP to pay the costs in respect of any third party proxy solicitation services. In addition, pursuant to the Transaction Agreement, Acquisition LP may, at its own expense and for so long as the Trustees have not changed their recommendation described under “Review and Approval of the Proposed Transaction – Recommendation of the Trustees”, directly or by engaging a soliciting dealer, actively solicit proxies in favour of the Unitholder Approval and Debentureholder Approval on behalf of management of the Fund. As of the date of this Circular, no third party solicitation agent has been engaged by the Fund or Acquisition LP. However, the Fund and Acquisition LP may retain a solicitation agent for the Unitholder Meeting and/or Debentureholder Meeting on terms and at a cost that the Fund anticipates will be customary for solicitation services in similar transactions.

Beneficial Unitholders and Debentureholders

The Trust Units and the Debentures have been issued in the form of global certificates registered in the name of CDS & Co. and the Special Trust Units have been issued in the form of a global certificate registered in the name of CFFI. As such, CDS & Co. and CFFI are the sole registered holders of Units and Debentures. Accordingly, substantially all Unitholders and Debentureholders do not hold their Units or Debentures, as applicable, in their own name. Such Units and Debentures are held by such Unitholders and Debentureholders, respectively, through one or more intermediaries (such as a bank, trust company, securities dealer or broker, or trustee or administrator of a self-administered RRSP, RRIF, RESP or similar plan).

Only registered Unitholders and Debentureholders, or their respective duly appointed proxyholders, are permitted to attend and vote at the Unitholder Meeting and Debentureholder Meeting, respectively, or to appoint or revoke a proxy. If you are a beneficial owner, you are entitled to: (i) direct how the Units or Debentures, as applicable, beneficially owned by you are to be voted, or (ii) obtain a legal form of proxy that will entitle you to attend and vote at the Unitholder Meeting or Debentureholder Meeting, as applicable.

Applicable Canadian securities laws require the Fund to forward Meeting Materials to depositories and other intermediaries for onward distribution to beneficial owners who have not waived their right to receive such materials and to seek voting instructions from such beneficial Unitholders and Debentureholders in advance of the Unitholder Meeting and Debentureholder Meeting, respectively. Typically, intermediaries will use a service company (such as Broadridge Financial Solutions, Inc.) to forward the Meeting Materials to, and to obtain voting instructions from, beneficial owners.

If you are a beneficial Unitholder or Debentureholder, you will receive either a voting instruction form or a form of proxy with your Meeting Materials. The purpose of these documents is to permit you to direct the voting of the Units and/or Debentures you beneficially own. **Every broker and other intermediary**

has its own mailing procedures and provides its own return instructions. You should follow the instructions on the document you receive from your broker or other intermediary and the procedures set out below, depending on what type of document you receive.

A. Request for Voting Instructions

If you do not wish to, or are unable to, attend the Unitholder Meeting or Debentureholder Meeting, as applicable (or have another person who need not be a Unitholder or Debentureholder attend and vote on your behalf), you should complete, sign and return the enclosed request for voting instructions in accordance with the directions provided. You may revoke your voting instructions at any time by written notice to your intermediary, except that an intermediary is not required to honour the revocation unless it is received at least seven days before the Unitholder Meeting or Debentureholder Meeting.

If you wish to attend the Unitholder Meeting or Debentureholder Meeting, as applicable, and vote in person (or have another person who need not be a Unitholder or Debentureholder attend and vote on your behalf), you must complete, sign and return the enclosed request for voting instructions in accordance with the directions provided and a legal form of proxy will be sent to you giving you (or such other person) the right to attend and vote at the Unitholder Meeting or Debentureholder Meeting, as applicable. If you seek a legal form of proxy, you should follow the directions below under the heading “Solicitation of Proxies and Voting Instructions – Beneficial Unitholders and Debentureholders – Form of Proxy”.

or

B. Form of Proxy

The form of proxy may be signed by your intermediary (typically by a facsimile, stamped signature) and completed to indicate the number of Units or Debentures, as applicable, beneficially owned by you. If the form of proxy has not been completed, it is being used by your intermediary to obtain voting instructions only, in which case you should follow the instructions set forth under “Solicitation of Proxies and Voting Instructions – Beneficial Unitholders and Debentureholders – Request for Voting Instructions”.

If the form of proxy is completed and you do not wish to, or are unable to, attend the Unitholder Meeting or Debentureholder Meeting, as applicable, you should complete the form of proxy and deposit it in accordance with the instructions set out in the section titled “Solicitation of Proxies and Voting Instructions - Registered Unitholders and Debentureholders” above. If you wish to attend the Meeting, you must strike out the names of the persons named in the form of proxy and insert your name in the blank space provided. To be valid, proxies must be completed and returned to the Transfer Agent (in the case of Unitholders) or the Debenture Trustee (in the case of Debentureholders), as applicable, in the manner and with the times set forth under “Solicitation of Proxies and Voting Instructions – Registered Unitholders and Debentureholders – Appointment of Proxies”. You must register with the Transfer Agent when you arrive at the Unitholder Meeting and the Debenture Trustee when you arrive at the Debentureholder Meeting, as applicable.

You should follow the instructions on the document that you have received and contact your intermediary promptly if you need assistance.

Registered Unitholders and Debentureholders

If you are a registered Unitholder or Debentureholder, you may vote in person at the Unitholder Meeting or Debentureholder Meeting, as applicable, or you may appoint another person to represent you as your proxyholder to vote your Units or Debentures, as applicable, on your behalf. If you wish to attend the Unitholder Meeting or Debentureholder Meeting, as applicable, do not complete or return the enclosed form of proxy because you will vote in person at the Unitholder Meeting or Debentureholder Meeting, as

applicable. Please register with the Computershare Investor Services Inc. (the “**Transfer Agent**”), when you arrive at the Unitholder Meeting and Computershare Trust Company of Canada (the “**Debenture Trustee**”) when you arrive at the Debentureholder Meeting, as applicable.

Appointment of Proxies

If you are a registered Unitholder or Debentureholder and do not wish to, or are unable to, attend the Unitholder Meeting or Debentureholder Meeting, respectively, you can exercise your right to vote:

- (a) in the case of registered Unitholders, by completing, signing and returning a form of proxy for the Units to Computershare by: (i) facsimile to (416) 263-9524 (Toronto or outside of North America) or 1-866-249-7775 (North America); or (ii) by mail or delivery in person to Computershare Investor Services Inc. at 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1, in each case so as to ensure that the form of proxy arrives not later than 10:30 a.m. (Halifax time), on September 19, 2008 or, if the Unitholder Meeting is adjourned, 24 hours (excluding Saturdays, Sundays and holidays) before any adjourned Unitholder Meeting.
- (b) in the case of registered Debentureholders, by completing, signing and returning a form of proxy for the Series 1 Debentures or Series 2 Debentures, as applicable, to Computershare by: (i) facsimile to (416) 263-9524 (Toronto or outside of North America) or 1-866-249-7775 (North America); or (ii) by mail or delivery in person to Computershare Trust Company of Canada at 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1, in each case so as to ensure that the applicable form(s) of proxy arrives not later than 11:00 a.m. (Halifax time), on September 19, 2008 or, if the Debentureholder Meeting is adjourned, 24 hours (excluding Saturdays, Sundays and holidays) before any adjourned Debentureholder Meeting.

The individuals named in the enclosed form of proxy are representatives of the Fund or its affiliates. **You have the right to appoint someone else to represent you at the Unitholder Meeting or Debentureholder Meeting, as applicable, and may do so by inserting that other person’s name in the blank space in the form of proxy for the Unitholder Meeting or Debentureholder Meeting, as applicable. The person you appoint to represent you at the Unitholder Meeting or Debentureholder Meeting, as applicable, need not be another Unitholder or Debentureholder.**

Revocation of Proxies

If you have submitted a form of proxy and later wish to revoke it, you can do so by:

- (d) completing and signing the applicable form of proxy bearing a later date and depositing it with Computershare as described above;
- (e) depositing a document that is signed by you (or by someone you have properly authorized to act on your behalf): (i) at the registered office of the Fund, 757 Bedford Highway, Bedford, Nova Scotia, B4A 3Z7 to the attention of the “Assistant Secretary”, at any time up to the last Business Day preceding the day of the Unitholder Meeting or Debentureholder Meeting, as applicable, or any adjournment thereof, at which the form of proxy is to be used; or (ii) with the chairman of the Unitholder Meeting or Debentureholder Meeting, as applicable, before the meeting starts on the day of the meeting or any adjournment thereof; or
- (f) following any other procedure that is permitted by law.

Only registered Unitholders and Debentureholders have the right to revoke a proxy. Beneficial Unitholders and Debentureholders who wish to change their vote must make appropriate arrangements with their respective brokers or other intermediaries. See “Solicitation of Proxies and Voting Instructions – Beneficial Unitholders and Debentureholders”.

Voting of Proxies

In connection with any ballot that may be called for, the representatives designated in the enclosed form of proxy will vote the Units and Debentures, as the case may be, represented thereby for or against the Unitholder Resolution or Debentureholder Resolution, as applicable, in accordance with the instructions indicated on the form of proxy and, if a choice is specified with respect to any matter to be acted upon, the Units or Debentures, as applicable, will be voted accordingly. In the absence of any direction, the Units or Debentures, as applicable, will be voted FOR the Unitholder Resolution and Debentureholder Resolution, respectively.

The representatives designated in the enclosed form of proxy have discretionary authority with respect to amendments to or variations of matters identified in the notice of Unitholder Meeting and notice of Debentureholder Meeting, respectively, and with respect to other matters that may properly come before the Unitholder Meeting and Debentureholder Meeting, respectively. At the date of this Circular, representatives of the Fund know of no such amendments, variations or other matters.

Quorum and Votes Necessary to Pass the Unitholder Resolution and Debentureholder Resolution

Under the Declaration of Trust, the quorum necessary for the transaction of business at the Unitholder Meeting consists of two or more individuals present in person either holding personally or representing as proxies not less in aggregate than 10% of the votes attached to all outstanding Units. For the Unitholder Resolution to be approved at the Unitholder Meeting in accordance with the Declaration of Trust, the Unitholder Resolution must be passed by more than 66 $\frac{2}{3}$ % of the votes cast by Unitholders present or represented by proxy at the Unitholder Meeting and entitled to vote on the Unitholder Resolution. In addition, the Proposed Transaction is subject to MI 61-101 and, as such, the Unitholder Resolution must be approved by a majority of the votes cast by Minority Unitholders present or represented by proxy at the Unitholder Meeting and entitled to vote on the Unitholder Resolution. To the knowledge of the Fund, votes attached to a total of 11,609,740 Trust Units and all of the Special Trust Units will be excluded in determining whether approval of a majority of the votes cast by Minority Unitholders for the Proposed Transaction has been obtained for the purposes of MI 61-101, which excluded Units are beneficially owned by the following Persons:

Name	Trust Units	Special Trust Units
CFFI	1,275,205	23,381,217
Clarke	3,134,275	–
Mickey MacDonald	4,908,960	–
Glitnir	2,291,300	–
Total:	11,609,740	23,381,217

Under the Debenture Trust Indenture, the quorum necessary for the transaction of business at the Debentureholder Meeting consists of one or more Debentureholders present in person or by proxy and representing at least 25% in principal amount of the outstanding Debentures and at least 25% in principal amount of each series of Debentures. For the Debentureholder Resolution to be adopted in respect of a series of Debentures in accordance with the provisions of the Debenture Trust Indenture, it must be approved by the holders of not less than 66 $\frac{2}{3}$ % of the principal amount of each of the Series 1 Debentures and the Series 2 Debentures, present or represented by proxy at the Debentureholder Meeting and entitled to vote on the Debentureholder Resolution, each voting separately as a series.

GENERAL INFORMATION REGARDING VOTING UNITS AND DEBENTURES

Units

On August 22, 2008, the Fund had 27,745,695 Trust Units and 23,381,217 Special Trust Units issued and outstanding. Each Unitholder of record at the close of business on the Record Date of August 22, 2008 will be entitled to notice of the Unitholder Meeting and, subject to MI 61-101, to vote on all matters proposed to come before the Unitholder Meeting on the basis of one vote for each Unit held. Only Unitholders of record at the close of business on the Record Date will be entitled to notice of the Unitholder Meeting or any adjournment thereof, and to vote at the Unitholder Meeting. No Unitholder becoming a Unitholder of record after the Record Date will be entitled to vote at the Unitholder Meeting or any adjournment thereof.

Debentures

On August 22, 2008, there was \$45,000,000 principal amount of Series 1 Debentures and \$44,389,000 principal amount of Series 2 Debentures issued and outstanding. Each Debentureholder of record on August 22, 2008, the Record Date, will be entitled to notice of the Debentureholder Meeting and to vote on all matters that come before the Debentureholder Meeting on the basis of one vote for every \$1,000 principal amount of Debentures held.

Principal Holders of Voting Securities

To the knowledge of the Trustees, the only Person or company who beneficially owns, directly or indirectly, or exercises control or direction over Units carrying more than 10% of the voting rights attached to the Units of the Fund is as follows:

Name	Number of Units Owned on a Fully Diluted Basis	Percentage of Units Owned on a Fully Diluted Basis
Clearwater Fine Foods Incorporated ⁽¹⁾	24,656,422	48.23%

Notes

- (1) Clearwater Fine Foods Incorporated (“CFFI”) holds 1,275,205 Trust Units and 23,381,217 Special Trust Units. Each Special Trust Unit was issued concurrently with the issuance of a Class B Unit, which, subject to certain restrictions, will be exchangeable for Trust Units on a one-for-one basis, subject to adjustment in certain circumstances. Upon exchange of the Class B Units for Trust Units of the Fund, the associated Special Trust Unit will be cancelled. Colin E. MacDonald and John C. Risley, each of whom is a director and officer of CS ManPar, beneficially own, and exercise control or direction over, such Units as the sole shareholders of CFFI.

SPECIAL BUSINESS OF THE UNITHOLDER MEETING

At the Unitholder Meeting, Unitholders will be asked to consider and, if deemed appropriate, to adopt, with or without amendment, the Unitholder Resolution approving, among other things: (i) the Proposed Transaction and (ii) certain amendments to the Declaration of Trust and the Fund Material Documents to, among other things, provide for the redemption of the Trust Units, other than 10,669,307 of the 11,609,740 Trust Units beneficially owned by members of the Purchaser Consortium, on the Closing Date for cash consideration equal to \$4.50 per Trust Unit. The full text of the Unitholder Resolution is attached to this Circular as Appendix “A”. See “The Unit Redemption”.

For the Unitholder Resolution to be approved at the Unitholder Meeting in accordance with the Declaration of Trust, the Unitholder Resolution must be passed by more than 66⅔% of the votes cast by Unitholders present or represented by proxy at the Unitholder Meeting and entitled to vote on the Unitholder Resolution. In addition, pursuant to MI 61-101, the Unitholder Resolution must be approved by a majority of the votes cast by Minority Unitholders present or represented by proxy at the Unitholder Meeting and entitled to vote on the Unitholder Resolution. **The Unitholder Resolution, if passed at the Unitholder Meeting or any adjournment thereof in accordance with the provisions of the**

Declaration of Trust, will be binding upon all Unitholders, whether present or absent from the Unitholder Meeting.

The Trustees, after consultation with their outside legal advisors and upon receiving the Valuation and Fairness Opinion from BMO Capital Markets and considering the factors described under “Review and Approval of the Proposed Transaction – Reasons for the Trustees’ Recommendation”, has unanimously determined that the Unit Redemption Price to be received by Minority Unitholders pursuant to the Proposed Transaction is fair, from a financial point of view, to the Minority Unitholders, and that the Proposed Transaction is in the best interests of the Minority Unitholders. **THE TRUSTEES UNANIMOUSLY RECOMMEND THAT MINORITY UNITHOLDERS VOTE FOR THE UNITHOLDER RESOLUTION.**

SPECIAL BUSINESS OF THE DEBENTUREHOLDER MEETING

At the Debentureholder Meeting, the holders of Series 1 Debentures and Series 2 Debentures will each be asked to consider and, if deemed appropriate, to adopt, with or without amendment, the Debentureholder Resolution approving certain amendments to the Debenture Trust Indenture to, among other things, provide for the redemption of the Debentures by the Fund, at its election, on the Closing Date 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. The full text of the Debentureholder Resolution is attached to this Circular as Appendix “B”. See “The Debenture Redemption”.

For the Debentureholder Resolution to be adopted in respect of a series of Debentures in accordance with the provisions of the Debenture Trust Indenture, it must be approved by the holders of not less than 66⅔% of the principal amount of each of the Series 1 Debentures and the Series 2 Debentures, present or represented by proxy at the Debentureholder Meeting and entitled to vote on the Debentureholder Resolution, each voting separately as a series. **The Debentureholder Resolution, if passed by the holders of the Series 1 Debentures and the Series 2 Debentures at the Debentureholder Meeting, or any adjournment thereof, in accordance with the provisions of the Debenture Trust Indenture, will be binding upon all Debentureholders of such series, whether present or absent from the Debentureholder Meeting.**

Neither the Fund nor the Trustees are making any recommendation to Debentureholders regarding how to vote their Debentures on the Debentureholder Resolution. Debentureholders must make their own decision as to whether to vote in favour of or against the Debentureholder Resolution. Debentureholders should carefully consider the consequences of voting in favour of or against the Debentureholder Resolution, including the information contained under the heading “Position of the Debentureholders if the Debentureholder Approval is not obtained and the Proposed Transaction is Completed” in the Circular.

REVIEW AND APPROVAL OF THE PROPOSED TRANSACTION

Background to the Proposed Transaction

The following is a summary of the events and circumstances, including meetings, negotiations, discussions and actions, leading up to the execution of the Transaction Agreement and public announcement of the Proposed Transaction on August 14, 2008.

During the first nine months of 2007, Clearwater experienced significant deterioration in its financial performance due primarily to softening scallop sales, disruptions to its clam fleet, rising fuel costs and the effects of the strengthening Canadian dollar.

At meetings of the board of directors of CS Manpar and the Trustees in September 2007 and October 2007, representatives of CFFI indicated that CFFI was considering its options with respect to its interest in the Fund, including the possibility of seeking partners to take Clearwater private, although it was uncertain whether any such transaction was feasible. The Trustees determined to monitor events to determine if and when any action was warranted on the part of the Fund.

At its meeting on November 13, 2007, the Trustees resolved to proceed with a review of the Fund's strategic alternatives, including engaging a financial advisor. The strategic review was prompted by a number of factors, including Clearwater's weak financial performance over the first nine months of 2007, the challenges faced by the Fund in maintaining distributions, concerns regarding the effects of changes to Canadian tax legislation affecting income trusts and CFFI's review of its options. On that date, the Trustees announced that it had initiated a process for identifying and considering strategic alternatives available to maximize Unitholder value. CFFI concurrently announced its support for the Fund's strategic review while reiterating its commitment to maintaining Clearwater as a long term strategic investment and its belief in the long term prospects of the business.

Also on November 13, 2007, the Trustees announced that the Fund would continue to make distributions to Unitholders, and that it was likely that total distributions for 2007 would exceed 100% of the Fund's distributable cash generated in 2007. Consequently, the Trustees announced that it would continue to monitor the Fund's distribution policy on a monthly basis.

In late November 2007, the Trustees began discussions with BMO Capital Markets and other potential advisors regarding their possible engagement as financial advisor to the Trustees in connection with the strategic review. In December 2007, the Trustees retained Stewart McKelvey as their independent legal counsel.

Also in December 2007 and January 2008, representatives of CFFI advised the Trustees that CFFI was in preliminary discussions with potential partners regarding participation in a possible going-private transaction that would allow the Fund to address its structural concerns, including the need to refinance a significant portion of Clearwater's outstanding debt before the end of 2008, while allowing Unitholders to realize value for their Trust Units, but that CFFI would require equity and debt financing to complete such a transaction.

On January 21, 2008, the Trustees announced the engagement of BMO Capital Markets for the limited purpose of reviewing the Fund's strategic alternatives and to prepare, if requested, an independent formal valuation and a fairness opinion in respect of any proposed transaction. CFFI concurrently announced that Clearwater remained an important strategic investment for CFFI, but CFFI believed that the current income trust structure played a role in inhibiting Clearwater's ability to grow and respond to the challenges it faced, and that CFFI was continuing to review its options with respect to its investment in Clearwater. Also on January 21, 2008, the Fund announced that in 2007 the Fund had distributed \$0.60 per Trust Unit, which was in excess of the amount of distributable cash generated in 2007, and as a result the Fund would suspend distributions on its Trust Units.

From December 2007 to February 2008, BMO Capital Markets conducted its review of strategic alternatives, with representatives of BMO Capital Markets meeting with representatives of Management and CFFI and reviewing certain historical financial information and management projections, and other publicly available information. On February 13, 2008, representatives of BMO Capital Markets met with the Trustees and representatives of Stewart McKelvey to present the result of its review of the Fund's potential strategic alternatives, including maintaining the status quo, conversion to a corporate structure, monetization of assets, a sale of the business or the possible acquisition of a significant complementary business. After reviewing the analysis provided by BMO Capital Markets and consulting with their legal advisors, the Trustees concluded that they could take no action other than maintain the status quo without the support of CFFI as the holder of a 48% interest in Clearwater. Since CFFI had stated its intention to maintain its investment in Clearwater and was continuing to review its options, no definitive action was taken by the Trustees at that time, other than to request that CFFI advise the Trustees of its intentions when it was able to do so.

Between January and June 2008, during scheduled meetings of the board of directors of CS ManPar, which included the Trustees, as well as in periodic discussions between Dr. Thomas D. Traves, Chairman of the Trustees and Mr. Stanley Spavold, Chief Financial Officer of CFFI, Mr. Spavold provided general updates regarding CFFI's on-going consideration of proposing a possible going-private transaction

involving the Fund pursuant to which CFFI would substantially maintain its interest in Clearwater, and its ability to obtain equity and debt financing required to complete such a transaction.

In May 2008, representatives of CFFI advised the Trustees that it had identified, and was in the process of negotiations with, a potential equity partner. Representatives of BMO Capital Markets met with representatives of management and CFFI in May 2008 to review Clearwater's first quarter financial performance, updated budget and financial projections. Following these meetings, CFFI continued to pursue such negotiations as well as discussions with potential lenders regarding a possible transaction.

On July 9, 2008 representatives of Stikeman Elliott LLP, legal counsel to CFFI, contacted representatives of Goodmans LLP, counsel to the Fund, to discuss the possible timing and process for negotiating a transaction. Representatives of Goodmans LLP reported the substance of this call to representatives of Stewart McKelvey. On July 15, 2008, representatives of Stikeman Elliott LLP advised representatives of Goodmans LLP that CFFI was continuing its negotiations with an equity partner and potential lenders, and requested that, to assist with such negotiations, CFFI desired to obtain the Fund's feedback regarding the nature of the transaction that CFFI had been discussing with its potential financing sources.

On July 17, 2008, representatives of BMO Capital Markets met with representatives of TD Securities and Glitnir, financial advisors to CFFI, during which representatives of TD Securities and Glitnir presented CFFI's perspective on the factors it considered relevant to establishing a view on the value of Clearwater and the Fund, and provided an overview of the process undertaken by CFFI to identify an equity partner for the proposed transaction. Separately, Mr. Spavold advised Dr. Traves that CFFI continued to work diligently to obtain committed equity and debt financing for the transaction, and provided an indication of the potential range of cash consideration per Trust Unit that the financing arrangements under discussion would permit.

On July 18, 2008, Stikeman Elliott LLP, on behalf of CFFI, provided a draft of the Transaction Agreement to the Trustees, Stewart McKelvey and Goodmans LLP, together with a letter from CFFI advising that CFFI had, as at that time, not secured commitments for the financing required to complete a transaction with the Fund, although it had made what it believed to be significant progress in that regard and advised that it intended to continue to work diligently to that end, but that it was in no position to make any offer to the Fund at that time. In the letter, CFFI advised that it had given consideration to a transaction structure which it would propose to the Fund if financing were to be secured and that it wished to share that structure with the Fund at that time to obtain the Fund's feedback and to ensure that the transaction structure that it had been discussing with its potential equity and debt providers was acceptable to the Fund. Following July 18, 2008, Dr. Traves continued to receive updates from Mr. Spavold regarding CFFI's progress in securing equity and debt commitments to finance a transaction. On July 23, 2008, representatives of Stikeman Elliott LLP met with representatives of BMO Capital Markets, Goodmans LLP and Stewart McKelvey to review the proposed transaction steps contemplated by the draft Transaction Agreement, including the potential participation by Maruha and the Rollover Unitholders.

On July 25, 2008, the board of directors of CS ManPar held a meeting during which representatives of CFFI provided an update regarding the Proposed Transaction. Following that meeting, the Trustees met with representatives of Stewart McKelvey and BMO Capital Markets to review the current status of discussions with CFFI. Later on July 25, 2008, representatives of Stewart McKelvey provided to Stikeman Elliott LLP a revised version of the draft Transaction Agreement reflecting the combined comments of Stewart McKelvey, Goodmans LLP and the Trustees.

On July 29, 2008, representatives of Stewart McKelvey and Goodmans LLP met by conference call with representatives of Stikeman Elliott LLP to discuss the comments to the draft Transaction Agreement. Also on July 29, 2008, representatives of Stikeman Elliott LLP provided to representatives of Stewart McKelvey and Goodmans LLP a draft of the Keep-Well Undertaking from Maruha in respect of the Proposed Transaction. On July 30, 2008, representatives of Stikeman Elliott LLP met by conference call with representatives of BMO Capital Markets, Stewart McKelvey and Goodmans LLP, including

members of the tax departments of Stewart McKelvey and Goodmans LLP, to discuss the proposed transaction steps.

On August 1, 2008, representatives of Stikeman Elliott LLP provided representatives of Stewart McKelvey and Goodmans LLP with a revised draft of the Transaction Agreement. On August 7, 2008, the Trustees met by conference call with representatives of BMO Capital Markets and Stewart McKelvey to discuss the draft Transaction Agreement and preliminary valuation considerations.

On August 8, 2008, after discussions with representatives of Stewart McKelvey, representatives of Goodmans LLP provided comments on the draft Transaction Agreement to representatives of Stikeman Elliott LLP together with a draft disclosure letter. Later on August 8, 2008, representatives of Stikeman Elliott LLP provided representatives of Stewart McKelvey and Goodmans LLP with a revised draft of the Transaction Agreement and drafts of the Debt Commitment Letters.

Between August 8, 2008 and August 13, 2008, representatives of Stewart McKelvey, Goodmans LLP and Stikeman Elliott LLP continued discussions regarding outstanding issues with respect to the draft Transaction Agreement. On August 12, 2008, representatives of Stikeman Elliott LLP advised representatives of Stewart McKelvey and Goodmans LLP that CFFI expected to receive signed Debt Commitment Letters and signed equity commitments within the next 24 hours, at which point CFFI expected to be able to present a firm proposal. Also on August 12, 2008, Dr. Traves met with Mr. Spavold to discuss the nature of the transaction, including range of consideration to Minority Unitholders, that the potential financing would permit.

A meeting of the Trustees was held at 5:00 p.m. (Atlantic time) on August 13, 2008, with a representative of Management of CS ManPar, BMO Capital Markets and Stewart McKelvey, at which time the representative of Management provided an update on the financial position of Clearwater and representatives of Stewart McKelvey provided an update on the status of negotiations. The Trustees agreed to reconvene if a formal proposal was received from CFFI.

At approximately 7:30 p.m. (Atlantic time), representatives of Stikeman Elliott LLP provided representatives of Stewart McKelvey and Goodmans LLP with copies of a letter from CFFI advising that CFFI had obtained the equity and debt financing commitments required to complete a transaction that would provide Unitholders with a price of \$4.50 per Trust Unit accompanied by copies of the executed Debt Commitment Letters, the Keep-Well Undertaking, undertakings of the Rollover Unitholders and CFFI and a revised draft of the Transaction Agreement. At 9:00 p.m. (Atlantic time), the Trustees reconvened with representatives of BMO Capital Markets and Stewart McKelvey to discuss the proposal. Mr. Wilson was not available for the conference call. However, the Trustees invited representatives of BMO Capital Markets to present their oral Valuation and Fairness Opinion. After discussion of outstanding issues with representatives of Stewart McKelvey, the Trustees adjourned their meeting until the following morning at which time Mr. Wilson would be available and would have had an opportunity to review the presentation materials provided by representatives of BMO Capital Markets to accompany their oral Valuation and Fairness Opinion.

On the morning of August 14, 2008, all of the Trustees met again with representatives of BMO Capital Markets and Stewart McKelvey, at which time representatives of BMO Capital Markets reaffirmed their oral Valuation and Fairness Opinion, and representatives of Stewart McKelvey reported on further discussions regarding the draft Transaction Agreement. After a full discussion, the Trustees unanimously determined that the consideration per Trust Unit to be received pursuant to the Proposed Transaction was fair, from a financial point of view, to the Minority Unitholders, and that the Proposed Transaction was in the best interests of the Minority Unitholders, and unanimously adopted a resolution approving the Proposed Transaction and the Transaction Agreement, and resolved to support and to recommend that the Minority Unitholders provide the Unitholder Approval. In their capacity as a special committee of the board of directors of CS ManPar, the Trustees also unanimously resolved to recommend that the full board of directors of CS ManPar also approve the Proposed Transaction and all actions necessary for CS ManPar to take as the managing general partner of Clearwater and as administrator of the Fund in order to

carry out the Proposed Transaction. Immediately following the meeting of the Trustees, the full board of directors of CS ManPar met and unanimously accepted the recommendation of the Trustees. Immediately following the meeting of the Trustees of directors of CS ManPar, the Fund executed and delivered the Transaction Agreement and the Proposed Transaction was announced by press release.

Recommendation of the Trustees

The Trustees, after consultation with their outside legal advisors, and upon receiving the Valuation and Fairness Opinion from BMO Capital Markets, have unanimously determined that the Unit Redemption Price to be received by the Minority Unitholders pursuant to the Proposed Transaction is fair, from a financial point of view, to the Minority Unitholders, and that the Proposed Transaction is in the best interests of the Minority Unitholders. Each of the Trustees was determined to be an “independent director” for the purposes of MI 61-101 and as a result, the Trustees did not form an “independent committee” (as such term is defined in MI 61-101). **THE TRUSTEES UNANIMOUSLY RECOMMEND THAT MINORITY UNITHOLDERS VOTE FOR THE UNITHOLDER RESOLUTION.**

Reasons for the Trustees’ Recommendation

In making the recommendation referred to above, the Trustees considered various factors, including the factors set out below.

- (a) *Premium to Market Price.* The Unit Redemption Price of \$4.50 per Trust Unit to be received by the Minority Unitholders pursuant to the Proposed Transaction represents a premium of approximately 32% over the volume weighted average price of the Trust Units based on the trading volume on the TSX over the 20 trading days ended August 13, 2008, the last day of trading before the announcement of the Proposed Transaction.
- (b) *Valuation and Fairness Opinion.* The Trustees have received the Valuation and Fairness Opinion that states that, as of the date of the Valuation and Fairness Opinion, and based upon and subject to the assumptions, limitations, analysis and such other matters as BMO Capital Markets considered relevant all as set forth in the Valuation and Fairness Opinion, the fair market value of the Trust Units is in the range of \$3.80 to \$4.60 per Trust Unit, and the Unit Redemption Price of \$4.50 per Trust Unit to be received by the Minority Unitholders pursuant to the Proposed Transaction is fair, from a financial point of view, to the Minority Unitholders. The Trustees noted that the Unit Redemption Price to be received by the Minority Unitholders pursuant to the Proposed Transaction is at the upper end of the fair market value range determined by BMO Capital Markets in its Valuation and Fairness Opinion.
- (c) *Cash Consideration.* The Unit Redemption Price to be received by the Minority Unitholders pursuant to the Proposed Transaction will be paid entirely in cash, which provides Minority Unitholders certainty of value for their Trust Units.
- (d) *Immediate Liquidity.* The Proposed Transaction provides Minority Unitholders with immediate and complete liquidity for their Trust Units, the historical trading volumes for which have been low.
- (e) *Financial Challenges Facing the Fund.* The Fund has faced several financial challenges in recent periods, including high fuel costs, a relatively high Canadian dollar, weak markets for certain of its products and disruptions with its fleet. As a result of these challenges, the financial performance of the Fund has deteriorated. The Fund has not been able to pay distributions on its Fund Units since December 2007, and there can be no assurance that distributions will be reinstated in the near or medium term future, or at all. In addition, a significant amount of debt of Clearwater matures at the end of 2008 such that, if the Proposed Transaction is not completed, Clearwater will need to refinance its debt in what is currently a difficult credit market. There can be no assurance that such debt refinancing will be available on favourable terms or at all. The

Trustees' assessment is that many of these issues will likely continue to present significant challenges to the Fund and Clearwater for the foreseeable future.

- (f) *Fund Structure.* The current structure of the Fund poses additional challenges over and above the company-specific factors outlined above. As a result of the Canadian government's income trust legislation that will impose a tax on all income trusts commencing in 2011, income trusts' ability to raise new equity capital needed for growth has been significantly negatively affected. For income trusts that have had weak financial performance, such as the Fund, these negative impacts have been amplified.
- (g) *Lack of Alternative Proposals.* Following the announcement on November 13, 2007 that the Trustees would conduct a strategic review process, the Fund has not received any expressions of interest from parties other than CFFI. CFFI has advised the Trustees that in its process of seeking partners for a going-private transaction, CFFI contacted numerous parties, including Canadian and U.S. financial sponsors, Canadian pension funds, and strategic players, however, only a limited number submitted proposals to CFFI. Only one strategic partner, Maruha Nichiro Holdings, a global seafood company that sees significant long term value in the assets, made a proposal that CFFI believed could be viewed as acceptable. Given its approximate 48% voting control of the Fund, CFFI is effectively able to veto any significant transaction requiring Unitholder approval, including a sale of all or substantially all the assets of the Fund. CFFI has consistently advised the Fund that it has no interest in selling its interest in the Fund or Clearwater, making a successful alternative proposal unlikely.
- (h) *Ability to Seek and Respond to Superior Proposals.* Under the Transaction Agreement, the Trustees have reserved the ability to seek and to respond to proposals that may deliver greater value to the Minority Unitholders than the Proposed Transaction. In addition, the Trustees may support a superior proposal without becoming obligated to pay any termination or break fees.

The foregoing discussion of information and factors considered by the Trustees is not intended to be exhaustive. In addition, in reaching their determination and recommendation, the Trustees did not assign any relative or specific weight to the foregoing factors which were considered, and individual Trustees may have given different weight to different factors.

Minority Unitholders should consider the Transaction carefully and come to their own conclusions as to acceptance or rejection of the Proposed Transaction. Minority Unitholders who are in doubt as to how to respond should consult their own financial, legal and other professional advisors. Minority Unitholders are advised that acceptance of the Proposed Transaction may have tax consequences and that they should consult their tax advisors.

BMO Capital Markets' Valuation and Fairness Opinion

The Trustees initially contacted BMO Capital Markets in November, 2007 regarding a potential engagement in connection with a strategic review process. Pursuant to the Engagement Agreement, BMO Capital Markets was formally retained by the Trustees for the limited purpose of reviewing the Fund's strategic alternatives and to prepare, if requested, an independent formal valuation and a fairness opinion in respect of a possible transaction. Pursuant to the Engagement Agreement, the Trustees engaged BMO Capital Markets to prepare, under the supervision of the Trustees, a formal valuation of the Trust Units in accordance with MI 61-101 and to provide the Trustees with its opinion as to the fairness, from a financial point of view, of the Unit Redemption Price to be received by the Minority Unitholders pursuant to the Proposed Transaction.

BMO Capital Markets' engagement provides for the payment by the Fund of a total fee of \$650,000, reimbursement for reasonable out-of-pocket expenses, and customary indemnification for services to be rendered, including preparation and delivery of the Valuation and Fairness Opinion. No part of BMO Capital Markets' fee under the Engagement Agreement is contingent upon the outcome of the Proposed Transaction or any other transaction.

Credentials of BMO Capital Markets

BMO Capital Markets is one of Canada's largest investment banking firms, with operations in all facets of corporate and government finance, mergers and acquisitions, equity and fixed income sales and trading, investment research and investment management. BMO Capital Markets has been a financial advisor in a significant number of transactions throughout North America involving public companies in various industry sectors and has extensive experience in preparing valuations and fairness opinions.

Relationship with Interested Parties

In the Valuation and Fairness Opinion, BMO Capital Markets has advised that it is of the view that it is independent of all interested parties in the Proposed Transaction for the purposes of MI 61-101, and that none of BMO Capital Markets, the Bank of Montreal or any of their affiliated entities: (i) is an associated or affiliated entity or "issuer insider" (as such term is defined for the purposes of MI 61-101) of the Fund, the Purchaser Consortium or their respective associates or affiliates; (ii) is an advisor to the Purchaser Consortium in connection with the Proposed Transaction; (iii) is a manager or co-manager of a soliciting dealer group formed in respect of the Proposed Transaction; (iv) has a material financial incentive in respect of the conclusions reached in the Valuation and Fairness Opinion; (v) has a material financial interest in the completion of the Proposed Transaction; (vi) except as stated in the Valuation and Fairness Opinion under the heading "Independence of BMO Capital Markets", during the 24 months before BMO Capital Markets was first contacted by the Trustees in respect of the Proposed Transaction, had a material involvement in an evaluation, appraisal or review of the financial condition of the Fund or CFFI or any of their respective affiliated entities, acted as a lead or co-lead underwriter of a distribution of securities of the Fund or any member of the Purchaser Consortium or any of their respective affiliated entities or had a material financial interest in any transaction involving the Fund or CFFI or any of their respective affiliated entities; or (vii) is a lead or co-lead lender or manager of a lending syndicate in respect of the Proposed Transaction or a lender of a material amount of indebtedness of the Fund or any member of the Purchaser Consortium or any of their respective affiliated entities.

BMO Capital Markets has advised that in the ordinary course of its business BMO Capital Markets or the Bank of Montreal, or any of their affiliated entities, may have extended or may extend loans, or may have provided or may provide other financial services to the Fund, the members of the Purchaser Consortium or their respective associates or affiliates. BMO Capital Markets has further advised that, other than as set out in the Valuation and Fairness Opinion, there are no understandings, agreements or commitments between BMO Capital Markets on the one hand, and the Fund, CFFI or any of their respective associates or affiliates on the other hand, with respect to any future business dealings.

In connection with the preparation of the Valuation and Fairness Opinion, BMO Capital Markets reviewed information provided by the Fund, Clearwater, CS ManPar and certain members of the Purchaser Consortium, undertook various procedures, met with Management, the Trustees and with representatives of CFFI, and conducted investigative exercises as more specifically described in the Valuation and Fairness Opinion (a copy of which is attached as Appendix "C" to this Circular).

BMO Capital Markets relied upon, and assumed the completeness, accuracy, and fair presentation of all financial and other information, data, advice, opinions, representations and other material obtained by it from public sources or provided by the Fund, Clearwater, CS Man Par, CFFI and their respective officers, associates, affiliates, consultants, advisors and representatives. The Valuation and Fairness Opinion is conditional upon the completeness, accuracy and fair presentation of such information. In accordance with the Engagement Letter, but subject to the exercise of its professional judgment, BMO Capital Markets has not attempted to verify independently the completeness, accuracy or fair presentation of such information. BMO Capital Markets has assumed that the forecasts, projections and budgets of the Fund provided to BMO Capital Markets and relied upon in its analyses have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of Management as to matters covered thereby.

Opinion

The Valuation and Fairness Opinion states that, in the opinion of BMO Capital Markets, as of August 13, 2008, the fair market value range for the Trust Units is between \$3.80 and \$4.60 per Trust Unit and that the Unit Redemption Price of \$4.50 per Trust Unit to be received by the Minority Unitholders pursuant to the Proposed Transaction is fair, from a financial point of view, to the Minority Unitholders.

The full text of the Valuation and Fairness Opinion, which sets forth, among other things, the assumptions, limitations on the scope of review undertaken by BMO Capital Markets and other matters, is attached as Appendix "C" to this Circular and includes a discussion of the valuation methodologies used by BMO Capital Markets. Unitholders are urged to read the Valuation and Fairness Opinion in its entirety. The summary of the Valuation and Fairness Opinion described in this Circular is qualified in its entirety by reference to the full text of the Valuation and Fairness Opinion. BMO Capital Markets provided the Valuation and Fairness Opinion solely for the information and assistance of the Trustees in connection with their consideration of the Proposed Transaction. The Valuation and Fairness Opinion is not a recommendation as to how Unitholders should vote with respect to the Unitholder Resolution.

SUMMARY OF THE TRANSACTION AGREEMENT

The following is a summary only of certain material terms of the Transaction Agreement, a copy of which is attached as Appendix "D" to this Circular. This summary does not contain all of the information about the Transaction Agreement. Therefore, Unitholders and Debentureholders should read the Transaction Agreement carefully and in its entirety, as the rights and obligations of the parties are governed by the express terms of the Transaction Agreement and not by this summary or any other information contained in this Circular.

The Transaction Agreement contains representations and warranties made by the parties thereto. These representations and warranties, which are set forth in the Transaction Agreement, were made by and to the parties thereto for the purposes of the Transaction Agreement and are subject to qualifications and limitations agreed to by the parties in connection with negotiating and entering into the Transaction Agreement. In addition, these representations and warranties were made as of specified dates, may be subject to a contractual standard of materiality different from what may be viewed as material to Unitholders and/or Debentureholders, or may have been used for the purpose of allocating risk between the parties instead of establishing such matters as facts. Moreover, information concerning the subject matter of the representations and warranties, which do not purport to be accurate as of the date of this Circular, may have changed since the date of the Transaction Agreement.

The Fund entered into the Transaction Agreement with Acquisition LP on August 14, 2008, pursuant to which the parties agreed to undertake the Proposed Transaction. Pursuant to the Transaction Agreement, a series of transaction steps will occur through which, among other things, Acquisition LP will acquire the Fund's indirect interest in Clearwater through a direct investment by Acquisition LP in Clearwater, following which the Fund will, among other things, redeem (i) all of the outstanding Trust Units, other than 10,669,307 of the 11,609,740 Trust Units beneficially owned by members of the Purchaser Consortium, for the Unit Redemption Price, and (ii) all of the outstanding Debentures for the Debenture Redemption Price plus accrued and unpaid interest to but excluding the Closing Date.

Transaction Steps

The Proposed Transaction will consist of the following transaction steps which shall occur or be deemed to occur in the following order (provided that none of the following transaction steps shall be deemed to occur unless all such steps shall have occurred and been completed):

- (a) the Non-Competition Agreement shall be terminated, and the Administration Agreement between the Fund, CSHT and Clearwater dated July 31, 2002 shall be terminated;
- (b) the Exchange Agreement shall be terminated;

- (c) the Limited Partnership Agreement shall be amended to provide for the issuance of Class E Units and the return of capital contemplated in sub-paragraph (m) below;
- (d) any other amendments to the Fund Material Documents as contemplated by the Transaction Agreement shall be made;
- (e) Acquisition LP shall subscribe for and be issued an aggregate of 17,076,389 Class E Units for aggregate consideration of \$76,843,750, payable in cash;
- (f) Clearwater shall draw down, under the facilities described in the Debt Financing Commitment Letters, an amount sufficient to repay the Existing Credit Facilities, the Debentures and the Notes;
- (g) Clearwater shall repay to Clearwater Finance inter-company debt in amounts sufficient to enable Clearwater Finance to repay the Notes in full;
- (h) Clearwater shall terminate the Existing Credit Facilities;
- (i) Clearwater Finance shall, pursuant to and in accordance with Section 5.5 of the Transaction Agreement, redeem the Notes issued under the Note Indenture;
- (j) Clearwater shall make a distribution to CSHT on the Class C Units and Class D Units owned by CSHT in an aggregate amount approximately equal to the amount of accrued and unpaid interest required to be paid to the Debentureholders in connection with the Debenture Redemption;
- (k) Clearwater shall redeem all of the 3,673,470 Class C Units owned by CSHT in aggregate consideration of \$45,000,000, payable in cash;
- (l) Clearwater shall redeem all of the 7,523,559 Class D Units owned by CSHT in aggregate consideration of \$44,389,000, payable in cash;
- (m) Clearwater shall distribute in cash to CSHT, as a return of capital on the Class A Units owned by CSHT, the amount of \$893,890;
- (n) CSHT shall, as a repayment of outstanding demand notes in favour of the Fund, pay an aggregate of \$89,389,000, in cash, to the Fund plus an amount equal to the accrued and unpaid interest on such amounts, which amount is approximately equal to the accrued and unpaid interest required to be paid to the Debentureholders in connection with the Debenture Redemption;
- (o) CSHT shall, as a partial repayment of the CSHT Notes, pay an aggregate of \$893,890, in cash, to the Fund;
- (p) the Fund shall complete the Debenture Redemption in accordance with the amendments to the Debenture Trust Indenture contemplated by Exhibit "A" to Appendix "B";
- (q) Clearwater shall redeem 17,076,389 Class A Units owned by CSHT in aggregate consideration of \$76,843,750, payable in cash;
- (r) CSHT shall, as a partial repayment of the CSHT Notes, pay an aggregate of \$76,843,750 in cash to the Fund;
- (s) the Fund shall redeem all of its then outstanding Trust Units, other than 10,669,307 Trust Units beneficially owned by members of the Purchaser Consortium, for \$4.50 per Trust Unit, as further described in, and in accordance with, the amendments to the Declaration of Trust contemplated by Exhibit "A" to Appendix "A";
- (t) CSHT shall distribute to the Fund, as a partial repayment of the CSHT Notes, the remaining 10,669,307 Class A Units owned by CSHT, together with all of the 49 GP Shares owned by CSHT;
- (u) the Fund shall redeem the remaining Trust Units owned by the Purchaser Consortium in consideration of the distribution by the Fund, on a pro-rata basis, of the 10,669,307 Class A Units and 49 GP Shares received by the Fund from CSHT in step (t), as further described in, and in

accordance with, the amendments to the Declaration of Trust contemplated by Exhibit “A” to Appendix “A”; and

- (v) CFFI shall subscribe for one Trust Unit for consideration of \$10;

Representations and Warranties

Representations of the Fund

In the Transaction Agreement, the Fund provided representations and warranties regarding certain customary matters to Acquisition LP including the existence, power and authority of the Fund and the Clearwater Entities; due authorization of the Fund to enter into, and perform transactions contemplated by, the Transaction Agreement; the enforceability of the Transaction Agreement against the Fund; absence of any violation or breach of organizational documents, Applicable Law, contract or Authorization as a result of the execution of the Transaction Agreement or consummation of the Proposed Transaction; required Authorizations and consents from third parties and Governmental Authorities; ownership and capital structure of the Fund’s Subsidiaries; absence of certain changes or events; absence of material undisclosed liabilities; litigation; title to assets; authorized and issued capital of the Fund; principal amount of outstanding Debentures; physical condition of assets; listing of securities; reporting issuer status; mutual fund trust status; absence of third party rights to purchase or redeem securities or material assets of the Clearwater Entities; compliance with applicable laws; the Fund’s public disclosure record; broker fees in connection with the Proposed Transaction; the Valuation and Fairness Opinion; the Trustees’ support for the Proposed Transaction; labour matters; absence of default under contracts as a result of the incurrance of indebtedness under the Debt Financing Commitment Letters; tax matters; environmental matters; insurance; and intellectual property.

Representations of Acquisition LP

Acquisition LP also provided representations and warranties regarding certain customary matters to the Fund including the existence, power and authority of Acquisition LP to act; due authorization of Acquisition LP to enter into, and perform the transactions contemplated by, the Transaction Agreement; absence of any violation or breach of organizational documents, Applicable Law, contracts or Authorization as a result of execution of the Transaction Agreement or consummation of the Proposed Transaction; required Authorizations and consents of Governmental Authorities; enforceability of the Transaction Agreement against Acquisition LP; and Acquisition LP’s financing arrangements for the Proposed Transaction, including the Debt Financing Commitment Letters.

Conditions Precedent to Completion of the Proposed Transaction

Mutual Conditions Precedent to Completion

The Transaction Agreement provides that the obligations of the Fund and Acquisition LP to complete the Proposed Transaction are subject to the satisfaction or waiver of a number of conditions, including the following:

- (a) the Fund shall have received the Unitholder Approval;
- (b) no Applicable Law shall be in effect that makes the consummation of the Proposed Transaction illegal or otherwise prohibits or enjoins the Fund, Clearwater or Acquisition LP from consummating the Proposed Transaction;
- (c) the Transaction Agreement shall not have been terminated in accordance with its terms.

Conditions to Completion for the Benefit of Acquisition LP

The obligation of Acquisition LP to complete the Proposed Transaction is subject to the satisfaction or waiver of the following conditions:

- (a) all covenants of the Fund under the Transaction Agreement to be performed on or before the Effective Time shall have been duly performed by the Fund in all material respects;

- (b) all representations and warranties of the Fund set forth in the Transaction Agreement shall be true and correct in all respects as though made on and as of the Effective Time, without regard to any materiality or Material Adverse Effect qualifications contained in them as of the Effective Time (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date), except where the failure or failures of all such representations and warranties to be so true and correct in all respects would not reasonably be expected to have a material adverse effect and for the purposes of this condition “material adverse effect” shall mean (i) a Material Adverse Effect; and (ii) any other change effect, event, development, occurrence or state of facts which results in the Clearwater Entities, either individually or collectively, incurring or suffering any loss, damage, claim, expense, or loss in an aggregate amount exceeding \$15,000,000 (other than any write-down of the Fund’s investments in Clearwater as a result of the Proposed Transaction);
- (c) the Notes shall have been redeemed or repaid in full on or prior to the Closing Date on terms and conditions satisfactory to Acquisition LP and all related security interests shall have been released;
- (d) the Debentureholders shall have approved the Debentureholder Resolution in accordance with Applicable Law and the Debenture Trust Indenture;
- (e) the Licence Consents shall have been obtained on terms and conditions satisfactory to Acquisition LP, acting reasonably;
- (f) there shall not have occurred, following the date of the Transaction Agreement or exist a Material Adverse Effect;
- (g) immediately prior to the Effective Time, there shall not have occurred or exist any breach of, or default or event of default under, (or any state of facts which, after notice or lapse of time or both, will result in a breach of, or default or event of default under) the Note Indenture, the Debenture Trust Indenture or the Existing Credit Facilities other than, in each case, a breach, default or event of default that would not be reasonably likely to have a “material adverse effect”;
- (h) there shall not be pending or threatened any Proceeding by any Governmental Authority or any other Person: (i) seeking to prohibit or restrict the consummation of the Proposed Transaction or seeking to obtain from the Fund or Acquisition LP any material damages directly or indirectly in connection with the Proposed Transaction; (ii) seeking to restrain or limit the ability of Acquisition LP to hold the assets of or control the Clearwater Entities; or (iii) which, if successful, is reasonably likely to have a Material Adverse Effect;
- (i) as at the Effective Time, the “eligible accounts” and “eligible inventory” contemplated by the Debt Financing Commitment Letters shall be greater than \$75,000,000;
- (j) as at the Effective Time, the Fund and its subsidiaries shall have total indebtedness (on a consolidated basis but excluding hedging obligations) not exceeding \$230,000,000;
- (k) the ratio of consolidated earnings before interests, taxes, depreciation and amortization to fixed charges of the Fund and its subsidiaries (on a consolidated basis for the four fiscal quarters ending September 30, 2008) shall not be less than 1.25:1.0;
- (l) the ratio of consolidated earnings before interest, taxes, depreciation and amortization to interest expense on senior indebtedness of the Fund and its subsidiaries (on a consolidated basis) for the four fiscal quarters ending September 30, 2008 shall not be less than 2.50:1;
- (m) the ratio of total indebtedness to earnings before interest, taxes, depreciation and amortization of the Fund and its subsidiaries (on a consolidated basis) for the four fiscal quarters ending September 30, 2008 shall not be greater than 5.50:1.0;

- (n) as at the Effective Time, the net worth of the Fund and its subsidiaries (on a consolidated basis) shall not be less than \$70 million (excluding any write-down of the Fund's investment in Clearwater as a result of the Proposed Transaction); and
- (o) the extension of the currently outstanding ISK\$2.46 billion bonds shall have been completed substantially in accordance with the draft bond issue agreement between Clearwater Finance and Glitnir, copies of which have been provided to each of the parties to the Transaction Agreement.

Conditions to Completion for the Benefit of the Fund

The obligation of the Fund to complete the Proposed Transaction is subject to the satisfaction or waiver of the following conditions:

- (a) all covenants of Acquisition LP under the Transaction Agreement to be performed on or before the Effective Time shall have been duly performed by Acquisition LP in all material respects;
- (b) all representations and warranties of Acquisition LP set forth in the Transaction Agreement shall be true and correct in all material respects as of the Effective Time as though made on and as of the Effective Time (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date, and except in each case, for those representations and warranties that are subject to a materiality qualification, which must be true and correct in all material respects);
- (c) there shall be sufficient funds available in the appropriate Clearwater Entities in order to complete the Proposed Transaction including, without limitation, funds from the subscription by Acquisition LP for Class E Units and the availability of funds under the Debt Financing Commitment Letters; and
- (d) there shall not be pending or threatened any Proceeding by any Governmental Authority or any other Person seeking to prohibit or restrict the consummation of the Proposed Transaction or seeking to obtain from the Fund any material damages directly or indirectly in connection with the Proposed Transaction.

Covenants of the Fund Regarding Conduct of Business

Pursuant to the terms of the Transaction Agreement the Fund has agreed (to the extent the Fund has the legal power to cause compliance with the following) that, prior to the earlier of the Effective Time and the time that the Transaction Agreement is terminated, except as expressly contemplated by the Transaction Agreement or with the prior written consent of Acquisition LP (not to be unreasonably withheld), the Fund shall, and shall cause its Subsidiaries to, (i) conduct their business only in the ordinary course consistent with past practice and in compliance in all material respects with all Applicable Law; and (ii) use commercially reasonable efforts to preserve intact the business organization of the Fund and its Subsidiaries and to preserve the relationship of the Clearwater Entities with, among others, any Persons with which any of the Clearwater Entities has significant business relations.

Without limiting the generality of the foregoing, from the date of the Transaction Agreement until the earlier of the Effective Time and the time that the Transaction Agreement is terminated, except as expressly required by the Transaction Agreement the Fund shall not, and shall not permit any of its Subsidiaries to, except (i) with the prior written consent of Acquisition LP in its sole discretion, (ii) as is contemplated by the Transaction Agreement, or (iii) to the extent the Fund does not have the legal power to cause compliance therewith: (a) except for inter-company distributions, declare, set aside, or pay any dividend or make any other distribution on any of their equity securities (including the Trust Units); (b) issue, sell, pledge or encumber any debt or equity securities or rights to acquire any securities of the Fund or any of its Subsidiaries (other than the issuance of Trust Units in accordance with the terms of the Debentures); (c) amend the Declaration of Trust, the Limited Partnership Agreement, their respective articles or by-laws or other constating documents, or the terms of any of their respective outstanding securities or any outstanding indebtedness or credit facilities or any other Fund Material Document;

(d) split, consolidate or reclassify any of its outstanding securities or undertake any other capital reorganization; (e) redeem, purchase or offer to purchase any securities of the Fund or any of its Subsidiaries, except as required by the terms of the Declaration of Trust; (f) acquire or agree to acquire, or make any investment in or equity contribution to any Person (or any material interest therein or material amount of securities thereof); (g) reorganize, amalgamate or merge with any other Person whatsoever; (h) adopt a plan of liquidation or resolve to liquidate, dissolve, wind-up or reorganize; (i) grant any additional amounts of compensation, salary increase, severance, retention, change of control or termination payments or certain benefits to any trustee, officer, director or employee of any of the Clearwater Entities or amend any plan conferring benefits on such persons; (j) enter into certain transactions that could reasonably be expected to interfere with the Proposed Transaction, render inaccurate any of the representations or warranties given by the Fund in the Transaction Agreement or adversely affect the Fund's ability to perform its obligations under the Transaction Agreement; (k) incur any indebtedness or pledge, lease or encumber any property or assets; (l) acquire or dispose of certain assets or property having a value or cost in excess of \$10 million in the aggregate; (m) make certain capital expenditures; (n) waive, release settle or compromise certain claims; (o) enter into any transaction or undertake any act that would result in a breach of any material contract or amend or terminate any material contract; (p) enter into or modify certain collective agreements; (q) amend, modify or terminate any material insurance policy; (r) do or omit to do anything that would jeopardize the Fund's status as a "mutual fund trust" for the purposes of the Tax Act or that would cause CSHT to become subject to tax under proposed section 122 of the Tax Act; (s) fail in any material respect to timely pay, collect, withhold, and remit all taxes which are due and payable; or (t) agree, resolve or commit to do any of the foregoing.

The Trustees' Fiduciary Duty

Nothing contained in the Transaction Agreement shall be construed to require the Trustees to take or refrain from taking any action that would be inconsistent with their obligation to properly discharge their fiduciary duties under the Declaration of Trust and/or applicable law, and the Trustees may change their recommendation referred to under "Review and Approval of the Proposed Transaction – Recommendation of the Trustees" consistent with the proper discharge of their fiduciary duties, provided that the Fund shall have notified Acquisition LP regarding its intention to do any of the foregoing immediately, and in any event no later than five days prior to taking any steps in connection therewith. Notwithstanding the foregoing, nothing in the Transaction Agreement shall permit the Fund to terminate the Transaction Agreement other than in accordance with the provisions described under "Summary of the Transaction Agreement – Termination Events", or limit in any way the obligation of the Fund to convene and hold the Unitholder Meeting and Debentureholders Meeting in accordance with the requirements of the Transaction Agreement unless the Transaction Agreement is terminated in accordance with the provisions described under "Summary of the Transaction Agreement – Termination Events".

Protection of the Trustees and the Fund

Trustees', Directors' and Officers' Insurance and Indemnification

Pursuant to the terms of the Transaction Agreement, from and after the Effective Time, Acquisition LP shall, and shall cause Clearwater to, indemnify and hold harmless, to the fullest extent permitted under the Declaration of Trust (and to also advance expenses as incurred to the fullest extent permitted under the Declaration of Trust), each present and former trustee of the Fund and each present and former officer, director and trustee of Clearwater and/or their respective Subsidiaries (each an "**Indemnified Person**") against any costs or expenses (including reasonable attorneys' fees), judgments, fines, losses, claims, damages or liabilities incurred in connection with any claim, inquiry, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of or related to such Indemnified Person's service as a trustee of the Fund or as an officer, director or trustee of Clearwater and/or any of their respective Subsidiaries or services performed by such Persons at the request of the Fund, Clearwater and/or any of their respective Subsidiaries relating to any period prior to the Effective Time, whether asserted or claimed prior to, at or after the Effective Time, including the approval or

completion of the Transaction Agreement, the Proposed Transaction or any of the other transactions contemplated by the Transaction Agreement or arising out of or related to the Transaction Agreement and the transactions contemplated thereby.

Prior to the Effective Time, the Fund shall obtain and, if the Fund is unable to, Acquisition LP shall cause Clearwater, prior to the Effective Time, to obtain fully paid directors', officers' and trustees' liability coverage exclusively for the Fund's existing directors', officers' and trustees' which is non-cancellable by either the insurer or the insured for a claims reporting or run-off and extended reporting period and claims reporting period of at least six years from and after the Effective Time with respect to any claim related to any period or time at or prior to the Effective Time from a reputable insurance carrier, and with terms, conditions and retentions that are no less advantageous to the Indemnified Persons than the coverage provided under the Fund's existing policies with respect to any actual or alleged error, misstatement, misleading statement, act, omission, neglect, breach of duty or any matter claimed against a director, officer or trustee of any of the Clearwater Entities by reason of him or her serving in such capacity that existed or occurred at or prior to the Effective Time (including in connection with the approval or completion of the Transaction Agreement, the Proposed Transaction or the other transactions contemplated by the Transaction Agreement or arising out of or related to the Transaction Agreement and the transactions contemplated thereby). See also "Existing Trustees', Directors' and Officers' Insurance".

Limitation of Liability in Respect of the Trustees and Unitholders

Neither the Trustees nor the Unitholders shall be subject to personal liability for any debts, liabilities, obligations, claims, demands, judgments, costs, charges or expenses (including legal expenses) against or with respect to the Fund or arising out of anything done or permitted or omitted to be done in respect of the execution of the duties of the office of Trustees for or in respect to the affairs of the Fund, and resort will be had solely to the property and assets of the Trustees held in trust pursuant to the Declaration of Trust.

Termination Events

The Transaction Agreement may be terminated: (i) by the mutual written agreement of the Fund and Acquisition LP; or (ii) by either the Fund or Acquisition LP if: (a) the Effective Time shall not have occurred on or before the Outside Date, except that the right to terminate the Transaction Agreement under this provision shall not be available to any party whose failure to fulfill any of its obligations has been the cause of, or resulted in, the failure of the Effective Time to occur by such date; (b) after the date of the Transaction Agreement, there shall be enacted or made any Applicable Law (or any Applicable Law shall have been amended) that makes consummation of the Proposed Transaction illegal or otherwise prohibited or enjoins the Fund or any of its Subsidiaries or Acquisition LP from consummating the Proposed Transaction and such Applicable Law (if applicable) or injunction shall have become final and non-appealable; or (c) the Unitholder Approval shall not have been obtained at the Unitholder Meeting (including any adjournment or postponement thereof).

Termination by the Fund

The Fund may terminate the Transaction Agreement if a breach of any representation or warranty or failure to perform any covenant or agreement on the part of Acquisition LP set forth in the Transaction Agreement shall have occurred that would cause the conditions set forth under "Summary of the Transaction Agreement – Conditions Precedent to Completion of the Proposed Transaction – Mutual Conditions Precedent to Completion" or "Summary of the Transaction Agreement – Conditions Precedent to Completion of the Proposed Transaction – Conditions to Completion for the Benefit of the Fund" not to be satisfied, and such condition is incapable of being satisfied by the Outside Date; provided that the Fund is not then in breach of the Transaction Agreement so as to cause any of the conditions set forth under "Summary of the Transaction Agreement – Conditions Precedent to Completion of the Proposed Transaction – Mutual Conditions Precedent to Completion" or "Summary of the Transaction Agreement – Conditions Precedent to Completion of the Proposed Transaction – Conditions to Completion for the Benefit of Acquisition LP" not to be satisfied.

Termination by Acquisition LP

Acquisition LP may terminate the Transaction Agreement by providing written notice to the Fund if:

- (a) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of the Fund set forth in the Transaction Agreement shall have occurred that would cause the conditions set forth under “Summary of the Transaction Agreement – Conditions Precedent to Completion of the Proposed Transaction – Mutual Conditions Precedent to Completion” or “Summary of the Transaction Agreement – Conditions Precedent to Completion of the Proposed Transaction – Conditions to Completion for the Benefit of Acquisition LP” not to be satisfied, and such conditions are incapable of being satisfied by the Outside Date; provided that Acquisition LP is not then in breach of the Transaction Agreement so as to cause any of the conditions set forth under “Summary of the Transaction Agreement – Conditions Precedent to Completion of the Proposed Transaction – Mutual Conditions Precedent to Completion” or “Summary of the Transaction Agreement – Conditions Precedent to Completion of the Proposed Transaction – Conditions to Completion for the Benefit of the Fund” not to be satisfied;
- (b) prior to obtaining Unitholder Approval, the Trustees withdraw, amend, modify or qualify, in a manner adverse to Acquisition LP, the approval or recommendation of the Trustees of the Proposed Transaction, or shall fail to reaffirm such approval or recommendation within two Business Days of receipt of any written request to do so by Acquisition LP; or
- (c) a Material Adverse Effect exists or has occurred following the date of the Transaction Agreement;

Effect of Termination

If the Transaction Agreement is terminated pursuant to any of the provisions described under “Summary of the Transaction Agreement – Termination Events”, the Transaction Agreement shall become void and of no effect without liability of any party (or any shareholder, partner, trustee, director, officer, employee, agent, consultant or representative of such party) to any other party to the Transaction Agreement, except that the provisions described under “Expenses of the Proposed Transaction” and certain indemnification obligations of Acquisition LP shall survive any such termination. In addition, Acquisition LP would be required to reimburse the Fund for expenses incurred in respect of the Transaction Agreement and the Proposed Transaction if the Transaction Agreement were terminated under any of the circumstances described below under “Summary of the Transaction Agreement – Transaction Expenses”.

Transaction Expenses

Pursuant to the Transaction Agreement, the Fund and Acquisition LP shall each pay their respective legal, financial advisory and accounting costs and expenses incurred in connection with the preparation, execution and delivery of the Transaction Agreement and all documents and instruments executed or prepared pursuant to the Transaction Agreement and any other costs and expenses whatsoever and howsoever incurred, except that Acquisition LP shall pay, among others, (i) the reasonable out-of-pocket expenses of BMO Capital Markets in respect of the Valuation and Fairness Opinion, and (ii) the costs of any dealer or proxy solicitation service engaged in connection with the solicitation of proxies for the Unitholder Meeting and/or Debentureholder Meeting.

If the Proposed Transaction is not completed and the Transaction Agreement is terminated as a result of a breach of the Transaction Agreement by Acquisition LP or a breach of any of the undertakings delivered by members of the Purchaser Consortium dated the date of the Transaction Agreement, Acquisition LP shall reimburse the Fund in respect of any costs and expenses incurred in respect of the Transaction Agreement or the Proposed Transaction (which costs and expenses shall include, without limitation, any prepayment penalties, breakage fees, expenses or other fees incurred in respect of (i) the withdrawal of notices of prepayment sent in respect of the Existing Credit Facilities and the Notes; and (ii) the transactions contemplated by the Debt Financing Commitment Letters.

SUMMARY OF OTHER MATERIAL DOCUMENTS RELATED TO THE PROPOSED TRANSACTION

Debt Commitment Letters

In connection with the Proposed Transaction, Clearwater has received a Debt Commitment Letter dated August 13, 2008 from GE Canada pursuant to which GE Canada has committed to provide Clearwater with a \$75,000,000 revolving credit facility, secured by a first priority lien in all cash equivalents, accounts, inventory and certain other current assets of Clearwater and by a second priority lien over substantially all other assets of Clearwater. The revolving facility will be fully and unconditionally guaranteed by certain subsidiaries of Clearwater and the holders of equity interests of Clearwater will each provide limited recourse guarantees to the extent of their equity interest. The revolving facility bears interest and Clearwater may borrow, repay and re-borrow available funds.

Clearwater has also received a Debt Commitment Letter dated August 13, 2008 for senior secured loans consisting of four long-term tranches from a syndicate of lenders that include John Hancock Life Insurance Company, GE Canada, Hartford Investment Management Company, United of Omaha Mutual Life Insurance Company and Glitnir. The total amounts issued under the term facility will not exceed the aggregate of \$50,000,000 and \$US65,000,000 and will be guaranteed by certain subsidiaries of Clearwater and Acquisition LP will provide a limited recourse guarantee to the extent of its interest. The term facility will rank senior to the revolving credit facility with respect to substantially all assets of Clearwater and the guarantors that are not subject to a first priority lien under the revolving facility, which assets will be subject to a second ranking security interest. The loans bear interest and are subject to fees at levels believed by the Purchaser Consortium to be customary for credit facilities of this type.

Funds advanced on the Closing Date will be used to fund the Proposed Transaction, the refinancing of the Existing Credit Facilities and other indebtedness of the Clearwater Entities, and to fund certain fees and expenses in connection with the Proposed Transaction and the financing. Loans made after the Closing Date will be used for Clearwater's working capital and other general commercial purposes. Each of the Debt Commitment Letters is subject to a number of conditions, including execution of definitive loan agreements. Due diligence of the Clearwater Entities is not a condition of these financing commitments.

Keep-Well Undertaking

Maruha Nichiro Holdings, the indirect owner of 100% of the issued and outstanding capital stock of Maruha, has delivered an undertaking dated August 14, 2008 to the Fund and the other members of the Purchaser Consortium regarding Maruha (the "**Keep-Well Undertaking**") pursuant to which Maruha Nichiro Holdings has agreed to

- preserve and maintain (a) its corporate existence and (b) all of its licences, rights, privileges and franchises necessary or desirable for (i) the maintenance of its existence and (ii) the fulfillment of its obligations under the agreements to which it is a party in connection with the transactions contemplated by the Proposed Transaction;
- provide corporate and economic support to Maruha to the extent necessary to permit Maruha to satisfy all of its obligations arising under or pursuant to Applicable Law or any agreement, instrument, document, indenture, contract or other arrangement to which it is a party. Without limiting the generality of the foregoing, Maruha Nichiro Holdings agrees to provide sufficient monies in immediately available funds to Maruha when and as necessary to permit Maruha to satisfy all such obligations when due, including to provide to Maruha on or before the Closing Date a minimum of \$76,843,750 and to cause Maruha to invest such amount in limited partnership units of Acquisition LP on or before the Closing Date in accordance with its obligations under the relevant agreements; and
- to make commercially reasonable efforts to ensure that Maruha shall not be subject to any insolvency proceeding and shall not be liquidated, dissolved or wound up until the earlier of (a) termination of the Transaction Agreement or (b) Closing.

Each of the obligations of Maruha Nichiro Holdings incurred in, or as a result of, the Keep-Well Undertaking will terminate and no longer be effective from and after the earlier of (i) termination of the Transaction Agreement for any reason, or (ii) Closing.

Undertaking of Certain Members of the Purchaser Consortium

Each of the members of the Purchaser Consortium (other than Maruha) have executed and delivered an undertaking dated August 14, 2008 to the Fund pursuant to which such members have confirmed that they are each members of the Purchaser Consortium, that they collectively hold a majority of the limited partnership interests of Acquisition LP and, subject to the terms and conditions of the Transaction Agreement, that each such member shall:

- vote or cause to be voted any Units and any partnership interests in Clearwater now or subsequently owned by such member, or over which such member now or subsequently exercises control or direction, in favour of the Unitholder Resolution at the Unitholder Meeting;
- take or cause to be taken all actions as are within such member's power to control so as to complete the Proposed Transaction; and
- use its best efforts to cause Acquisition LP to comply with its obligations under the Transaction Agreement.

Guarantee of CFFI

CFFI has provided a guarantee dated August 14, 2008 to the Fund pursuant to which CFFI has unconditionally and irrevocably guaranteed the prompt payment and performance of the obligations of Acquisition LP to reimburse the Clearwater Entities in respect of any costs and expenses incurred in respect of the Transaction Agreement or the Proposed Transaction (which costs and expenses shall include, without limitation, any prepayment penalties, breakage fees, expenses or other fees incurred in respect of, (i) the withdrawal of notices of prepayment sent in respect of the Existing Credit Facilities and the Notes, and (ii) the transactions contemplated by the Debt Financing Commitment Letters) if the Proposed Transaction is not completed and the Transaction Agreement is terminated as a result of the breach of the Transaction Agreement by Acquisition LP or a breach of any of the undertakings delivered by members of the Purchaser Consortium dated August 14, 2008.

THE UNIT REDEMPTION

The provisions of the Unitholder Resolution, if adopted in accordance with the Declaration of Trust, will permit the Trustees to make the amendments to the Declaration of Trust and the Fund Material Documents, which are necessary in order to facilitate the Proposed Transaction and the Unit Redemption. The full text of the amendments are set forth in Exhibit "A" to the Unitholder Resolution, which is attached to this Circular as Appendix "A".

If Unitholder Approval is obtained and the Proposed Transaction is completed, Minority Unitholders will not be required to take any action in order to receive payment of the Unit Redemption Price for their Trust Units. On the Closing Date, CDS & Co., the sole registered holder of the Trust Units, will surrender the global certificates representing the Trust Units owned by Minority Unitholders to the Transfer Agent in exchange for payment of the aggregate Unit Redemption Price. As promptly as practicable following the Closing Date, CDS will transfer, directly or indirectly, the applicable portion of the aggregate Unit Redemption Price, subject to any applicable withholding tax, to the broker or other intermediary through which each Minority Unitholder holds their Trust Units.

THE DEBENTURE REDEMPTION

The provisions of the Debentureholder Resolution, if adopted in accordance with the Debenture Trust Indenture, will permit the Trustees to make the amendments to the Debenture Trust Indenture, which are necessary in order to complete the Debenture Redemption. The full text of the amendments are set forth in Exhibit "A" to the Debentureholder Resolution, which is attached to this Circular as Appendix "B".

If the Debentureholder Approval is obtained and the Proposed Transaction is completed, Debentureholders will not be required to take any action in order to receive payment of the Debenture Redemption Price for their Debentures. On the Closing Date, CDS & Co., the sole registered holder of the Debentures will surrender the global certificates representing the Debentures to the Debenture Trustee in exchange for payment of the aggregate Debenture Redemption Price plus accrued and unpaid interest to but excluding the Closing Date, subject to any applicable withholding tax. As promptly as practicable following the Closing Date, CDS will transfer, directly or indirectly, the applicable portion of the aggregate Debenture Redemption Price together with any accrued and unpaid interest to but excluding the Closing Date, subject to any applicable withholding tax, to the broker or other intermediary through which each Debentureholder holds their Debentures.

POSITION OF THE DEBENTUREHOLDERS IF THE DEBENTUREHOLDER APPROVAL IS NOT OBTAINED AND THE PROPOSED TRANSACTION IS COMPLETED

The Debentureholder Approval is a condition to the completion of the Proposed Transaction that may be waived at the option of Acquisition LP.

The volume weighted average trading price for the Series 1 Debentures and the Series 2 Debentures on the TSX during the period of 20 trading days prior to the announcement of the Proposed Transaction was \$88.18 and \$79.78, respectively, which is 88.18% and 79.78% of the principal amount of the Series 1 Debentures and Series 2 Debentures, respectively. The Debenture Redemption Price to be received by Debentureholders pursuant to the Debenture Redemption is 101% of the principal amount of the Series 1 Debentures and Series 2 Debentures. Accordingly, the Debenture Redemption Price represents a 15% and 27% premium over the volume weighted average trading price for the Series 1 Debentures and the Series 2 Debentures, respectively, on the TSX during the period of 20 trading days prior to the announcement of the Proposed Transaction.

Each of the Series 1 Debentures and Series 2 Debentures are convertible into Trust Units at the option of the Debentureholders. Currently, the Conversion Price for the Series 1 Debentures is \$12.25 such that approximately 81.6327 Trust Units would be issuable for each \$1,000 principal amount of Series 1 Debentures converted. The current Conversion Price for the Series 2 Debentures is \$5.90 such that approximately 169.4915 Trust Units would be issuable for each \$1000 principal amount of Series 2 Debentures converted. Accordingly, if a Debentureholder were to convert \$1,000 principal amount of Series 1 Debentures or Series 2 Debentures, as applicable, into Trust Units prior to the Effective Time, such Debentureholder would receive, on completion of the Proposed Transaction, aggregate consideration of \$367.35, in the case of Series 1 Debentures, or \$762.71, in the case of Series 2 Debentures, which in each case is less than the Debenture Redemption Price of \$1,010 that such Debentureholder would receive pursuant to the Debenture Redemption if such holder did not convert such Debentures and if the Debentureholder Approval is obtained and the Proposed Transaction is completed.

The Debentures are not currently redeemable at the option of the Fund or the Debentureholders. If the Debentureholder Approval is not obtained and the Proposed Transaction is completed, the Debentures will continue to accrue interest in accordance with the terms of the Debenture Trust Indenture. If the Debentureholder Approval is not obtained, following completion of the Proposed Transaction, the Fund may be required to make an offer to purchase all of the outstanding Debentures at a redemption price that would be equal to the Debenture Redemption Price.

Following the Proposed Transaction, any Debentureholder who wishes to convert all or a portion of such holder's Debentures into Trust Units, would be entitled to receive and would be required to accept, upon conversion, in lieu of the number of Trust Units then sought to be acquired by such holder pursuant to the conversion of such holder's Debentures, the consideration that such holder would have been entitled to receive pursuant to the Proposed Transaction had such holder held such number of Trust Units sought to be acquired at the Effective Time.

INFORMATION REGARDING THE FUND

The Fund is an unincorporated open-ended limited purpose trust established under the laws of the Province of Ontario pursuant to the Declaration of Trust. The Fund holds an approximate 54.27% interest in Clearwater. Clearwater is recognized for its consistent quality, wide diversity and reliable delivery of premium seafood including scallops, lobster, clams, coldwater shrimp, crab and groundfish. Clearwater harvests, processes and sells approximately 76 million pounds of seafood annually. Its operations consist primarily of: harvesting premium shellfish in the offshore fisheries off the coasts of Atlantic Canada and Argentina; processing shellfish on board state-of-the-art factory vessels or in modern shore-based processing plants in Atlantic Canada; and marketing and distributing premium shellfish to over 1,300 customers in North America, Europe and Asia. Clearwater currently has operations in Canada, the United States, Europe, Asia and Argentina, employing approximately 1,200 people worldwide as of August 22, 2008. It operates approximately 19 vessels, with the majority ranging in size from 100 feet to 235 feet. Clearwater also operates six modern shore-based processing plants and three distribution facilities.

INFORMATION REGARDING THE PURCHASER CONSORTIUM

Members of the Purchaser Consortium

CS Acquisition Limited Partnership

Acquisition LP is a limited partnership controlled by the Purchaser Consortium. Acquisition LP was established under the laws of Ontario on August 13, 2008 for the purpose of entering into the Transaction Agreement and consummating the Proposed Transaction and has not otherwise carried on any business prior to the date hereof, other than in respect of the Proposed Transaction. The registered office and records of Acquisition LP are located at 5300 Commerce Court West, 199 Bay Street, Toronto, Ontario, M5L 1B9.

Clearwater Fine Foods Inc.

CFFI is a corporation amalgamated under the laws of Canada and currently holds a 48.23% interest in the Fund on a fully diluted basis through its ownership of 1,275,205 Trust Units and 23,381,217 Special Trust Units. The registered office and records of CFFI are located at 757 Bedford Highway, Bedford, Nova Scotia, Canada, B4A 3Z7. CFFI currently holds a 44.85% direct interest in Clearwater through its ownership of 23,381,217 Class B Units and a 51% interest in CS ManPar, the managing general partner of Clearwater. The Limited Partnership Agreement provides that so long as CFFI holds at least 45% of the Units (on a fully diluted basis), CFFI has the right to appoint four of the seven directors of CS ManPar. Colin E. MacDonald and John C. Risley, each of whom is a director and officer of CS ManPar, are the sole shareholders of CFFI.

Maruha

Maruha, a corporation incorporated under the laws of Canada, is a wholly owned indirect subsidiary of Maruha Nichiro Holdings, a Japanese corporation. The principal business of Maruha Nichiro Holdings is the production, harvesting, procuring, processing and marketing of marine products and the production and sale of a variety of frozen food products to the global market. The registered office and records of Maruha are located at 1000 de la Gauchetière St. West, 9th Floor, Montreal, Quebec H3B 5H4.

Rollover Unitholders

Clarke is an activist and catalyst investment company that creates shareholder value by identifying businesses with the potential for improved performance, and working actively to uncover the value. Clarke's securities trade on the TSX under the symbols CKI, CKI.DB and CKI.DB.A. Clarke currently holds 3,134,275 Trust Units and will contribute 2,849,059 Trust Units to Acquisition LP in exchange for an interest in Acquisition LP, with the balance of 285,216 Trust Units to be redeemed for the Unit Redemption Price pursuant to the Unit Redemption along with the Minority Unitholders.

Glitnir is a Nordic bank, that offers a broad range of financial services, including corporate banking, investment banking, capital markets, investment management and retail banking. Glitnir's shares are listed on the OMX Nordic Exchange in Iceland under the symbol, "GLB". Glitnir currently holds 2,291,300 Trust Units and will contribute 2,082,794 Trust Units to Acquisition LP in exchange for an interest in Acquisition LP, with the balance of 208,506 Trust Units to be redeemed for the Unit Redemption Price pursuant to the Unit Redemption along with the Minority Unitholders. Prior to the closing of the Proposed Transaction, Glitnir may transfer its interest in the Purchaser Consortium to FP Resources Limited (formerly FPI Limited) in exchange for securities in FP Resources Limited. FP Resources Limited is a privately owned investment company in which CFFI currently has a 30.7% interest, Glitnir has a 30.5% interest and Mickey MacDonald has a 20.3% interest.

Mickey MacDonald is a businessman resident in Halifax, Nova Scotia. He currently holds 4,908,960 Trust Units and will contribute 4,462,249 Trust Units to Acquisition LP in exchange for an interest in Acquisition LP, with the balance of 446,711 Trust Units to be redeemed for the Unit Redemption Price pursuant to the Unit Redemption along with the Minority Unitholders. Mickey MacDonald is the brother of Colin E. MacDonald.

PRINCIPAL LEGAL MATTERS

Regulatory Matters

The Proposed Transaction is conditional upon the filing of all required notifications, the receipt of all consents and approvals and certain other regulatory requirements to the extent necessary as determined by the parties, acting reasonably.

Canadian Securities Law Matters

The Fund is a reporting issuer (or the equivalent) under applicable Canadian securities legislation in each of the provinces and territories of Canada and is, among other things, subject to applicable securities laws of Ontario and Quebec, including MI 61-101. MI 61-101 is intended to regulate certain transactions to ensure the protection and fair treatment of minority securityholders.

The Proposed Transaction constitutes a "business combination" under MI 61-101 because it may involve the termination of certain Unitholders' interest in the Fund without such Unitholders' consent. MI 61-101 provides that, unless exempted, a reporting issuer proposing to carry out a business combination is required to obtain a formal valuation of the affected securities from a qualified independent valuator and to provide the holders of the affected securities with a summary of such valuation. For the purposes of the Proposed Transaction, the Units are considered "affected securities" within the meaning of MI 61-101. See "Review and Approval of the Proposed Transaction – BMO Capital Markets' Valuation and Fairness Opinion" and see Appendix "C" to this Circular for a copy of the Valuation and Fairness Opinion.

MI 61-101 also requires that, in addition to any other required securityholder approval, in order to complete a business combination, the approval of a simple majority of the votes cast by Minority Unitholders must be obtained. In relation to the Proposed Transaction and for the purposes of this Circular, the Minority Unitholders of the Fund include all Unitholders other than:

- any members of the Purchaser Consortium;
- any other "interested party" within the meaning of MI 61-101;
- any "related party" (within the meaning of MI 61-101) of any "interested party" unless the related party meets that description solely in its capacity as a director or senior officer of one or more persons that are neither "interested parties" nor "issuer insiders" of the Fund; and
- any person or company acting jointly or in concert with any of the foregoing.

Stock Exchange De-Listing and Reporting Issuer Status

After submission of the requisite notices and applications, it is intended that the Trust Units and, if appropriate, the Debentures, will be de-listed from the TSX on or about the Closing Date, which is expected to occur in early October, 2008. In addition, following completion of the Proposed Transaction, the Fund intends to make an application to cease to be a “reporting issuer”.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Goodmans LLP, counsel to the Fund, the following is a summary of the principal Canadian federal income tax considerations under the Tax Act of the Proposed Transaction, including the Unit Redemption and the Debenture Redemption, that are generally applicable to a Unitholder or a Debentureholder, as the case may be, who disposes of Trust Units and/or Debentures to the Fund for cash pursuant to the Unit Redemption and/or the Debenture Redemption, as applicable. This summary assumes that, for purposes of the Tax Act, the Unitholder or the Debentureholder holds Trust Units or Debentures, as the case may be, as capital property, and deals at arm’s length and is not affiliated with the Fund. Trust Units and Debentures generally will be considered capital property to a Unitholder or Debentureholder, as the case may be, unless the holder holds such Trust Units or Debentures in the course of carrying on a business, or such holder has acquired them in one or more transactions considered to be an adventure or concern in the nature of trade.

Certain Unitholders or Debentureholders whose Trust Units or Debentures, as the case may be, might not otherwise qualify as capital property may be eligible to make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have the Trust Units and Debentures and every other “Canadian security” (as defined in the Tax Act) owned by such holders deemed to be capital property in the taxation year of the election and all subsequent taxation years.

For the purposes of this summary, counsel has assumed that the Fund qualifies as a “mutual fund trust” as defined in the Tax Act, on the date hereof, and will continue to so qualify throughout the period during which Unitholders or Debentureholders hold any Trust Units or Debentures, as applicable. If the Fund does not qualify or ceases to qualify as a “mutual fund trust” during such period, then the income tax considerations described below would, in some respects, be materially different.

This summary is not applicable to: (a) a Unitholder or Debentureholder that is a “financial institution” (as defined in the Tax Act) for purposes of the “mark-to-market” rules contained in the Tax Act; (b) a Unitholder or Debentureholder that is a “specified financial institution” (as defined in the Tax Act); (c) a Unitholder or Debentureholder an interest in which is a “tax shelter investment” (as defined in the Tax Act); or (d) a Unitholder or Debentureholder that has made a “functional currency” reporting election under the Tax Act. Any such Unitholder or Debentureholder should consult its own tax advisors with respect to the tax consequences of the Proposed Transaction including the Unit Redemption and the Debenture Redemption.

This summary is based upon the provisions of the Tax Act in force as of the date hereof, counsel’s understanding of the current published administrative and assessing policies of the CRA and all specific proposals to amend the Tax Act that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “Proposed Amendments”) and on the assumption that all such Proposed Amendments shall be enacted in the form proposed. However, there can be no assurance that the Proposed Amendments will be enacted in their current form or at all.

This summary is of a general nature only, is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposed Amendments, does not take into account or anticipate any changes in law or administrative or assessing practice whether by legislative, governmental, administrative or judicial action, nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein. The income and other tax consequences of disposing of Units or Debentures will vary depending on the holder’s particular circumstances including the provinces and territories in which the holder

resides or carries on business. This summary is not intended to be legal or tax advice to any particular Unitholder or Debentureholder. Consequently, such holders should consult their own tax advisors with respect to their particular circumstances.

Taxation of the Fund

Management has advised counsel that the Proposed Transaction, including the Unit Redemption and the Debenture Redemption, should not cause the Fund to realize income (or loss) for tax purposes. Accordingly, the Fund should generally not be liable for income tax under Part I of the Tax Act in respect of the Proposed Transaction.

Taxation of Holders Resident in Canada

The following summary is generally applicable to a Unitholder or Debentureholder, as the case may be, who, for purposes of the Tax Act, and at all relevant times is, or is deemed to be, a resident of Canada.

Unit Redemption

The redemption of Trust Units held by a Unitholder upon the Unit Redemption will be treated as a disposition by the Unitholder of such Trust Units. On the disposition of a Trust Unit on the Unit Redemption, a Unitholder will realize a capital gain (or capital loss) equal to the amount by which the Unitholder's proceeds of disposition exceed (or are less than) the aggregate of the Unitholder's adjusted cost base of the Trust Unit and any reasonable costs of disposition. Any capital gain or capital loss realized on the disposition of a Trust Unit will be subject to the general rules relating to the taxation of capital gains and capital losses described below.

Debenture Redemption

The redemption of Debentures held by a Debentureholder upon the Debenture Redemption will be treated as a disposition by the Debentureholder of such Debentures. On the disposition of a Debenture on the Debenture Redemption, a Debentureholder will be considered to have disposed of the Debenture for proceeds of disposition equal to the amount received by the holder (other than an amount received or deemed to be received on account of interest) on such redemption. The Debentureholder will realize a capital gain (or capital loss) equal to the amount by which the Debentureholder's proceeds of disposition exceed (or are less than) the aggregate of the Debentureholder's adjusted cost base of the Debenture and any reasonable costs of disposition. Any capital gain or capital loss realized upon the disposition of a Debenture will be subject to the general rules relating to the taxation of capital gains and capital losses described below.

In connection with the disposition of a Debenture on the Debenture Redemption, Debentureholders will receive a payment of accrued and unpaid interest to but excluding the Closing Date. In addition, the 1% premium paid by the Fund to a Debentureholder upon the Debenture Redemption will generally be deemed to be interest received at that time by such Debentureholder to the extent that such premium can reasonably be considered to relate to, and does not exceed the value on the date of the Debenture Redemption, of the interest that would have been paid or payable by the Fund on the Debentures for taxation years of the Fund ending after the date of the Debenture Redemption. In connection with the disposition of a Debenture on the Debenture Redemption, Debentureholders will receive a payment of accrued and unpaid interest to but excluding the Closing Date. Such interest (or deemed interest) will be included in computing the Debentureholder's income, except to the extent such amount was otherwise included in the holder's income, and will be excluded in computing the Debentureholder's proceeds of disposition of the Debenture. A holder that throughout the relevant taxation year is a "Canadian-controlled private corporation", as defined in the Tax Act, is liable to pay an additional refundable tax of 6 $\frac{2}{3}$ % on investment income, which generally includes interest income.

Capital Gains and Capital Losses

One-half of any capital gain (a “taxable capital gain”) realized by a Unitholder or Debentureholder will be included in the Unitholder’s and/or Debentureholder’s income as a taxable capital gain. One-half of any capital loss (an “allowable capital loss”) realized by a Unitholder or Debentureholder may generally be deducted only from taxable capital gains realized or considered to be realized by the Unitholder or Debentureholder, subject to and in accordance with the provisions of the Tax Act. Allowable capital losses not deducted in the taxation year in which they are realized may be carried back and deducted in any of the three preceding years or carried forward and deducted in any following year against taxable capital gains realized in such years, to the extent and under the circumstances specified in the Tax Act.

A Unitholder or Debentureholder that is a “Canadian-controlled private corporation” (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6⅔% on its “aggregate investment income” for the year, which will include an amount in respect of taxable capital gains.

Where a Unitholder that is a corporation or trust (other than a mutual fund trust) disposes of a Trust Unit, the Unitholder’s capital loss from the disposition will generally be reduced by the amount of dividends previously designated by the Fund to the Unitholder except to the extent that a loss on a previous disposition of a Trust Unit has been reduced by those dividends. Analogous rules apply where a corporation or trust (other than a mutual fund trust) is a member of a partnership that disposes of Trust Units. Unitholders to whom these rules may apply should consult their own tax advisors.

Alternative Minimum Tax

Individuals and certain trusts and estates may be subject to alternative minimum tax under the Tax Act. In general terms, capital gains realized on the disposition of Trust Units and/or Debentures may increase the Unitholder’s and/or Debentureholder’s liability for alternative minimum tax.

Taxation of Holders Not Resident in Canada

The following summary is generally applicable to a Unitholder or Debentureholder who, for purposes of the Tax Act and any applicable income tax convention, and at all relevant times, (i) is not and has not been a resident or deemed to be a resident of Canada; and (ii) does not use or hold, and is not deemed to use or hold, Trust Units or Debentures, as the case may be, in connection with carrying on a business in Canada (each a “Non-Resident Unitholder” or “Non-Resident Debentureholder”). Special rules, which are not discussed in this summary, may apply to a non-resident that is an insurer carrying on business in Canada and elsewhere.

Unit Redemption

A Non-Resident Unitholder generally will not be subject to tax under the Tax Act in respect of a capital gain, or entitled to deduct any capital loss, realized upon the redemption of Units unless the Trust Units represent “taxable Canadian property” to such Non-Resident Unitholder and the Non-Resident Unitholder is not entitled to an exemption pursuant to the provisions of an applicable income tax treaty or convention. Trust Units owned by a Non-Resident Unitholder generally will not be considered to be “taxable Canadian property” unless: (i) at any time during the 60-month period immediately preceding the Unit Redemption, not less than 25% of the issued Trust Units were owned by that Non-Resident Unitholder and/or persons with whom that Non-Resident Unitholder did not deal at arm’s length; or (ii) the Trust Units are otherwise deemed to be “taxable Canadian property” under the Tax Act. In the event that the Trust Units constitute “taxable Canadian property” in the hands of a Non-Resident Unitholder and the capital gain, if any, realized upon a disposition of such Trust Units is not exempt from Canadian tax by virtue of an applicable income tax treaty or convention, the general rules relating to the taxation of capital gains and losses described above under “Taxation of Holders Resident in Canada – Capital Gains and Capital Losses” will apply. Non-Resident Unitholders for whom Trust Units are “taxable Canadian property” should consult their own tax advisors with respect to the tax consequences of the disposition of Trust Units upon the Unit Redemption.

Debenture Redemption

A Non-Resident Debentureholder generally will not be subject to tax under the Tax Act in respect of a capital gain, or entitled to deduct any capital loss, realized upon the redemption of Debentures unless the debentures constitute “taxable Canadian property” and the Non-Resident Debentureholder is not entitled to an exemption pursuant to the provisions of an applicable tax treaty or convention. The Debentures are considered to be an interest or option in respect of Trust Units for purposes of the definition of “taxable Canadian property”. Debentures owned by a Non-Resident Debentureholder generally will not be considered to be “taxable Canadian property” unless: (i) at any time during the 60-month period immediately preceding the Debenture Redemption, not less than 25% of the issued Units were owned by that Non-Resident Debentureholder and/or persons with whom that Non-Resident Debentureholder did not deal at arm’s length; or (ii) the Debentures are otherwise deemed to be “taxable Canadian property” under the Tax Act. In the event that the Debentures constitute “taxable Canadian property” in the hands of a Non-Resident Debentureholder and the capital gain, if any, realized upon a disposition of such Debentures is not exempt from Canadian tax by virtue of an applicable income tax treaty or convention, the general rules relating to the taxation of capital gains and losses described above under “Taxation of Holders Resident in Canada – Capital Gains and Capital Losses” will apply. Non-Resident Debentureholders for whom Debentures are “taxable Canadian property” should consult their own tax advisors with respect to the tax consequences of the disposition of Debentures upon the Debenture Redemption.

Interest paid or credited, or deemed to be paid or credited, to a Non-Resident Debentureholder will generally not be subject to Canadian withholding tax.

OWNERSHIP BY TRUSTEES, DIRECTORS, OFFICERS AND OTHERS OF THE FUND’S SECURITIES

Ownership of Securities of the Fund

To the knowledge of the Fund, after reasonable inquiry, the following table sets forth, as at the date of this Circular (except as otherwise indicated), the number of securities of the Fund beneficially owned, directly or indirectly, or over which control or direction is exercised, by each trustee, director, officer of the Fund and CS ManPar, each person or company who beneficially owns or exercises control or direction over more than 10% of any class of equity securities of the Fund, each of their respective associates and affiliates, and each associate and affiliate of, and each person acting jointly or in concert with, the Fund.

Name	Relationship with Company	No. of Trust Units ⁽¹⁾	No. of Special Trust Units ⁽¹⁾	Principal Amount of Debentures ⁽¹⁾	% of Outstanding Trust Units	% of Outstanding Special Trust Units	% of Outstanding Principal Amount of Debentures
THOMAS D. TRAVES	Trustee of the Fund	14,530	–	\$42,000	<1%	–	<1%
BERNARD R. WILSON	Trustee of the Fund	4,500	–	–	<1%	–	–
BRIAN CROWLEY	Trustee of the Fund	14,500	–	–	<1%	–	–
BRENDAN PADDICK	Director of CS ManPar	20,000	–	–	<1%	–	–
HUGH SMITH	Director of CS ManPar	50,000	–	–	<1%	–	–

COLIN MACDONALD	Director of CS ManPar	60,500	–	–	<1%	–	–
BOB WIGHT	Senior Officer of CS ManPar	210,000	–	–	<1%	–	–
EDUARDO GONZALEZ- LEMMI	Director of Subsidiary of the Fund	848,962	–	–	3.1%	–	–
MICHAEL PITTMAN	Senior Officer of CS ManPar	6,000	–	–	<1%	–	–
ERIC ROE	Senior Officer of CS ManPar	70,000	–	–	<1%	–	–
STANLEY SPAVOLD	Senior Officer of CS ManPar	26,500	–	–	<1%	–	–
TYRONE COTIE	Senior Officer of CS Man Par	910	–	–	<1%	–	–
CFFI	10% Holder	1,275,205	23,381,217	–	4.6%	100%	–

NOTES:

- (1) The information as to Trust Units, Special Trust Units and Debentures beneficially owned, directly or indirectly, including by associates or affiliates, not being within the knowledge of the Fund has been furnished by the respective Trustees, directors, officers, managers or 10% holders, as applicable, individually.

See also “Summary of the Transaction Agreement – Protection of the Trustees and the Fund” for interests of Trustees in the Proposed Transaction.

Commitments to Acquire Securities of the Fund

To the knowledge of the Fund, after reasonable inquiry, neither the Fund nor any of the Unitholders or Debentureholders listed in the table above has any commitment to acquire any securities of the Fund other than pursuant to the Proposed Transaction.

Approval of the Unitholder Resolution and Debentureholder Resolution

To the knowledge of the Fund, after reasonable inquiry, each of the Unitholders and Debentureholders listed in the table above intends to vote all of their Units and Debentures in favour of the Unitholder Resolution and Debentureholder Resolution, respectively.

Benefits of the Proposed Transaction

Other than as disclosed in this Circular, none of the Unitholders or Debentureholders listed in the table above will receive any direct or indirect benefit from the completion of the Proposed Transaction that is not available to all Unitholders and Debentureholders, as applicable.

In addition to their usual Trustees’ fees, each of the three Trustees will receive a fee of \$25,000 plus \$1,000 for each meeting held for their work in connection with the strategic review of the Fund, including their consideration of the Proposed Transaction.

PREVIOUS PURCHASES AND SALES OF SECURITIES OF THE FUND

Previous Purchases

During the 12 months preceding the date of this Circular, the Fund repurchased and cancelled 1,443,200 Units at a weighted average purchase price of \$4.70 per Unit, pursuant to a normal course issuer bid, which repurchases occurred principally between September, 2007 and December, 2007. The Fund undertook such repurchases because the Trustees believed that the repurchases represented an attractive opportunity to realize additional Unitholder value and that the repurchases were an appropriate and desirable use of the Fund’s available resources.

During the 12 months preceding the date of this Circular, the Fund repurchased and cancelled \$1,000,000 principal amount of Series 1 Debentures and \$3,652,000 principal amount of Series 2 Debentures, at a weighted average price of 98.28% of the principal amount of the Series 1 Debentures and 92.48% of the principal amount of the Series 2 Debentures, pursuant to normal course issuer bids. The repurchases of the Series 1 Debentures occurred during August, 2007 and September, 2007 and the repurchases of the Series 2 Debentures occurred during November, 2007 and December, 2007. The Fund undertook such repurchases because the Trustees believed that such repurchases were an appropriate use of available cash and in the best interests of the Fund and its Unitholders.

Previous Sales

Since August 22, 2003, the Fund has distributed the following securities:

- On September 17, 2003, the Fund issued 848,962 Trust Units at a price of \$12.28 per Trust Unit for gross proceeds of \$10,425,253. The net proceeds of the issuance were used to finance the acquisition of an interest in the Fund's Argentine subsidiary, Glaciar Pesquera S.A.
- On June 15, 2004, the Fund issued \$50,000,000 aggregate principal amount of Series 1 Debentures. The net proceeds of the offering were used to reduce borrowings under Clearwater's revolving credit facilities.
- On March 9, 2007, the Fund issued \$43,500,000 aggregate principal amount of Series 2 Debentures. The net proceeds of the offering were used to enhance Clearwater's capital structure and to provide flexibility to allow Clearwater to pursue potential accretive acquisitions.
- On March 12, 2007, the Fund issued an addition \$4,542,000 aggregate principal amount of Series 2 Debentures pursuant to the exercise of an over-allotment option granted in connection with the issuance of \$43,500,000 Series 2 Debentures.

MATERIAL CHANGES IN THE AFFAIRS OF THE FUND

Except as described in this Circular, including under "Summary of the Transaction Agreement", the Trustees are not currently aware of any plans or proposals for any material change in the affairs of the Fund, other than those that have been publicly disclosed.

RISK FACTORS

The following risk factors should be carefully considered by Unitholders and Debentureholders in evaluating whether to approve the Unitholder Resolution and Debentureholder Resolution, respectively.

Risks Relating to the Proposed Transaction

There can be no certainty that all conditions precedent to the Proposed Transaction will be satisfied or waived, or the timing of their satisfaction or waiver. Failure to complete the Proposed Transaction could negatively impact the price of the Units and Debentures.

The completion of the Proposed Transaction is subject to a number of conditions precedent, some of which are outside the control of the Fund, including receipt of certain regulatory approvals, the Unitholder Approval and the Debentureholder Approval. A number of the conditions to completion of the Proposed Transaction in the Transaction Agreement, including certain financial conditions relating to the Fund and its subsidiaries, are also conditions of the financing commitments contained in the Debt Financing Commitment Letters and, accordingly, may not be waived by Acquisition LP without the consent of the other parties to the Debt Financing Commitment Letters. 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. If the Proposed Transaction is not completed, the market price of the Units and Debentures may be adversely affected.

Uncertainty surrounding the Proposed Transaction could adversely affect the Fund's retention of customers, suppliers and personnel and could negatively impact the Fund's future business operations.

Because the Proposed Transaction is dependent upon the satisfaction of certain conditions, its completion is subject to uncertainty. In response to this uncertainty, the Fund's customers and suppliers may delay or defer decisions concerning the Fund. Any delay or deferral of those decisions by customers or suppliers could have a Material Adverse Effect on the business and operations of the Fund, regardless of whether the Proposed Transaction is ultimately completed. Similarly, current and prospective employees of the Fund may experience uncertainty about their future roles with the Fund until the Purchaser Consortium's strategies with respect to the Fund are announced and executed. This may adversely affect the Fund's ability to attract or retain key management, sales and marketing personnel in the period until the Proposed Transaction is completed.

The Transaction Agreement may be terminated by Acquisition LP or the Fund in certain circumstances.

Each of Acquisition LP and the Fund has the right, in certain circumstances, to terminate the Transaction Agreement. Accordingly, there can be no certainty, nor can the Fund provide any assurance, that the Transaction Agreement will not be terminated by either of Acquisition LP or the Fund prior to the completion of the Proposed Transaction. For example, Acquisition LP has the right, in certain circumstances, to terminate the Transaction Agreement in the event of a change that has a Material Adverse Effect in respect of the Fund. Although a Material Adverse Effect excludes certain events that are beyond the control of the Fund, in each case that does not disproportionately adversely affect the Clearwater Entities, there can be no assurance that a change having a Material Adverse Effect on the Fund will not occur prior to the Effective Time, in which case Acquisition LP could elect to terminate the Transaction Agreement and the Proposed Transaction would not proceed. In addition, Acquisition LP may terminate the Transaction Agreement in the event that any of the representations and warranties of the Fund are not true and correct as of the Effective Time, unless such failure would not reasonably be expected to have a "material adverse effect". If, for any reason, the Transaction Agreement is terminated, the market price of the Units and the Debentures may be adversely affected.

If the Fund is unable to complete the Proposed Transaction or if completion of the Proposed Transaction is delayed, there could be an adverse effect on the Fund's business, financial condition, operating results and the price of its Units and Debentures.

The completion of the Proposed Transaction is subject to the satisfaction of numerous closing conditions, including, among others, receipt of certain regulatory approvals, the Unitholder Approval and the Debentureholder Approval. A substantial delay in obtaining satisfactory approvals and consents and/or the imposition of unfavourable terms or conditions in the approvals or consents to be obtained could have an adverse effect on the business, financial condition or results of operations of the Fund or could result in the termination of the Transaction Agreement. If (a) Unitholders choose not to approve the Unitholder Resolution, (b) either series of Debentureholders chooses not to approve the Debentureholder Resolution, (c) the Fund otherwise fails to satisfy, or fails to obtain a waiver of the satisfaction of, the closing conditions to the Proposed Transaction and the Proposed Transaction is not completed, (d) a Material Adverse Effect has occurred that results in the termination of the Transaction Agreement, or (e) any legal proceeding results in enjoining the transactions contemplated by the Transaction Agreement, the Fund could be subject to various adverse consequences, including that the Fund would remain liable for significant costs relating to the Proposed Transaction, including, among others, legal, accounting and financial printing expenses. If the Transaction Agreement is terminated other than as a result of a breach of the Transaction Agreement by Acquisition LP, the Fund's ability to recover its costs and expenses in connection with the Transaction Agreement or Proposed Transaction will be limited.

Risks Relating to the Fund

Whether or not the Proposed Transaction is completed, the Fund will continue to face many of the risks that it currently faces with respect to its business and affairs. For a comprehensive list of the risk factors affecting the Fund and its business, please refer to the Fund's annual information form dated March 28,

2008 as well as the management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2007 and the three month period ended June 30, 2008, which risk factors are specifically incorporated by reference in this Circular. A copy of each of these documents can be obtained free of charge on SEDAR at www.sedar.com.

TRADING HISTORY OF UNITS AND DEBENTURES

The outstanding Trust Units are listed and posted for trading on the TSX under the symbol "CLR.UN" and the Debentures trade under the symbols "CLR.DB" and "CLR.DB.A".

Monthly price ranges and average daily trading volumes for the Trust Units for the period from February 1, 2008 through July 31, 2008 were as follows:

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Trading Volume</u>
February 2008	\$3.45	\$3.12	292,760
March 2008	\$4.01	\$3.31	330,366
April 2008	\$3.85	\$3.08	323,051
May 2008	\$3.50	\$3.31	172,931
June 2008	\$3.63	\$3.22	310,209
July 2008	\$3.64	\$3.22	309,017

The Unit Redemption Price being to be received by Unitholders represents a premium of approximately 32% over the volume weighted average trading price of \$3.42 for the Trust Units on the TSX during the period of 20 trading days ended on August 13, 2008, the last trading day immediately prior to the announcement of the Proposed Transaction. For information regarding the impact of the Proposed Transaction on the listing of the Trust Units, see "Principal Legal Matters – Stock Exchange De-Listing and Reporting Issuer Status".

Monthly price ranges and average daily trading volumes for the Series 1 Debentures for the period from February 1, 2008 through July 31, 2008 were as follows:

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Trading Value</u>
February 2008	\$ 90.00	\$86.01	\$337,395
March 2008	\$93.50	\$86.00	\$303,563
April 2008	\$92.99	\$86.01	\$267,174
May 2008	\$91.00	\$89.10	\$996,181
June 2008	\$90.00	\$80.00	\$323,417
July 2008.....	\$88.00	\$75.00	\$109,281

Monthly price ranges and average daily trading volumes for the Series 2 Debentures for the period from February 1, 2008 through July 31, 2008 were as follows:

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Trading Value</u>
February 2008	\$83.25	\$80.00	\$541,687
March 2008	\$82.99	\$78.00	\$800,206

April 2008	\$82.00	\$75.00	\$736,162
May 2008	\$80.99	\$77.55	\$304,772
June 2008	\$80.95	\$79.00	\$254,526
July 2008	\$82.00	\$79.25	\$423,268

The Debenture Redemption Price to be received by the holders of the Series 1 Debentures and Series 2 Debentures represents a premium of approximately 15% and 27%, respectively, over the volume weighted average trading price of \$88.18 and \$79.78 for the Series 1 Debentures and Series 2 Debentures, respectively, on the TSX during the period of 20 trading days ended on August 13, 2008, the last trading day immediately prior to the announcement of the Proposed Transaction. For information regarding the impact of the Proposed Transaction on the listing of the Debentures, see “Principal Legal Matters – Stock Exchange De-Listing and Reporting Issuer Status”.

DISTRIBUTIONS

The dividend policy of the Fund has been to distribute the interest and dividends earned by the Fund less administrative expenses, tax liabilities and other obligations of the Fund, including the Debentures, and amounts, if any, paid by the Fund in connection with the redemption of Trust Units. In October, 2005, the Fund suspended distributions on the Trust Units. Distributions were reinstated in August of 2007, retroactive to July 2007. In January 2008, Clearwater suspended distributions to Unitholders and no distributions to Unitholders have been paid since such time

The following distributions were declared by the Fund to Unitholders for the period from August 2007 to December 31, 2007:

<u>Date of Record</u>	<u>Date of Payment</u>	<u>Per Unit Amount</u>
August 31, 2006	September 15, 2006	\$0.10 ⁽¹⁾
September 29, 2006	October 13, 2006	\$0.05
October 31, 2006	November 15, 2006	\$0.05
November 30, 2006	December 15, 2006	\$0.05
December 29, 2006	January 15, 2007	\$0.05
January 31, 2007	February 15, 2007	\$0.05
February 28, 2007	March 15, 2007	\$0.05
March 30, 2007	April 13, 2007	\$0.05
April 30, 2007	May 15, 2007	\$0.05
May 31, 2007	June 15, 2007	\$0.05
June 29, 2007	July 13, 2007	\$0.05
July 31, 2007	August 15, 2007	\$0.05
August 31, 2007	September 14, 2007	\$0.05
September 28, 2007	October 15, 2007	\$0.05
October 31, 2007	November 15, 2007	\$0.05
November 30, 2007	December 14, 2007	\$0.05
December 31, 2007	January 15, 2008	\$0.05

NOTES:

- (1) Includes a distribution of \$0.05 for the month of August which represents a “catch-up” distribution of \$0.05 relating to the month of July, during which distributions had been suspended.

EXPENSES OF THE PROPOSED TRANSACTION

Pursuant to the Transaction Agreement, the Fund and Acquisition LP shall each pay their respective legal, financial advisory and accounting costs and expenses incurred in connection with the preparation, execution and delivery of the Transaction Agreement and all documents and instruments executed or prepared pursuant to the Transaction Agreement and any other costs and expenses whatsoever and howsoever incurred, except that Acquisition LP shall pay, among others, (i) the reasonable out-of-pocket expenses of BMO Capital Markets in respect of the Valuation and Fairness Opinion, and (ii) the costs of any dealer or proxy solicitation service engaged in connection with the solicitation of proxies for the Unitholder Meeting and/or Debentureholder Meeting.

The Fund estimates that expenses in the aggregate amount of approximately \$9,515,000 will be incurred by the Fund in connection with the Proposed Transaction if the Proposed Transaction is completed, including legal, certain financial advisory, accounting, filing and printing costs and the costs of preparing and mailing this Circular. If the Proposed Transaction is not completed, the aggregate expenses are anticipated to be approximately \$2,865,000. The estimated fees, costs and expenses to be incurred by the Fund in connection with the Proposed Transaction both if it is completed or not completed are set forth in the table below:

Expense	If the Proposed Transaction is Completed	If the Proposed Transaction is Not Completed ⁽¹⁾
Legal, Accounting and Filing Fees	\$1,295,000	\$1,295,000
Services of BMO Capital Markets.....	\$350,000 ⁽²⁾	\$350,000 ⁽²⁾
Trustees' Fees	\$100,000	\$100,000
Printing and Mailing Costs	\$20,000	\$20,000
Financing Commitment Fees.....	\$750,000	\$500,000
Refinancing Fees	\$7,000,000	\$600,000
Total.....	\$9,515,000	\$2,865,000

Notes

- (1) The Fund is entitled to be reimbursed by Acquisition LP for expenses incurred in respect of the Transaction Agreement and the Proposed Transaction if the Transaction Agreement is terminated under any of the circumstances described in the following paragraph.
- (2) Does not include expenses in respect of the Valuation and Fairness Opinion in the amount of \$300,000 which will be paid by Acquisition LP.

If the Proposed Transaction is not completed and the Transaction Agreement is terminated as a result of a breach of the Transaction Agreement by Acquisition LP or a breach of any of the undertakings delivered by members of the Purchaser Consortium dated the date of the Transaction Agreement, Acquisition LP shall reimburse the Fund in respect of any costs and expenses incurred in respect of the Transaction Agreement or the Proposed Transaction (which costs and expenses shall include, without limitation, any prepayment penalties, breakage fees, expenses or other fees incurred in respect of (i) the withdrawal of notices of prepayment sent in respect of the Existing Credit Facilities and the Notes; and (ii) the transactions contemplated by the Debt Financing Commitment Letters. See “Summary of the Transaction Agreement – Transaction Expenses”.

EXISTING 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 (2006 - \$25

million). Losses are subject to a deductible of \$75,000 or, in the case of securities claims, \$250,000 (2006 - \$250,000).

For the period from January 1, 2007 to December 31, 2007, the total premium paid on the policy, including fees, was \$181,728 (2006 - \$184,575).

The Declaration of Trust, the CSHT Declaration of 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 limitations.

See also “Summary of the Proposed Transaction – Protection of Trustees and the Fund – Trustees’, Directors’ and Officers’ Insurance and Indemnification”.

MANAGEMENT CONTRACTS

Administration Agreement

The Fund and the Trust are 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 and the Trust, 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.

INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

To the knowledge of the Fund, Clearwater had the following transactions and balances with CFFI since January 1, 2008:

Transactions

Charge by CFFI for rent and other services, net of rent and IT services.....	298,060
--	---------

Balances

Distribution and other payable to CFFI	79,000
--	--------

In addition, Clearwater was charged approximately \$108,000 for vehicle leases in 2007 (December 31, 2006 - \$139,000) and approximately \$115,000 for other services (December 31, 2006 - \$81,000) by companies controlled by a relative of an officer of Clearwater. Clearwater was charged approximately \$64,060 for vehicle leases year-to-date 2008 (2007 - \$61,000) and nil for other services in the second quarter year-to-date 2008 (2007 - \$29,800) by companies controlled by a relative of an officer of Clearwater. There was also a management fee charged to a joint venture partner in the year-to-date period \$171,066 (2007 – \$217,900).

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 any director or officer of CS ManPar, Clearwater, or any other subsidiary or Unitholder who beneficially owns more than 10% of the Trust Units or Special Units, or any of their

respective associates or affiliates, 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. See “Ownership by Trustees, Directors, Officers and Others of the Fund’s Securities” for a description of the interests that such Persons have in the Proposed Transaction.

INTEREST OF PERSONS IN THE MATTERS TO BE ACTED UPON AT THE MEETING

Except as otherwise disclosed in this Circular, no Trustee or executive officer of the Fund nor any of their respective associates or affiliates, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise in any matter to be acted upon at the Meeting.

LEGAL MATTERS

Goodmans LLP, counsel to the Fund, Stewart McKelvey, counsel to the Trustees, and Stikeman Elliott LLP, counsel to Acquisition LP, have provided legal advice upon corporate, securities and tax law matters in connection with the Proposed Transaction.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditor of the Fund is KPMG LLP and has been since the Fund’s inception. The transfer agent and registrar of the Fund is Computershare Investor Services Inc. at its principal office in Halifax, Nova Scotia.

OTHER BUSINESS

Management does not currently know of any matters to be brought before the Meeting other than those set forth in the Notice of Unitholder Meeting and Notice of Debentureholder Meeting accompanying this Circular.

ADDITIONAL INFORMATION

Unitholders and Debentureholders who wish to obtain additional information should contact the Assistant Secretary of CS ManPar, 757 Bedford Highway, Bedford, Nova Scotia B4A 3Z7.

The Fund will provide any person or company, upon receipt of a request by the Assistant Secretary of CS ManPar, and without charge to Unitholders and Debentureholders of the Fund, with a copy of:

- the most recent annual information form of the Fund dated March 28, 2008, together with a copy of any document or the pertinent pages of any document incorporated by reference in the current annual information form;
- the comparative financial statements of the Fund for the fiscal year ended December 31, 2007, together with the report of the auditors therein;
- the most recent annual report of the Fund, dated March 28, 2008, which includes management’s discussion and analysis of financial conditions and results of operations;
- the interim financial statements and management’s discussion and analysis of the Fund for the periods subsequent to the end of 2007;
- management information circular for the annual meeting of Unitholders, dated March 13, 2008; and
- this Circular.

The annual report (including the financial statements and management’s discussion and analysis), the annual information form and other information relating to the Fund are available on SEDAR at www.sedar.com. or at the Fund’s website www.clearwater.ca.

CONSENT OF BMO NESBITT BURNS INC.

August 22, 2008

TO: The Board of Trustees of Clearwater Seafoods Income Fund

We refer to the formal Valuation and Fairness Opinion dated as of August 13, 2008 (the “Valuation and Fairness Opinion”), which we prepared for the board of trustees of Clearwater Seafoods Income Fund (the “Fund”) for use in connection with the Proposed Transaction (as defined in the Fund’s management information circular dated August 22, 2008 (the “Circular”)). We consent to the filing of the Valuation and Fairness Opinion with the securities regulatory authority and the inclusion of the Valuation and Fairness Opinion and a summary of the Valuation and Fairness Opinion in the Circular.

Yours truly,

(Signed) BMO NESBITT BURNS INC.

CONSENT OF GOODMAN'S LLP

August 22, 2008

TO: The Board of Trustees of Clearwater Seafoods Income Fund

We hereby consent to the use of our opinion under the heading "Certain Canadian Federal Income Tax Considerations" in the Circular.

Yours truly,

(Signed) GOODMAN'S LLP

TRUSTEES' APPROVAL

The contents of this Circular and its sending to Unitholders have been approved by the Board of Trustees.

DATED at Halifax, Nova Scotia, the 22nd day of August, 2008.

By Order of the Board of Trustees,

(Signed) THOMAS D. TRAVES
Chairman of the Board of Trustees

**APPENDIX A
SPECIAL RESOLUTION**

BE IT RESOLVED as a Special Resolution that:

- (1) The transactions contemplated by the transaction agreement (the “Transaction Agreement”) between CS Acquisition Limited Partnership (the “Purchaser”) and Clearwater Seafoods Income Fund (the “Fund”) made as of August 14, 2008 (as it may be or may have been amended in accordance with its terms), including without limitation the redemption of all outstanding Fund Units, other than Fund Units beneficially owned by any member of the Purchaser Group, for a cash consideration of \$4.50 per Fund Unit and the amendments to and terminations of the Fund Material Documents necessary or desirable to complete the transactions contemplated by the Transaction Agreement, including without limitation those required to effect the Transaction Steps, are hereby approved and authorized in all respects;
- (2) The amendments to the Declaration of Trust as set forth in Exhibit “A” are hereby approved and authorized, effective as of the Effective Time. Any two trustees of the Fund are authorized, without further notice to or approval of the Fund Unitholders, to approve such other amendments to the Declaration of Trust or amendments to or terminations of any other Fund Material Document or any other agreement or instrument as may be necessary or desirable in their discretion in order to complete the transactions contemplated in the Transaction Agreement and as otherwise may be necessary or desirable in their discretion in order to give effect to this Special Resolution;
- (3) Any two trustees of the Fund be and are hereby authorized and directed to execute on behalf of the Fund and to deliver and to cause to be delivered, all such documents, agreements and instruments, including without limitation the amendments to the Declaration of Trust and Fund Material Documents approved by this Special Resolution, and to do or cause to be done all such other acts and things as they shall determine to be necessary or desirable in order to carry out the intent of this Special Resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of such documents, agreements or instruments or the doing of any such act or thing;
- (4) Notwithstanding that this resolution has been passed by the Fund Unitholders, the board of trustees of the Fund are authorized, without further notice to or approval of the Fund Unitholders: (a) to amend the Transaction Agreement to the extent permitted by the Transaction Agreement; and/or (b) to terminate the Transaction Agreement and to not proceed with the transactions contemplated therein to the extent permitted by the Transaction Agreement; and
- (5) All capitalized terms not otherwise defined in this Special Resolution have the meanings ascribed thereto in the Transaction Agreement.

EXHIBIT "A"

AMENDMENTS TO DECLARATION OF TRUST

Section 1.1. Definitions shall be amended to include the following:

"Class A Unit" means the Class A limited partnership units of CSLP;

"Closing Date" has the meaning ascribed thereto in the Transaction Agreement;

"Code" means the U.S. Internal Revenue Code of 1986, as amended;

"First Redemption" means the redemption of all outstanding Trust Units (other than 2,849,059 Trust Units, 4,462,249 Trust Units, 2,082,794 Trust Units and 1,275,205 Trust Units beneficially owned by Clarke Inc., CJR Investments Inc., Glitnir Banki hf and Clearwater Fine Foods Inc., respectively) in consideration of payment of the First Trust Unit Redemption Price;

"First Redemption Date" means the Closing Date;

"First Trust Unit Redemption Price" means \$4.50 in cash per Trust Unit.

"GP Shares" means the issued and outstanding shares in the capital of CS ManPar;

"Purchaser Group" has the meaning ascribed thereto in the Transaction Agreement;

"Second Redemption" means the redemption of all outstanding Trust Units beneficially owned by any member of the Purchaser Group in consideration of payment of the Second Trust Unit Redemption Price, provided that the Second Redemption shall take place following the First Redemption;

"Second Redemption Date" means the Closing Date, or such other date as agreed to in writing by the parties to the Transaction Agreement provided that the Second Redemption shall take place following the First Redemption;

"Second Trust Unit Redemption Price" means a pro rata interest in the Class A Units and GP Shares held by the Trust, represented by a Trust Unit, as at the time of the Second Redemption, which pro rata interest will be determined based on the number of Trust Units outstanding as at the time of the Second Redemption;

"Transaction" means the transactions contemplated by the Transaction Agreement;

"Transaction Agreement" means the transaction agreement dated as of August 14, 2008, between CS Acquisition Limited Partnership and the Trust, as amended from time to time in accordance with its terms; and

"Trust Unitholders" means at any time the holders at that time of one or more Trust Units, as shown on the register of such holders maintained by the Transfer Agent on behalf of the Trust.

Section 1.1 The definition of "Trustee" in Section 1.1(yy) shall be deleted and replaced with the following:

"Trustee" means a person who is, in accordance with the provisions hereof, a trustee of the Trust at that time, including without limitation so long as he, she or it remains a trustee, and "Trustees" means, at any time, all of the persons, each of whom is at that time a Trustee.

Section 5.1(ii) The language in Section 5.1(ii) shall be deleted and replaced with the following:

Section 5.1(ii) - the following amounts shall be deducted in the calculation:

1. all costs and expenses of the Trust which, in the opinion of the Trustees, may reasonably be considered to have accrued and become owing in respect of, or which relate to, such Distribution Period or a prior Distribution Period if not accrued in such prior period;

2. *all amounts which relate to the redemption of Trust Units and which have become payable in cash by the Trust in such Distribution Period;*
3. *any other interest expenses incurred by the Trust between distributions;*
4. *any amount which the Trustees may reasonably consider to be necessary to provide for the payment of any costs which have been or will be incurred in the activities and operations of the Trust and to provide for the payments of any income tax liability of the Trust; and*
5. *amounts representing the First Trust Unit Redemption Price payable to Trust Unitholders in respect of the First Redemption on the First Redemption Date.*

Section 6.6 **Cancellation of all Redeemed Trust Units** shall be deleted and replaced with the following:

Section 6.6 – First Redemption and Second Redemption of Trust Units by the Trust

1. *Notwithstanding any other provision of this Declaration of Trust, the Trust shall complete the First Redemption, without further act or formality, on the First Redemption Date in accordance with the Transaction Agreement;*
2. *The Trust shall cause to be forwarded a cheque by first class mail or a wire transfer in Canadian currency representing the aggregate First Trust Unit Redemption Price required to be paid to each Trust Unitholder pursuant to Section 6.6(1) against delivery of certificates representing the Trust Units to be redeemed, together with such documentation as may reasonably be requested by the Trustees or the Transfer Agent. Payments made by the Trust of the First Trust Unit Redemption Price are conclusively deemed to have been made upon the mailing of a cheque in a postage prepaid envelope addressed to the Trust Unitholder unless such cheque is dishonoured upon presentment or upon transmission of a wire transfer, as applicable. Upon such payment, the Trust shall be discharged from all liability to the former Trust Unitholders in respect of the Trust Units so redeemed. Under no circumstances will interest be paid to any holder on any payment to be made hereunder, regardless of any delay in making such payment.*
3. *The Trust and its agents shall be entitled to deduct and withhold from any consideration payable to any Trust Unitholder as a consequence of the First Redemption, such amounts as the Trust or any agent is required or permitted to deduct and withhold with respect to such payment under the Tax Act, the Code, or any other provision of provincial, local or, foreign tax law, in each case, as amended. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the Trust Unitholder in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority.*
4. *Notwithstanding any other provision of this Declaration of Trust, on the Second Redemption Date, but following the completion of the First Redemption (including the payment required under Section 6.6(2)), the Trust shall complete the Second Redemption, without further act or formality, in accordance with and at the time contemplated by the Transaction Agreement;*
5. *The Trust shall deliver, or cause to be delivered, certificates representing the Class A Units and GP Shares comprising the Second Trust Unit Redemption Price to, or as directed by, each beneficial Trust Unitholder, whose Trust Units are redeemed pursuant to Section 6.6(4) against delivery of certificates representing the Trust Units to be redeemed, together with such documentation as may reasonably be requested by the Trustees or the Transfer Agent. Upon such delivery of the Class A Units and GP Shares representing the Second Trust Unit Redemption Price, the Trust shall be discharged from*

all liability to the former Trust Unitholders whose Trust Units are redeemed pursuant to Section 6.6(4) in respect of the Trust Units so redeemed.

6. *Notwithstanding anything else contained herein, where the Trust redeems Trust Units in connection with the First Redemption on the First Redemption Date and in connection with the Second Redemption on the Second Redemption Date, the Trustees may, in their sole discretion, designate to the Trust Unitholders all income or capital gain realized by the Trust as a result of the Transaction and any other income or capital gains of the Trust realized by the Trust prior to the Transaction to the extent such income or capital gains have not been previously paid or designated to the Trust Unitholders, in each case to the extent such income or capital gains are paid or made payable to the Trust Unitholders other than any member of the Purchaser Group as a result of a distribution prior to the First Redemption or upon the First Redemption or to the extent such income or capital gains are paid or made payable to the Trust Unitholders that are members of the Purchaser Group as a result of a distribution prior to the Second Redemption or upon the Second Redemption.*

Section 6.8 **Cancellation of all Redeemed Trust Units** shall be added and read as follows:

All Trust Units that are redeemed on the First Redemption Date shall be cancelled on the First Redemption Date at the time of the First Redemption and all Trust Units that are redeemed on the Second Redemption Date shall be cancelled on the Second Redemption Date at the time of the Second Redemption and, in each case, such Trust Units shall no longer be outstanding and shall not be reissued and the holders thereof shall no longer be considered Trust Unitholders or entitled to any rights as Trust Unitholders including any right to receive distributions or other amounts from the Trust, but shall only be entitled to received the First Trust Unit Redemption Price or the Second Trust Unit Redemption Price, as applicable.

Section 7.1 **Number of Trustees** shall be replaced with the following:

There shall be at all times no fewer than one (1) and no more than ten (10) Trustees, with the number of Trustees from time to time within such range being fixed by resolution of the Trustees; provided that until otherwise so determined by resolution, the number of Trustees shall be one (1).

Section 7.5 **Quorum** shall be deleted and replaced with the following:

The quorum for the transaction of business at any meeting of the Trustees shall consist of a majority of the number of Trustees then holding office, and, notwithstanding any vacancy among the number of Trustees, a quorum of Trustees may exercise all of the powers of the Trustees. In the event that only one Trustee has been appointed in accordance with this Declaration of Trust, a quorum shall consist of one Trustee.

Section 8.1 **Qualification of Trustees** shall be amended to delete “(c) a person who is not an individual” and “(f) any person who is not “unrelated” (as such term is defined in the Toronto Stock Exchange Manual) to CFFI” as being disqualified from being a Trustee of the Trust;

The second paragraph of **Section 8.5 - Ceasing to Hold Office** shall be deleted and replaced with the following:

A resignation of a Trustee becomes effective at the time a written resignation is sent to the Trust, or at the time specified in the resignation, whichever is later.

Section 9.3 **Units and Notes Held by the Trust** shall be deleted.

Section 9.4 **Restrictions on Trustee’s Powers** shall be deleted.

Section 9.11 **Conflicts of Interest** shall be deleted.

Section 11.2 **Notification of Amendment** shall be deleted and replaced with the following:

As soon as shall be practicable after the making of any amendment without the consent of Trust Unitholders pursuant to this Article 11, the Trustees shall furnish written notification of the substance of such amendment to each Trust Unitholder. For greater certainty, any amendments to the Declaration of Trust made with the consent of Trust Unitholders by Special Resolution shall not require notification under this Section 11.2.

Section 11.3 **Authorization of Trustee** shall be added and read as follows:

Section 11.3 - Authorization of Trustee

Any Trustee is authorized, without further notice to or approval of the Trust Unitholders, to approve such other amendments to this Declaration of Trust as are in his, her or its discretion necessary or desirable in order to permit the First Redemption or the Second Redemption and as otherwise may be necessary or desirable in order to give effect to the Transaction and the Transaction Agreement.

APPENDIX B
DEBENTUREHOLDER RESOLUTION

BE IT RESOLVED as an Extraordinary Resolution that:

1. The proposed amendments to (i) the Trust Indenture dated as of the 15th day of June, 2004, between Clearwater Seafoods Income Fund (the “**Fund**”) and Computershare Trust Company of Canada (the “**Debenture Trustee**”) providing for the issue of Unsecured Subordinated Debentures (the “**Trust Indenture**”) and (ii) the First Supplemental Indenture to the Trust Indenture dated as of the 9th day of March, 2007 (the “**First Supplemental Indenture**”) between the Fund and the Debenture Trustee, each as set forth in Exhibit “A” are hereby approved and authorized;
2. The Debenture Trustee is hereby authorized and directed to (i) concur in, execute and deliver one or more supplemental indentures to the Trust Indenture which give effect to the amendments to the Trust Indenture and the First Supplemental Indenture set out in Exhibit “A” hereto and all amendments incidental or ancillary thereto;
3. The Transaction, substantially as described in the management information circular of the Fund, relating to this meeting of Debentureholders, is hereby authorized, approved and agreed to, notwithstanding any express terms of the Trust Indenture or the First Supplemental Indenture; and
4. The Debenture Trustee is hereby authorized and directed to execute and to cause to be executed on behalf of the Debentureholders or to deliver or cause to be delivered all such documents, agreements and instruments and to do or cause to be done all such other acts and things as the Fund and its advisers shall determine to be necessary or desirable to carry out the intent of this Extraordinary Resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such document, agreement or instrument or the doing of any such act or thing.

EXHIBIT "A"

AMENDMENTS TO THE DEBENTURE TRUST INDENTURE

Section 1.1 **Definitions** shall be amended to include the following:

"Closing" has the meaning ascribed thereto in the Transaction Agreement;

"Closing Date" has the meaning ascribed thereto in the Transaction Agreement;

"First Supplemental Indenture" means the First Supplemental Indenture dated as of March 9, 2007, between the Fund and the Debenture Trustee; and

"Transaction Agreement" means the transaction agreement dated as of August 14, 2008, between CS Acquisition Limited Partnership and the Trust, as amended from time to time in accordance with its terms;

Section 2.4(c.1) and Section 2.1(d.1) The following paragraph shall be added as a new Section 2.4(c.1) of the Trust Indenture and a new Section 2.1(d.1) of the First Supplemental Indenture as follows:

"Notwithstanding anything else to the contrary contained herein, on the Closing Date, the Debentures will be redeemable in whole for cash at the option of the Fund with prior notice, and irrespective of the Current Market Price, at a cash price equal to 101% of the principal amount thereof plus accrued and unpaid interest to but excluding the Closing Date."

Section 4.1 **Section 4.1 Applicability of this Article** of the Trust Indenture is hereby deleted in its entirety and replaced with the following:

"Subject to regulatory approval, the Fund shall have the right at its option to redeem, either in whole at any time or in part from time to time before the Maturity Date, either by payment of money, by issuance of Freely Tradeable Trust Units as provided in Section 4.6 (other than in respect of a redemption on the Closing Date) or any combination thereof, any Debentures issued hereunder of any series which by their terms are made so redeemable (subject, however, to any applicable restriction on the redemption of Debentures of such series) at such rate or rates of premium, if any, and on such date or dates and in accordance with such other provisions as shall have been expressed in this Indenture, in the Debentures, in an Officer's Certificate, or in a supplemental indenture. Subject to regulatory approval, the Fund shall also have the right at its option to repay, either in whole or in part, on maturity, either by payment of money in accordance with Section 2.13, by issuance of Freely Tradeable Trust Units as provided in Section 4.10 or any combination thereof, any Debentures issued hereunder of any series which by their terms are made so repayable on maturity (subject however, to any applicable restriction on the repayment of the principal amount of the Debentures of such series) at such rate or rates of premium, if any, and on such date or dates and in accordance with such other provisions as shall have been determined at the time of issue of such Debenture and shall have been expressed in this Indenture, in the Debentures, in an Officer's Certificate, or in a supplemental indenture authorizing or providing for the issue thereof, or in the case of Additional Debentures issued pursuant to a Periodic Offering, in the Written Direction of the Fund requesting the certification and delivery thereof."

Section 4.3 The first paragraph of **Section 4.3 Notice of Redemption** of the Trust Indenture is hereby deleted in its entirety and replaced with the following:

*"Notice of redemption (the "**Redemption Notice**") of any series of Debentures shall be given to the Debenture Trustee on or prior to the date fixed for redemption, or in the case of a redemption in accordance with Section 2.4(c.1) of this Indenture or Section 2.1(d.1) of the First Supplemental Indenture, on the Closing Date (the "**Redemption Date**") by providing written notice to the Debenture Trustee in the manner provided in Section 13.3. Every such notice shall specify the aggregate principal amount of Debentures called for redemption, the Redemption Date, the*

Redemption Price, together with accrued and unpaid interest to but excluding the Redemption Date, and the places of payment and shall state that interest upon the principal amount of Debentures called for redemption shall cease to accrue and be payable from and after the Redemption Date. In addition, unless all the outstanding Debentures are to be redeemed, the Redemption Notice shall specify:”

Schedule “A” The following paragraphs in the Form of Debenture set out in Schedule “A” to the Trust Indenture or the First Supplemental Indenture, respectively, and each outstanding Debenture:

“This Initial Debenture may be redeemed at the option of the Fund on the terms and conditions set out in the Indenture at the redemption price therein and herein set out provided that this Initial Debenture is not redeemable before December 31, 2007, except in the event of the satisfaction of certain conditions after a Change of Control has occurred. On and after December 31, 2007 and prior to December 31, 2008, the Initial Debentures are redeemable at the option of the Fund provided that the Current Market Price of the Trust Units on the date on which notice of redemption is given is not less than 125% of the Conversion Price at a price equal to the principal amount of Debentures and, in addition thereto, at the time of redemption, the Fund shall pay to the holder accrued and unpaid interest thereon. On and after December 31, 2008, the Initial Debentures are redeemable at the option of the Fund at a price equal to the principal amount of the Debentures and, in addition thereto, at the time of redemption the Fund shall pay to the holder accrued and unpaid interest thereon. The Fund may, on notice as provided in the Indenture, at its option and subject to any applicable regulatory approval, elect to satisfy its obligation to pay all or any portion of the applicable Redemption Price by the issue of that number of Trust Units obtained by dividing the applicable Redemption Price by 95% of the Current Market Price of the Trust Units on the Redemption Date.”

“This Series 2007 Debenture may be redeemed at the option of the Fund on the terms and conditions set out in the Indenture at the redemption price therein and herein set out provided that this Series 2007 Debenture is not redeemable before March 31, 2010, except in the event of the satisfaction of certain conditions after a Change of Control has occurred. On and after March 31, 2010 and prior to March 31, 2012, the Series 2007 Debentures may be redeemed at the option of the Fund in whole or in part from time to time on notice as provided for in Section 4.3 of the Trust Indenture, provided that (i) the Current Market Price of the Trust Units on the date on which notice of redemption is given is not less than 125% of the Conversion Price and the Fund shall have provided to the Debenture Trustee an Officer’s Certificate confirming such Current Market Price, or (ii) the Series 2007 Debentures are being redeemed pursuant to the 90% Redemption Right described in Section 2.1(i)(ii) of the First Supplemental Indenture. In such event, the Series 2007 Debentures will be redeemable at a Redemption Price equal to the principal amount of Debentures and, in addition thereto, at the time of redemption, the Fund shall pay to the holder accrued and unpaid interest up to but excluding the Redemption Date. On and after March 31, 2012 but prior to the Maturity Date, the Series 2007 Debentures may be redeemed at the option of the Fund in whole or in part from time to time on notice as provided for in Section 4.3 of the Trust Indenture at a Redemption Price equal to the principal amount of Series 2007 Debentures and, in addition thereto, at the time of redemption, the Fund shall pay to the holder accrued and unpaid interest up to but excluding the Redemption Date. The Redemption Notice for the Series 2007 Debentures shall be in the form of Schedule “B” to the First Supplemental Indenture. In connection with the redemption of the Series 2007 Debentures, the Fund may, at its option and subject to the provisions of Section 4.6 of the Trust Indenture and subject to regulatory approval, elect to satisfy its obligation to pay all or a portion of the aggregate Redemption Price of the Series 2007 Debentures to be redeemed by issuing and delivering to the holders of such Series 2007 Debentures, such number of Freely Tradeable Trust Units as is obtained by dividing the aggregate Redemption Price of the outstanding Debentures which are to be redeemed by 95% of the Current Market Price in effect on the Redemption Date, provided that no fractional Trust Units will be issued on such redemption but in lieu thereof the

Fund shall satisfy such fractional interests by a cash payment equal to the Current Market Price of a fractional interest. Interest accrued and unpaid on the Debentures on the Redemption Date will be paid to holders of Debentures, in cash, in the manner contemplated in Section 4.5 of the Trust Indenture. If the Fund elects to exercise such option, it shall so specify and provide details in the Redemption Notice.”

shall be deleted in their entirety and replaced with the following:

“On the Closing Date, the Debentures will be redeemable in whole for cash at the option of the Fund with prior notice, and irrespective of the Current Market Price, at a cash price equal to 101% of the principal amount thereof plus accrued and unpaid interest to but excluding the Closing Date.”

Section 4.5 ~~Section 4.5~~ **Deposit of Redemption Monies of Trust Units** of the Trust Indenture shall be deleted in its entirety and replaced with the following:

Redemption of Debentures shall be provided for by the Fund depositing with the Debenture Trustee or any paying agent to the order of the Debenture Trustee, on or before 11:00 a.m. (Toronto time) on the Business Day immediately prior to the Redemption Date specified in such Redemption Notice, or in the case of a redemption in accordance with Section 2.4(c.1) of this Indenture or Section 2.1(d.1) of the First Supplemental Indenture, on the Redemption Date, such sums of money, or certificates representing such Trust Units, or both, as the case may be, as is sufficient to pay the Redemption Price of the Debentures so called for redemption, plus such sum of money as is sufficient to pay accrued and unpaid interest thereon up to but excluding the Redemption Date, provided the Fund may elect to satisfy this requirement by providing the Debenture Trustee with a certified cheque or bank draft for such amounts required under this Section 4.5 post-dated to the Redemption Date. The Fund shall also deposit with the Debenture Trustee a sum of money sufficient to pay any charges or expenses which may be incurred by the Debenture Trustee in connection with such redemption. Every such deposit of charges or expense amounts shall be irrevocable. From the sums so deposited, or certificates so deposited, or both, the Debenture Trustee shall pay or cause to be paid, or issue or cause to be issued, (i) in the case of a Global Debenture, to the Depository upon the Depository making the appropriate notation in respect of the principal amount of the Debentures so redeemed, which notation shall be authenticated by the Debenture Trustee or (ii) in the case of Fully Registered Debentures to the holders of such Debentures so called for redemption, upon surrender of such Debentures, the Redemption Price and interest (if any) to which they are respectively entitled on redemption.

Payment of funds to the Debenture Trustee shall be made by electronic transfer or certified cheque or pursuant to such other arrangements for the provision of funds as may be agreeable between the Debenture Trustee and the Fund in order to effect such redemption payment hereunder. The Debenture Trustee shall disburse such redemption proceeds only upon receiving, at least one Business Day prior to each Redemption Date, or in the case of a redemption in accordance with Section 2.4(c.1) of the Indenture or Section 2.1 (d.1) of the First Supplemental Indenture, on the Redemption Date, funds in an amount sufficient to pay the aggregate Redemption Price that is payable in cash and the aggregate amount of interest (if any) payable on redemption. Notwithstanding the foregoing, i) all payments in excess of \$25 million in Canadian dollars (or such other amount as determined from time to time by the Canadian Payments Association) shall be made by the use of the LVTS; and ii) in the event that payment must be made to the Depository, the Fund shall remit payment to the Debenture Trustee by LVTS. The Debenture Trustee shall have no obligation to disburse funds pursuant to this Section 4.5. unless it has received written confirmation satisfactory to it that the funds have been deposited with it in sufficient amount to pay the aggregate Redemption Price that is payable in cash and the aggregate amount of interest (if any) payable on redemption. The Debenture Trustee shall, if any funds are received by it in the form of uncertified cheques, be entitled to delay the time for release

of such funds until such uncertified cheques shall be determined to have cleared the financial institution upon which the same are drawn.”

Section 4.6 **Section 4.6 Right to Repay Redemption Price in Trust Units** of the Trust Indenture shall be amended by adding the following as a new paragraph (m):

“The Unit Redemption Right will not apply to a redemption in accordance with Section 2.4(c.1) of the Indenture or Section 2.1 (d.1) of the First Supplemental Indenture.”

APPENDIX C
VALUATION AND FAIRNESS OPINION



BMO Nesbitt Burns Inc.
100 King Street West
Toronto, ON M5X 1H3

Tel : (416) 359-4100

As of August 13, 2008

The Board of Trustees
Clearwater Seafoods Income Fund
757 Bedford Highway
Bedford, Nova Scotia
B4A 3Z7

To the Board of Trustees of Clearwater Seafoods Income Fund (the “Fund”):

BMO Nesbitt Burns Inc. (“BMO Capital Markets”) understands that Clearwater Fine Foods Inc. (“CFFI”), Maruha Nichiro (Canada), Inc. (“Maruha”), Clarke Inc. (“Clarke”), Glitnir Banki hf (“Glitnir”) and Mickey MacDonald (“MacDonald”) (collectively, the “Purchaser Consortium”), have proposed to the Board of Trustees of the Fund (the “Trustees”) a “going private transaction” (the “Proposed Transaction”) pursuant to which, among other things: (i) CS Acquisition Limited Partnership (“Acquisition LP”), a partnership owned by the Purchaser Consortium, will acquire all of the partnership units of Clearwater Seafoods Limited Partnership (“Clearwater”), the entity that operates the business of the Fund; and (ii) the Fund will immediately use the net proceeds received from the investment by Acquisition LP in Clearwater to acquire all of the Trust Units (as defined below) by way of redemption which will result in the Minority Unitholders (as defined below) receiving cash consideration (the “Consideration”) in the amount of \$4.50 per trust unit of the Fund (“Trust Unit”).

“Minority Unitholders” means all unitholders of the Fund other than (i) members of the Purchaser Consortium; (ii) any other such interested party (as such term is defined in the Canadian Securities Administrators’ Multilateral Instrument 61-101 (the “Rules”)); (iii) any related party (as such term is defined in the Rules) of any interested party; and (iv) any person or company acting jointly or in concert under the Rules with any of the foregoing.

BMO Capital Markets understands the following with respect to the holdings of the Fund and the Proposed Transaction:

- CFFI controls CS ManPar Inc. (“CS ManPar”), which is the general managing partner of Clearwater, and holds (i) 23,381,217 Class B units of Clearwater which are exchangeable into 23,381,217 Trust Units, (ii) 1,275,205 Trust Units and (iii) 23,381,217 special trust units of the Fund (“Special Trust Units”). The Special Trust Units held by CFFI entitle it only to a voting interest in the Fund equivalent to the voting rights it would have if it exchanged its Class B units of Clearwater for Trust Units;
- through its combined holdings of Trust Units and Special Trust Units, CFFI currently has a voting interest of approximately 48.23% in the Fund; and
- collectively, the Purchaser Consortium holds 41.84% of the Trust Units and 23,381,217 Special Trust Units, thereby giving the Purchaser Consortium a voting interest of approximately 68% in the Fund on a fully diluted basis.

BMO Capital Markets understands that the Proposed Transaction will be subject to certain conditions, including, among others: (i) the approval by at least two-thirds of the holders (together, the “Debentureholders”) of the June 2004 and March 2007 convertible debentures (the “Debentures”) to amend their respective governing indentures to allow the Fund to redeem the Debentures for 101% of their face amount plus accrued and unpaid interest up to but excluding the date upon which the Proposed Transaction is expected to close, and (ii) the approval of the Proposed Transaction by at least: (A) two-thirds of the votes cast in respect of approving the Proposed Transaction by holders of the Trust Units and Special Trust Units (collectively the “Unitholders”) present in person or by proxy at a special meeting of Unitholders to be held to approve the Proposed Transaction (the “Special Meeting”); and (B) a majority of the votes cast in respect of approving the Proposed Transaction by the Minority Unitholders present in person or by proxy at the Special Meeting.

BMO Capital Markets understands that additional details of the Proposed Transaction will be provided in a management information circular (the “Circular”) to be mailed to the holders of Trust Units on or about August 29, 2008. BMO Capital Markets also understands that the Proposed Transaction and the Circular will be prepared by the Fund in compliance with applicable laws, regulations, policies and rules (including the Rules). BMO Capital Markets understands that each Trustee is an “independent director” for the purposes of the Rules and, as a result, the Trustees did not consider the formation of an “independent committee” (as such term is defined in the Rules) necessary.

The Trustees have retained BMO Capital Markets to prepare and deliver to the Trustees a formal valuation (the “Valuation”) of the Trust Units in accordance with the requirements of the Rules and to provide its opinion (the “Fairness Opinion”) as to the fairness, from a financial point of view, of the Consideration to be received by the Minority Unitholders pursuant to the Proposed Transaction.

ENGAGEMENT OF BMO CAPITAL MARKETS

On November 13, 2007, the Fund publicly announced that the Trustees had initiated a process for identifying and considering strategic alternatives available to maximize Unitholder value. The Trustees first contacted BMO Capital Markets in November 2007 regarding a potential engagement in connection with the strategic review process and a possible insider bid transaction. Pursuant to a letter agreement dated January 25, 2008 (the “Engagement Agreement”), BMO Capital Markets was formally retained by the Trustees for the limited purpose of reviewing the Fund’s strategic alternatives and to prepare, if requested, an independent valuation and an opinion in respect of a possible insider bid transaction. The terms of the Engagement Agreement provide that BMO Capital Markets shall be paid a total fee of \$650,000 for services to be rendered thereunder, including the preparation and delivery of the Valuation and Fairness Opinion. In addition, BMO Capital Markets is to be reimbursed for its reasonable out-of-pocket expenses, including reasonable fees paid to its legal counsel in respect of advice rendered to BMO Capital Markets in carrying out its obligations under the Engagement Agreement, and is to be indemnified by the Fund in certain circumstances. No part of BMO Capital Markets’ fee is contingent upon the outcome of the Proposed Transaction or any other transaction.

CREDENTIALS OF BMO CAPITAL MARKETS

BMO Capital Markets is one of Canada’s largest investment banking firms, with operations in all facets of corporate and government finance, mergers and acquisitions, equity and fixed income sales and trading, investment research and investment management. BMO Capital Markets has

been a financial advisor in a significant number of transactions throughout North America involving public companies in various industry sectors and has extensive experience in preparing valuations and opinions.

The Valuation and the Fairness Opinion expressed herein represent the opinions of BMO Capital Markets as of August 13, 2008 and the form and content hereof have been approved by a group of BMO Capital Markets' directors and officers, each of whom is experienced in mergers and acquisitions, divestitures, valuations and opinions.

INDEPENDENCE OF BMO CAPITAL MARKETS

BMO Capital Markets acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have had, and may in the future have, positions in the securities of the Fund and/or members of the Purchaser Consortium and, from time to time, may have executed, or may execute, transactions on behalf of such companies or clients for which it received or may receive compensation. As an investment dealer, BMO Capital Markets conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including with respect to the Fund, members of the Purchaser Consortium and their respective associates and affiliates and the Proposed Transaction.

In addition, in the ordinary course of its business, BMO Capital Markets or its controlling shareholder, Bank of Montreal (the "Bank"), or any of their affiliated entities may have extended or may extend loans, or may have provided or may provide other financial services, to the Fund or members of the Purchaser Consortium or any of their respective associates or affiliates. Except as expressed herein, there are no understandings, agreements or commitments between BMO Capital Markets and the Fund or members of the Purchaser Consortium or any of their respective associates or subsidiaries with respect to any future business dealings:

- The Bank is a lender to Clearwater;
- The Bank is the lead lender to Ocean Nutrition Canada Limited, a majority owned subsidiary of CFFI;
- BMO Capital Markets was a co-manager in the Fund's underwriting syndicate in connection with its convertible debenture issue in March, 2007; and
- BMO Capital markets was a member of the underwriting syndicate in connection with Clarke's convertible debenture issue in November, 2007.

None of BMO Capital Markets, the Bank or any of their affiliated entities (as such term is defined for purposes of the Rules):

- (a) is an associated or affiliated entity or issuer insider (as such terms are defined for purposes of the Rules) of the Fund or Purchaser Consortium or their respective associates or affiliates;
- (b) is an advisor to the Purchaser Consortium in connection with the Proposed Transaction;
- (c) is a manager or co-manager of a soliciting dealer group formed in respect of the Proposed Transaction (or a member of such a group performing services beyond the customary soliciting dealer's functions or receiving more than the per security or per security holder fees payable to the other members of the group);

- (d) has a material financial incentive in respect of the conclusions reached in the Valuation or the Fairness Opinion;
- (e) has a material financial interest in the completion of the Proposed Transaction;
- (f) except as stated above, during the 24 months before BMO Capital Markets was first contacted by the Trustees in respect of the Proposed Transaction, had a material involvement in an evaluation, appraisal or review of the financial condition of the Fund or CFFI or any of their respective affiliated entities, acted as a lead or co-lead underwriter of a distribution of securities of the Fund or any member of the Purchaser Consortium or any of their respective affiliated entities or had a material financial interest in any transaction involving the Fund or CFFI or any of their respective affiliated entities; or
- (g) is a lead or co-lead lender or manager of a lending syndicate in respect of the Proposed Transaction or a lender of a material amount of indebtedness of the Fund or any member of the Purchaser Consortium or any of their respective subsidiaries.

There are no agreements or understandings between BMO Capital Markets and any interested parties in the Proposed Transaction concerning future business relationships.

BMO Capital Markets is of the view that it is “independent” of all interested parties in the Proposed Transaction for the purposes of the Rules.

SCOPE OF REVIEW

In connection with the Valuation and the Fairness Opinion, BMO Capital Markets reviewed, considered and relied upon (without attempting to verify independently the completeness or accuracy thereof) or carried out, among other things, the following:

- August 13, 2008 draft of the Transaction Agreement;
- Undertaking letter dated August 13, 2008 executed by CFFI, Clarke, Glitnir and MacDonald;
- Keep Well Undertaking dated August 13, 2008 from Maruha-Nichiro Holdings Inc.;
- Commitment Letter from GE Canada Finance Holding Company dated August 13, 2008;
- summary of Principal Terms & Conditions set out by GE Canada Asset Financing Holding Company, Hartford Investment Management Company, United of Omaha Life Insurance Company, Glitnir and John Hancock Life Insurance Company dated August 13, 2008;
- audited consolidated financial statements of the Fund and Clearwater for the three years ended and as at December 31, 2005, December 31, 2006 and December 31, 2007;
- unaudited consolidated interim financial statements of the Fund and Clearwater for the three and six months ended and as at June 30, 2008, with comparative figures for the period same period in 2007 and the comparative 2008 budget for Clearwater;

- internal financial reporting package for Clearwater prepared by senior officers of CS ManPar (“Management”) for the three and six months ended and as at June 30, 2008, with comparative figures for the same periods of 2007;
- management’s discussion and analysis of the financial condition and results of the operations of the Fund and Clearwater for the three years ended and as at December 31, 2005, December 31, 2006 and December 31, 2007;
- management’s discussion and analysis of the financial condition and results of the operations of the Fund and Clearwater for the three and six month periods ended and as at June 30, 2008, with comparative figures for the same period in 2007;
- annual reports of the Fund for the three fiscal years ended December 31, 2005, December 31, 2006 and December 31, 2007;
- annual information forms of the Fund for the three fiscal years ended December 31, 2005, December 31, 2006, and December 31, 2007;
- notices of annual meetings of Unitholders and management information circulars of the Fund dated April 5, 2006, March 28, 2007 and May 13, 2008;
- a draft of the press release prepared by the Fund on August 13, 2008 concerning the Proposed Transaction;
- Clearwater’s 2008 budget presented to and approved by the Trustees on December 19, 2007 and the Clearwater’s revised 2008 budget (the “2008 Revised Budget”);
- projected financial information for Clearwater for the fiscal years ending December 31, 2009 through to December 31, 2012 inclusive (the “Management Forecast”) prepared by Management;
- discussions with Management with respect to the information referred to above and other issues considered relevant, including the outlook for Clearwater;
- representations contained in a certificate (the “CS ManPar Certificate”) addressed to BMO Capital Markets dated as of August 13, 2008, signed by two senior officers of CS ManPar as to, among other things, the completeness and accuracy of the information provided by CS ManPar and Clearwater upon which the Valuation and the Fairness Opinion are based;
- representations contained in a certificate (the “CFFI Certificate”) addressed to BMO Capital Markets dated as of August 13, 2008, signed by the chief financial officer of CFFI as to, among other things, the completeness and accuracy of the information upon which the Valuation and the Fairness Opinion are based;
- representations contained in a certificate (the “Trustee Certificate”) addressed to BMO Capital Markets dated as of August 13, 2008, signed by the three Trustees of the Fund as to, among other things, the completeness and accuracy of the information provided by the Fund upon which the Valuation and the Fairness Opinion are based;
- discussions with the Trustees and representatives of CFFI;
- discussions with Goodmans LLP; legal Counsel to Clearwater, and Stewart McKelvey, special legal counsel to the Trustees;

- filings within the Clearwater data room, opened in April, 2008;
- discussions with TD Securities Inc. and Glitnir Capital Corporation, financial advisors to CFFI;
- various research publications prepared by equity research analysts and independent market researchers regarding the seafood industry, the Fund and other selected public companies considered relevant;
- public information relating to the business, operations, financial performance and unit trading history of the Fund and other selected public companies considered relevant;
- public information with respect to precedent transactions of a comparable nature considered relevant; and
- such other corporate, industry and financial market information, investigations and analyses as BMO Capital Markets considered necessary or appropriate in the circumstances.

BMO Capital Markets, to the best of its knowledge, has not been denied access by the Fund to any information requested by BMO Capital Markets.

PRIOR VALUATIONS

The trustees of the Fund, senior officers of CS ManPar and senior officers of CFFI have each represented to BMO Capital Markets after due enquiry that there have not been any prior valuations (as defined in the Rules) of the Fund or its material assets or its securities in the past 24-month period.

ASSUMPTIONS AND LIMITATIONS

The Valuation and Fairness Opinion are subject to the assumptions, explanations and limitations set forth below. All financial figures herein are expressed in Canadian dollars except where otherwise noted. Certain figures have been rounded for presentation purposes.

In accordance with the Engagement Agreement, BMO Capital Markets has relied upon, and has assumed the completeness, accuracy and fair presentation of, all financial and other information, data, advice, opinions and representations (including those representations contained in the CS ManPar Certificate, CFFI Certificate and Trustee Certificate) relating to the Fund obtained by it from public sources or provided by the Fund, CFFI, CS ManPar in its own capacity and in its capacity as the general partner of Clearwater or any of their respective subsidiaries or their respective directors, officers, consultants, advisors and representatives, including information, data and other materials filed on SEDAR (collectively, the “Information”). The Valuation and the Fairness Opinion are conditional upon the completeness, accuracy and fair presentation of the Information. Subject to the exercise of its professional judgment, BMO Capital Markets has not attempted to verify independently the completeness, accuracy or fair presentation of the Information.

BMO Capital Markets has assumed that the forecasts, projections, estimates and budgets of Clearwater provided to us and used in our analyses have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of Management as to matters covered thereby.

Senior officers of CFFI and CS ManPar, in its own capacity and in its capacity as the general partner of Clearwater, and the trustees of the Fund have represented to BMO Capital Markets in their respective certificates that: (i) the information provided by or on behalf of the Fund, CFFI and CS ManPar, in its own capacity and in its capacity as the general partner of Clearwater, as the case may be, to BMO Capital Markets for the purpose of preparing the Valuation and Fairness Opinion was, at the date such Information was provided to BMO Capital Markets, and is complete, true and correct in all material respects, and did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the Information not misleading in light of the circumstances under which such Information was provided; and (ii) since the dates on which the information was provided to BMO Capital Markets, except as disclosed in writing to BMO Capital Markets, which in certain certificates is limited by knowledge, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of CFFI, Clearwater or the Fund, as the case may be, and no material change has occurred in such Information or any part thereof that would have or could reasonably be expected to have a material effect on the Valuation and Fairness Opinion.

The trustees of the Fund and senior officers of CS ManPar have each represented to BMO Capital Markets that the contents of the Circular will be true and correct in all material respects and will not contain any misrepresentations (as such term is defined in the Securities Act (Ontario)) and the Circular will comply with all requirements under applicable laws. In addition, the chief financial officer of CFFI has represented to BMO Capital Markets that the contents of the Circular insofar as they relate to CFFI will be true and correct in all material respects.

In preparing the Valuation and the Fairness Opinion, BMO Capital Markets has made several assumptions, including that all of the conditions required to consummate the Proposed Transaction will be met without adverse condition or qualification, that the procedures to consummate the Proposed Transaction are valid and effective, that all required documents will be distributed to Unitholders in accordance with applicable laws, and that the disclosure in such documents will be accurate and in compliance with applicable laws.

The Valuation and the Fairness Opinion are rendered on the basis of securities markets, economic, financial and general business conditions prevailing as of August 13, 2008 and the condition and prospects, financial and otherwise, of the Fund, Clearwater, and their respective subsidiaries and other material interests as they were reflected in the Information reviewed by BMO Capital Markets. In its analyses and in preparing the Valuation and the Fairness Opinion, BMO Capital Markets made numerous judgments with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond the control of any party involved in the Proposed Transaction.

The Valuation and the Fairness Opinion are provided as of August 13, 2008, and BMO Capital Markets disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Valuation or the Fairness Opinion of which it may become aware after August 13, 2008. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the Valuation or the Fairness Opinion after such date, BMO Capital Markets reserves the right to change, modify or withdraw the Valuation or the Fairness Opinion.

The Valuation and the Fairness Opinion have been prepared and provided solely for the use of the Trustees and for inclusion in the Circular and may not be used or relied upon by any other person without our express prior written consent. Subject to the terms of the Engagement Agreement, BMO Capital Markets consents to the publication of the Valuation and the Fairness Opinion in their entirety and a summary thereof (in a form acceptable to BMO Capital Markets) in the

Circular relating to the Proposed Transaction and to the filing thereof, as necessary, by the Fund with the securities commissions or similar regulatory authorities in Canada.

We express no opinion herein concerning the future trading prices of the securities of the Fund and make no recommendation to the Minority Unitholders with respect to the Proposed Transaction.

We are not legal, tax or accounting experts and express no view as to the legal, tax or accounting aspects of the Proposed Transaction.

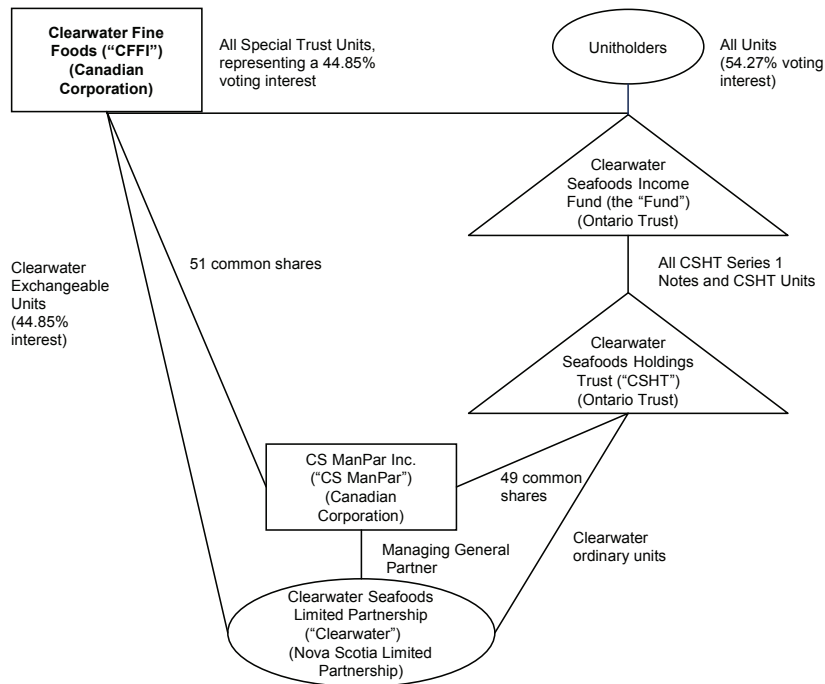
BMO Capital Markets has based the Valuation and the Fairness Opinion upon a variety of factors. Accordingly, BMO Capital Markets believes that its analyses must be considered as a whole. Selecting portions of its analyses or the factors considered by BMO Capital Markets, without considering all factors and analyses together, could create a misleading view of the process underlying the Valuation and the Fairness Opinion. The preparation of a valuation is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.

The Valuation and Fairness Opinion have been prepared in accordance with the Disclosure Standards for Valuations and Fairness Opinions of the Investment Industry Regulatory Organization of Canada (“IIROC”), but the IIROC has not been involved in the preparation or review of either the Valuation or the Fairness Opinion.

OVERVIEW OF THE FUND

The Fund is an unincorporated open-ended income trust and the Trust Units are listed on the Toronto Stock Exchange (the “TSX”). The Fund holds an approximate 54.27% indirect interest in Clearwater and CFFI holds the remaining 44.85% interest in Clearwater. Clearwater and its subsidiaries (including joint ventures) carry on the seafood business.

The ownership structure of the Fund is presented in the following table:



Established in 1976, Clearwater is a harvester and processor of a wide variety of premium seafood. Clearwater harvests, processes and sells approximately 76 million pounds of seafood annually. Harvesting is primarily in the offshore fisheries off the coasts of Atlantic Canada and Argentina. Clearwater conducts its processing operations on board state-of-the-art factory vessels and in its six modern shore-based processing plants. Its seafood is marketed and distributed to over 1,300 customers in North America, Europe and Asia. Clearwater operates a fleet of 19 vessels, consisting of various types, including factory freezer vessels.

For the fiscal year ended December 31, 2007, Clearwater reported sales of \$303 million, gross profit of \$66 million and distributable cash of \$13 million. Clearwater reported total assets of \$417 million and total debt of \$223 million as at June 30, 2008.

Over 80% of Clearwater’s sales are outside of Canada. The following table illustrates the sales in Canadian equivalent dollars by major currency for 2007:

U.S.	46%
Euro	19%
Canadian and other	19%
Yen	9%
U.K.	7%

Scallops

Scallop sales were approximately \$111 million in 2007, representing 37% of consolidated sales. Clearwater holds (directly and indirectly) approximately 49% of the Total Allowable Catch (“TAC”) in the Atlantic Canada offshore sea scallop fishery.

Clearwater’s scallop business includes participation in the Argentine scallop fishery through its 80% owned subsidiary which owns two of the four outstanding licences and operates two vessels.

Lobster

Lobster sales in 2007 were approximately \$76 million, representing 25% of consolidated sales. Clearwater holds all eight Canadian offshore fishing licences. In 2007, Clearwater purchased approximately 6.6 million pounds of lobster from independent inshore harvesters (approximately 7% of the total Atlantic Canadian inshore catch).

Clams

In 2007, Clearwater had clam sales of \$46 million, representing 15% of consolidated sales. Clearwater owns 100% of the TAC for Arctic surf clams. The licences also permit the harvesting of northern propeller clams and Greenland cockles.

Coldwater Shrimp

Clearwater's sales of coldwater shrimp in 2007 totaled \$46 million through its rights (direct and indirect) to approximately 20% of the offshore coldwater shrimp fishery in Atlantic Canada and 15% of Clearwater's consolidated sales.

Crab

Clearwater sales of crab were \$16 million in 2007, representing 5% of consolidated sales. Primary species include snow crab and Jonah crab.

Groundfish and other

Clearwater's sales from harvesting of redfish, haddock, halibut, cod and turbot in Atlantic Canada were \$9 million in 2007, representing 3% of consolidated sales.

Regulation of Licences

In Canada, the harvesting of seafood in the waters off Atlantic Canada is primarily regulated by the Canadian Department of Fisheries and Oceans through the Fisheries Act (Canada) and the Atlantic Fishery Regulations (1985) made under that act. These regulations provide for the registration of vessels and enterprises and for the issuance of licences to catch specified species of seafood.

The harvesting of scallops in Argentina is regulated by the National Federal Fishery Law (1998) and Resolution 150/96 of the Secretary of Agriculture, Livestock, Fishery and Food. These laws provide for the registration of vessels and enterprises and for the issuance of licences to catch specified species of seafood.

Historical Financial Information

The following table summarizes Clearwater's consolidated operating results for the five fiscal years up to and including the fiscal year ended December 31, 2007 and for the six months ended June 30, 2007 and June 30, 2008:

<i>(C\$, millions)</i>	Year Ended December 31,					Unaudited	
	2003	2004	2005	2006	2007	Six months ended June 30, 2007	2008
Sales	\$349.7	\$345.5	\$314.8	\$315.7	\$302.7	\$134.4	\$126.3
Contribution ⁽¹⁾	97.6	108.3	83.6	95.5	87.3	39.1	34.3
Contribution Margin %	27.9%	31.3%	26.6%	30.2%	28.8%	29.1%	27.1%
Adjusted EBITDA ⁽²⁾	63.0	55.4	38.6	49.1	28.1	7.8	7.4
EBITDA Margin %	18.0%	16.0%	12.3%	15.5%	9.3%	5.8%	5.8%
Cash distributions declared.....	58.5	54.3	27.6	15.8	31.5	15.8	--
Trust Units outstanding ⁽³⁾	52.8	52.8	52.8	52.8	51.6	52.6	51.1

1. Contribution margin is defined as sales less cost of sales and selling expenses; based on Clearwater Executive Board Reporting Packages.

2. Adjusted EBITDA is defined as earnings before interest, taxes, depreciation and amortization and excludes all unsustainable, non-recurring items (including realized and unrealized foreign exchange).

3. Based on Trust Units outstanding, on a fully diluted basis.

The following table summarizes Clearwater's consolidated balance sheets as at the end of the fiscal years 2005, 2006 and 2007, and as at June 30, 2008:

<i>(C\$, millions)</i>	As at December 31,			Unaudited
	2005	2006	2007	As at June 30, 2008
Cash.....	\$9.7	\$10.9	\$70.9	\$23.8
Other current assets.....	104.8	119.2	110.0	127.3
Capital assets.....	151.9	156.8	103.5	124.4
Licenses.....	103.2	102.7	106.9	120.6
Other.....	21.0	19.9	19.1	20.8
Total assets	\$390.7	\$409.5	\$410.4	\$416.8
Current portion of long-term debt.....	1.0	0.9	58.8	59.3
Other current liabilities.....	38.7	68.1	48.3	53.1
Long-term debt.....	193.4	189.4	168.8	163.6
Other long-term liabilities.....	10.0	10.9	7.8	20.2
Minority interest.....	2.2	2.3	2.4	3.2
Unitholders' equity.....	145.3	138.0	124.3	117.5
Total liabilities and Unitholders' equity	\$390.7	\$409.5	\$410.4	\$416.8

Trust Unit Trading Information

The Trust Units are listed on the TSX under the symbol CLR.UN. The following table sets forth, for the periods indicated, the low and high closing prices of the Trust Units and the volumes traded on the TSX for the 12 month period prior to the date hereof:

<u>Period</u>	<u>High (\$)</u>	<u>Low (\$)</u>	<u>Volume</u>
2007			
August.....	\$4.84	\$4.60	728,836
September.....	4.89	4.55	686,247
October.....	4.70	4.39	2,110,552
November.....	4.70	4.35	731,995
December.....	4.75	4.33	2,366,889
2008			
January.....	\$4.60	\$3.20	1,023,331
February.....	3.42	3.20	292,760
March.....	3.87	3.43	330,286
April.....	3.56	3.08	323,051
May.....	3.50	3.31	172,931
June.....	3.55	3.22	310,209
July.....	3.50	3.22	309,017
August (to August 13)	3.75	3.33	226,876
January - August 13	4.60	3.08	2,988,461

The closing price of the Trust Units on the TSX on August 13, 2007, the trading day immediately prior to the public announcement of the Proposed Transaction, was \$3.75 per Trust Unit.

VALUATION OF THE TRUST UNITS

Definition of Fair Market Value

For the purposes of the Valuation, fair market value means the highest price, expressed in terms of money or money's worth, available in an open and unrestricted market between informed and prudent parties, each acting at arm's length, where neither party is under any compulsion to act.

In accordance with the Rules, BMO Capital Markets has made no downward adjustment to the fair market value of the Trust Units to reflect the liquidity of the Trust Units, the effect of a transaction pursuant to which the Fund would acquire all of the Trust Units not owned by the members of the Purchaser Consortium or the fact that the Trust Units held by individuals do not form part of a controlling interest. A valuation prepared on the foregoing basis is referred to as an "en bloc" valuation.

Approach to Value

The Valuation is based upon techniques and assumptions that BMO Capital Markets considered appropriate in the circumstances for the purposes of arriving at an opinion as to the range of fair market values of the Trust Units. The fair market value of the Trust Units was analysed on a going concern basis and is expressed on a per Trust Unit basis.

Valuation Methodologies and Analyses

For the purposes of determining the fair market value of the Trust Units, BMO Capital Markets considered the following methodologies and analysed:

- comparable trading approach;
- discounted cash flow (“DCF”) approach; and
- precedent transactions approach.

BMO Capital Markets considered the comparable trading approach and the DCF approach to be of greater relevance than the precedent transactions approach. While there are no comparable companies that operate with Clearwater’s exact product focus and strategy, seafood companies and food sector income funds have been affected by similar drivers, making the comparison of such businesses’ trading metrics relevant. The reliability of the DCF is related directly to Management’s ability to accurately project long-term cash flows. Management’s forecasting ability is limited by the level of uncertainty inherent in the nature of Clearwater’s business and past performance, as well as by the various economic factors (especially foreign exchange rates and input costs). The precedent transactions reviewed were of similar businesses; however, differences in business size and mix, market dynamics and economic environment at the time at which these transactions occurred, among other factors, make the comparison to Clearwater more challenging.

Comparable Trading Approach

BMO Capital Markets considered the comparable trading approach as an appropriate valuation methodology. BMO Capital Markets identified and reviewed two groups of publicly traded comparable entities. These included five seafood companies and four food sector income funds. Using equity research analyst consensus estimates for all entities identified, BMO Capital Markets computed and reviewed a number of financial and operating metrics, including, among others, enterprise value, expected EBITDA and related growth rates and business mix. BMO Capital Markets compared Clearwater to the comparable public entities identified with respect to the foregoing metrics. A summary of the nine entities BMO Capital Markets considered to be most comparable to Clearwater is presented below:

(C\$, in millions)

	Domicile	Enterprise Value ⁽¹⁾	EV / EBITDA	
			2008E	2009E
Seafood Companies				
Austevoll Seafood	Norway	979	7.1x	5.9x
High Liner Foods	Canada	265	7.9x	7.1x
Marine Harvest	Norway	3,585	13.6x	8.6x
Thai Union	Thailand	1,833	7.7x	6.7x
Nippon Suisan	Japan	2,050	8.6x	7.5x
Average			9.0x	7.2x
Income Funds				
Arctic Glacier	Canada	518	7.8x	7.3x
Connors Bros	Canada	640	7.1x	7.2x
Premium Brands	Canada	321	7.6x	7.2x
Rogers Sugar	Canada	605	8.3x	8.2x
Average			7.7x	7.5x

1. Amounts converted to C\$ at exchange rates as of August 13, 2008.

Sources: Company filings, Bloomberg, IBES

While none of the entities reviewed was considered directly comparable to Clearwater, BMO Capital Markets relied upon its professional judgment in analyzing the comparable entities and selecting the most appropriate public trading multiples, before making any adjustment to reflect an “en bloc” valuation of the Trust Units. BMO Capital Markets considered Enterprise Value (“EV”)/EBITDA for the fiscal years ending 2008 and 2009 to be the most appropriate trading multiples to evaluate Clearwater and, based on the above, selected the following multiple ranges:

<u>EV / EBITDA</u>	Selected Multiple Range	
	Low	High
2008B	7.5x	8.5x
2009E	6.5x	7.5x

The following is a summary of the fair market value of the Trust Units resulting from the selection of trading valuation multiples above, before making any adjustment to reflect the “en bloc” valuation of the Trust Units:

(C\$, millions, except per unit amounts)

<u>EV / EBITDA</u>	Benchmark	Selected Multiple Range		Value Range	
		Low	High	Low	High
2008B	\$43.6 ⁽¹⁾	7.5x	8.5x	\$326.6	\$370.2
2009E	\$55.7	6.5x	7.5x	\$361.9	\$417.6
Enterprise value (average).....				\$344.3	\$393.9
Less: net obligations ⁽²⁾				(226.0)	(226.0)
Equity value				118.2	167.9
Equity value per Trust Unit ⁽³⁾				\$2.31	\$3.28

- Includes normalized contribution related to the operation of a newly commissioned clam vessel and revised joint venture agreement for shrimp. Management believes that if the clam vessel and revised JV agreement had been operational for all of 2008, the shrimp and clam businesses would have contributed incremental EBITDA of \$2.5 million and \$3.9 million, respectively, in 2008.
- Net obligations includes all debt, including convertible debentures at redemption price under a change of control scenario, as well as derivative contract liabilities and cash.
- Based on 51.1 million Trust Units outstanding, on a fully diluted basis.

Market trading prices generally do not reflect “en bloc” values. To adjust for en bloc value, BMO Capital Markets considered and reviewed control premiums paid in precedent Canadian public income fund transactions. For the purposes of this analysis, premium was defined as the amount (expressed in percentage terms) by which the price paid per trust unit under the precedent transaction exceeded the closing price of the trust units immediately prior to either the announcement of the transaction or the announcement of a strategic review/possible sale transaction process being undertaken.

Based on the control premiums observed in the precedent transactions, as described above, BMO Capital Markets selected and applied a premium of 30% to the selected equity trading value of the Trust Units to determine an “en bloc” equity value per Trust Unit.

Equity value per Trust Unit ⁽¹⁾	\$2.31	\$3.28
Change of control premium	30%	30%
En bloc equity value per Trust Unit⁽¹⁾	\$3.01	\$4.27

- Based on 51.1 million Trust Units outstanding, on a fully diluted basis.

Discounted Cash Flow Approach

BMO Capital Markets considered the DCF approach in determining the fair market value of the Trust Units. The DCF approach reflects the growth prospects and risks inherent in the Clearwater business by taking into account the amount, timing and relative certainty of projected unlevered free cash flows expected to be generated by Clearwater. The DCF approach requires that certain assumptions be made regarding, among other things, Clearwater's business and past performance, future unlevered free cash flows, discount rates and terminal values. The possibility that some of the assumptions will prove to be inaccurate, and such inaccuracies may be material, is one factor involved in the determination of the discount rates to be used in establishing a range of values. BMO Capital Markets' DCF approach involved discounting to a present value Clearwater's projected unlevered after-tax free cash flows from July 2008 until December 31, 2012 and the terminal value determined as of December 31, 2012.

Management Forecast

As a basis for the development of projected future cash flows, BMO Capital Markets received Management's 2008 Revised Budget and the Management Forecast. After a review of the assumptions supporting the Management Forecast and discussions with Management regarding the assumptions, BMO Capital Markets concluded that the 2008 Revised Budget and the Management Forecast formed an appropriate basis for the DCF analysis.

Assumptions

BMO Capital Markets' DCF analysis is based on a number of important operating assumptions developed by Management, a summary of which is provided below. In addition, BMO Capital Markets made certain economic assumptions in the DCF analysis.

Foreign Exchange:

Clearwater has significant sales to customers in the U.S., Europe and Japan. The Management Forecast assumes the current spot rates for 2008 and forward consensus estimates for the 2009 to 2012 period. The table below sets out the foreign exchange rate forecasts for the key sales currencies used in the DCF analysis:

Currency	2008B	2009E	2010E	2011E	2012E
Canadian dollar per U.S.....	1.020	1.090	1.090	1.140	1.130
Canadian dollar per GBP.....	2.031	1.984	1.973	2.052	2.045
Canadian dollar per EUR.....	1.602	1.526	1.472	1.516	1.492
Canadian dollar per JPY.....	0.009	0.010	0.010	0.011	0.011

Source: Bloomberg

Net Sales – Volume and Price Changes:

BMO Capital Markets reviewed Canadian and U.S. inflation forecasts, including those available for food and specifically protein or seafood, and determined that Management's assumptions with respect to seafood product annual price increases (as discussed below) were reasonable.

Sea Scallops:

Clearwater processes and packages sea scallops at its facility located in Lockport, Nova Scotia. TAC levels for sea scallops have generally been stable in recent years. The 2008 Revised Budget

assumes TAC levels will increase by 12% in 2008 to 7,500 metric tons (“MT”) and the Management Forecast assumes these TAC levels will remain constant during 2009. For the 2010 to 2012 period, TAC levels are forecast to decline by 7% to 7,000 MT in 2010 and remain constant at 7,000 MT for the remainder of the forecast period based on the natural cycle for sea scallops. During the decline stage of the cycle, Clearwater expects to procure sea scallops from other harvesters to maintain a constant supply to its customers.

The market for Canadian sea scallops has expanded to include Europe and Asia, which is expected to support stable longer-term prices. Management has assumed that prices will grow at 2% annually for the 2009-2012 period.

Argentine Scallops:

Since 1996, Clearwater has participated in the Argentine scallop fishery, where it operates through its 80% owned subsidiary. The primary market for Argentine scallops is France and other European countries. These scallops are smaller in size compared to Canadian sea scallops and, as a result, are processed mechanically on board harvesting vessels. These sea scallops have found a ready market in the recipe dish processing sector with a robust market in France. Management believes that the growing interest in the value-added segment of the food industry will continue to create new products to make seafood more convenient to consumers. These trends would support continued demand for Argentine scallops.

In 2007, Clearwater experienced price competition in the European market from the other participant in the Argentine scallop fishery. Clearwater chose to maintain higher prices which resulted in an accumulation of inventory. The inventory build-up in 2007 contributed to the higher estimate of sales volumes for 2008. Sales volumes are expected to decline by 20% to 11.1 million pounds in 2009. Management believes that sales volumes will then increase to approximately 12.1 million pounds in 2010 and will remain at that level for 2011 and 2012.

Due to the inventory build-up of Argentine scallops discussed above, Management expects overall prices to be weaker in 2008 compared to 2007 across all geographic markets with the largest year over year decline in Europe of approximately 19%. For 2009-2012, prices are forecast to grow 2% annually in all markets.

Lobster:

The Lobster segment is comprised of two principal products: live lobster and processed lobster.

Clearwater holds all eight offshore lobster licences in Canada. In addition to lobster harvested under the licences, Clearwater also purchases lobster from inshore harvesters. In 2007, Clearwater purchased 6.6 million pounds of lobster from inshore harvesters, representing approximately 7% of the total Atlantic Canadian inshore catch.

Management expects sales volumes for live lobster to be consistent with historical levels at approximately 6.2 million pounds annually, with prices expected to decrease by 7% in 2008, followed by a 2% increase in the 2009 to 2012 period.

Management expects to recognize significant volume growth in its processed lobster product. Sales are expected to grow from approximately 1.0 million pounds in 2008 to 1.6 million by 2012. Prices are forecasted to increase by 2% per annum in the 2009 to 2012 period.

Clams:

The clams segment consists of three primary products: frozen clams (including Arctic surf and cockles); canned clams; and masago (approximately 93%, 2% and 5% respectively, of clam sales in the 2008 Revised Budget). Management believes that once catching capacity is restored with the newly converted vessel, Clearwater can develop sufficient demand to continue growing the clam business. The 2008 Revised Budget assumes a sales volume of approximately 9.5 million pounds; however, these volumes are expected to increase by approximately 31% in 2009 to 13.8 million pounds and then remain relatively stable through the remainder of the Management Forecast.

Management expects prices (in local currencies) to increase by 2% in 2008 and by 2% for each year in the Management Forecast (2009-2012).

Coldwater Shrimp:

Clearwater's shrimp business consists of two types of product. Clearwater holds, directly and indirectly, 19.6% of the TAC in the offshore coldwater shrimp fishery in Atlantic Canada. In addition, Clearwater is a 75% partner in a coldwater shrimp processing plant in St. Anthony, Newfoundland. This plant produces cooked and peeled ("C&P") shrimp.

Coldwater Shrimp – After conversion of one of the shrimp vessels into a clam vessel in 2008, Clearwater entered into a revised joint venture agreement with its current partner whereby Clearwater contributed its shrimp and turbot quotas and the joint venture partner contributed a frozen-at-sea vessel and the existing business. The 2008 Revised Budget and the Management Forecast reflect Clearwater's share of projected contribution.

Cooked & Peeled – Management expects volumes for C&P shrimp to increase by 14% in 2008 and then increase at approximately 6% per annum for the 2009-2012 period. C&P prices are expected to increase by 10% in 2008, reflecting continued price improvements which began in 2007. The Management Forecast assumes annual price increases of 2% for 2009-2012.

Other Products:

Clearwater also sells smaller amounts of other products. The volume and price assumptions for these products are detailed below:

Jonah Crab – Management expects stable volume and an annual decline in prices of 7% in 2008 and an annual recovery in volume of 2% in the 2009-2012 period. Prices for Jonah crab are forecast to grow at 2% per annum for the 2009-2012 period.

Snow Crab – Snow crab volumes are expected to increase in 2008 and the Management Forecast assumes growth in volume of 5% per annum for the 2009-2012 period as higher demand is expected. Prices for snow crab are forecast to grow at 2% per annum for the 2009-2012 period.

Groundfish and Other – Volumes for Groundfish and other smaller species are expected to decline as Clearwater expects to process fewer of such non-core species.

Cost of Goods Sold and Operating Expenses:

For all products, both variable and fixed costs are forecast to increase in line with inflation, which Management has assumed will be 2% per annum.

Capital Expenditures:

Capital expenditures consist primarily of expenses related to vessel maintenance and replacement. Historically, these annual amounts have varied significantly. Management believes that \$3 million is an appropriate amount for annual vessel maintenance expenditures. Amounts in excess of the annual maintenance component relate to periodic refit and replacement costs. The refit and replacement costs vary by type and age of vessel.

Management has advised BMO Capital Markets that \$10 million (in current dollars) is an appropriate amount to assume for total capital expenditures in the terminal year forecast; adjusted for inflation, the capital expenditures in the terminal year are expected to be approximately \$10.9 million.

Net Non-Cash Working Capital:

Forecasted net working capital was based on historical relationships between sales and Clearwater's accounts receivable, inventories and accounts payable.

Income Taxes and Tax Losses:

Cash income taxes are forecast based on calculations of taxable income and the tax rates applicable to Clearwater's Canadian and Argentine subsidiaries for the 2008-2012 period.

Clearwater has significant capital cost allowances available resulting from high undepreciated capital costs of depreciable property related to recent investments in its fleet. Clearwater does not have any tax loss carry-forwards. Management has indicated that approximately 50% of Clearwater's earnings in Argentina are taxable at a rate of 35%.

The table below sets out the income tax rates provided by Management and used in the DCF analysis:

Canada

2008	35.5%
2009	35.0%
2010	34.0%
2011	32.5%
2012	31.0%

Argentina

2008 - 2012 (inclusive).....	35.0%
------------------------------	-------

Terminal Year Cash Flows:

BMO Capital Markets developed the terminal year cash flows based on the following assumptions:

	<u>Terminal Year</u>
Inflation Rate.....	2.0%
Foreign Exchange Rate	
Canadian dollar per U.S.....	1.130
Canadian dollar per GBP.....	2.045
Canadian dollar per EUR.....	1.492
Canadian dollar per JPY.....	0.011
Contribution Margin	30.0%
Capital Expenditures.....	\$10.9 million
Changes in Working Capital.....	-
Income Tax Rates	
Canada.....	31.0%
Argentina.....	35.0%

Unlevered After-Tax Free Cash Flows

For the purposes of deriving projected unlevered after-tax free cash flows for use in the DCF analysis, BMO Capital Markets reviewed the 2008 Revised Budget and the Management Forecast and relevant underlying assumptions and compared volumes, prices and costs to those achieved or incurred in previous years. BMO Capital Markets also examined the implied annual revenue growth, and contribution and EBITDA margins in relation to prior years. Based on such review, BMO Capital Markets observed that, while individual assumptions underlying the Management Forecast do not appear unreasonable, the Management Forecast shows contribution and EBITDA margins reaching levels in 2010, 2011 and 2012 not achieved in any of the previous five fiscal years (2003-2007 inclusive).

Management's forecasting ability is limited by the level of uncertainty inherent in the nature of Clearwater's business and past performance, as well as in the various economic factors. Specifically, risk factors beyond Management's control are not limited to, but may include changes in foreign exchange rates, price of inputs, allowable catch levels and issued licences for given species, seasonality and weather, consumer tastes as well as changes in the competitive landscape.

BMO Capital Markets has no reason to believe that the assumptions underlying the 2008 Revised Budget and the Management Forecast do not accurately reflect Management's view of the prospects of Clearwater over the forecast period. Therefore, BMO Capital Markets' DCF analysis incorporated six months of the 2008 Revised Budget and the Management Forecast (January 1, 2009 to December 31, 2012), followed by a terminal value calculation based on the projected terminal year cash flows.

The following is a summary of the unlevered after-tax free cash flow projections used in the DCF analysis:

<i>(C\$, millions)</i>	Year Ending December 31,				
	2008B ⁽¹⁾	2009E	2010E	2011E	2012E
Sales	245.8	336.8	358.5	385.9	403.1
Contribution Margin	73.2	109.7	114.0	128.7	133.2
<i>Contribution Margin %</i>	<i>29.8%</i>	<i>32.6%</i>	<i>31.8%</i>	<i>33.3%</i>	<i>33.0%</i>
Adjusted EBITDA	32.2	59.4	65.8	79.5	83.1
<i>EBITDA Margin %</i>	<i>13.1%</i>	<i>17.6%</i>	<i>18.4%</i>	<i>20.6%</i>	<i>20.6%</i>
Current Taxes	(2.8)	(10.5)	(12.9)	(18.3)	(20.1)
Changes in working capital	0.8	(3.2)	(5.1)	(5.9)	(4.0)
CAPEX	(23.1)	(8.0)	(3.0)	(18.0)	(3.0)
Sale of quota	0.8	0.0	0.0	0.0	0.0
Unlevered free cash flow	\$7.9	\$37.7	\$44.8	\$37.4	\$56.0

1. From July 1, 2008 - December 31, 2008.

Discount Rates

Projected unlevered after-tax free cash flows for Clearwater were discounted based on its estimated weighted average cost of capital (“WACC”). The WACC was calculated based upon Clearwater’s after-tax cost of debt and equity, weighted based upon an assumed optimal capital structure. The assumed optimal capital structure was determined based upon a review of the current and historical capital structures of comparable companies and the risks inherent in Clearwater’s business and in the North American food industry generally. The cost of debt for Clearwater was calculated based on the risk-free rate of return and an appropriate borrowing spread to reflect credit risk at the assumed optimal capital structure. BMO Capital Markets used the capital asset pricing model (“CAPM”) approach to determine the appropriate cost of equity. The CAPM approach calculates the cost of equity with reference to the risk-free rate of return, the risk of equity relative to the market (“beta”) and a market equity risk premium. BMO Capital Markets reviewed a range of unlevered betas for Clearwater and a select group of comparable companies that have similar risks in order to select the appropriate unlevered beta for Clearwater. The selected unlevered beta was re-levered using the assumed optimal capital structure and then used to calculate the cost of equity.

The cost of debt and cost of equity assumptions used by BMO Capital Markets in estimating the WACC for the Canadian operations were as follows:

Cost of Debt

Risk-free rate (10-yr Government of Canada Bond).....	3.6%
Borrowing spread.....	4.5%
Pre-tax cost of debt.....	8.1%
Tax rate.....	31.0%
After-tax cost of debt.....	5.6%

Cost of Equity

Risk-free rate (10-yr Government of Canada Bond).....	3.6%
Equity risk premium.....	5.0%
Levered beta.....	0.94
Size premium.....	4.0%
After-tax cost of equity.....	12.3%

WACC - Canada

Optimal capital structure (% debt).....	35.0%
WACC.....	9.9%

BMO also separately estimated the WACC for Clearwater’s Argentine scallop subsidiary (80% owned) to adjust for the higher risk associated with the geographic location of this operation.

The cost assumptions used by BMO Capital Markets in estimating the WACC for Clearwater’s Argentine subsidiary were as follows:

Cost of Debt

Risk-free rate (10-yr U.S. Government Bond).....	3.9%
Borrowing spread.....	14.2%
Pre-tax cost of debt.....	18.1%
Tax rate.....	35.0%
After-tax cost of debt.....	11.8%

Cost of Equity

Risk-free rate (10-yr U.S. Government Bond).....	3.9%
Equity risk premium.....	5.0%
Levered beta.....	0.93
Size premium.....	4.0%
Country risk premium.....	9.7%
After-tax cost of equity.....	22.2%

WACC - Argentina

Optimal capital structure (% debt).....	35.0%
WACC.....	18.6%

Based upon the foregoing and taking into account sensitivity analyses on the variables discussed above and the assumptions used in the 2008 Revised Budget and the Management Forecast, BMO Capital Markets determined the appropriate WACC for Clearwater to be in the range of 9.5% to 10.5% for the Canadian operations and 18.0% to 19.0% for the Argentine subsidiary.

Terminal Value

BMO Capital Markets developed a terminal EV at the end of the forecast period by selecting a contribution margin of 30% to the 2012 forecast, which is consistent with the average contribution margin realized over the past five fiscal years (2003-2007 inclusive). The perpetual growth rate range used to calculate the terminal values was 1.5%-2.5%. In selecting the range, BMO Capital Markets' assessment focused on the risk and growth prospects for Clearwater beyond the terminal year and the long-term outlook for the seafood industry past the terminal year.

Benefits to the Purchaser Consortium of Acquiring the Trust Units Held by the Minority Unitholders

In arriving at its opinion as to the fair market value of the Trust Units, BMO Capital Markets reviewed and considered whether any distinct material value would accrue to the Purchaser Consortium as a result of completing the Proposed Transaction. BMO Capital Markets did not identify any synergy value that should be assigned to the Trust Units other than approximately \$1 million of annual pre-tax general and administrative cost savings related to public Fund and other corporate expense savings, including one-time costs of \$0.5 million already incurred in 2008 related to the Proposed Transaction which have been factored into BMO Capital Markets' DCF analysis.

Summary of DCF Approach

The following is a summary of the fair market value of the Trust Units resulting from the DCF analysis:

	Value Range	
	Low	High
<i>(C\$, millions, except per unit amounts)</i>		
WACC (Canada).....	9.5%	10.5%
WACC (Argentina).....	18.0%	19.0%
Terminal growth rate	1.5%	2.5%
DCF Approach (\$ millions, except per unit amounts)		
Net present value		
Unlevered after-tax free cash flows		
Canada	\$114.9	\$117.6
Argentina	25.5	25.8
Terminal value		
Canada.....	255.0	340.0
Argentina	24.5	28.7
PV of tax holiday (2008 - 2012).....	19.2	19.4
Enterprise value	439.1	531.5
Less: net obligations ⁽¹⁾	226.0	226.0
Less: minority interests ⁽²⁾	17.9	20.5
Equity value	195.2	285.0
Equity value per Trust Unit ⁽³⁾	\$3.82	\$5.57

1. Net obligations includes all debt, including convertible debentures at redemption price under a change of control scenario, as well as derivative contract liabilities and cash.

2. Minority interest represents estimated fair value of 20% of Argentina subsidiary and 25% of St. Anthony subsidiary.

3. Based on 51.1 million Trust Units Outstanding, on a fully diluted basis.

Sensitivity Analysis

The DCF analysis is sensitive to several of the assumptions used. BMO Capital Markets performed sensitivity analyses on certain key assumptions, representing step changes to all forecast years for each assumption (except for the WACC and terminal multiple) as outlined below:

Variable	Sensitivity	Impact on Value per Trust Unit
Annual price	+ 0.5% / - 0.5%	\$0.43 - (\$0.43)
Fuel expense	+ \$1 million / - \$1 million	(\$0.10) - \$0.10
Argentina scallops volume	+ 5% / - 5%	\$0.06 - (\$0.06)
Sea scallops volume	+ 5% / - 5%	\$0.23 - (\$0.23)
Lobster volume	+ 5% / - 5%	\$0.29 - (\$0.29)
Frozen clams volume	+ 5% / - 5%	\$0.63 - (\$0.60)
CS / \$US exchange rate	+ \$0.05 / - \$0.05	\$0.37 - (\$0.38)
Terminal growth	+ 0.5% / - 0.5%	\$0.51 - (\$0.45)
Discount rate (Canada)	+ 0.5% / - 0.5%	(\$0.34) - \$0.39
Discount rate (Argentina)	+ 0.5% / - 0.5%	(\$0.02) - \$0.02

Precedent Transactions Approach

BMO Capital Markets also considered the precedent transactions approach and reviewed precedent transactions involving entities in the seafood harvesting and processing industry which were broadly comparable and for which there was sufficient public information to derive relevant multiples. Specifically, certain transactions in North America, Europe and Asia were reviewed.

BMO Capital Markets identified and reviewed 11 transactions within the seafood industry. For all transactions identified, BMO Capital Markets computed and reviewed available financial and operating metrics, including, among others, revenue, EBITDA and EBITDA margins. BMO Capital Markets compared Clearwater to the target entities with respect to the foregoing metrics. A summary of the transactions reviewed is presented below:

(local currency, \$ millions)

Completion Date	Acquiror	Target	Currency	Enterprise Value (millions)	Enterprise Value / LTM EBITDA
Pending	Dongwon Enterprise	StarKist (Del Monte Foods Company's seafood business)	US\$	363.0	6.5x ⁽¹⁾
December 2007	Various Parties	Assets of Fishery Products	US\$	344.9	8.5x
July 2007	Pacific Andes Holdings	China Fishery Group	US\$	1,002.8	14.9x
July 2006	Pan Fish ASA	Fjord Seafood	€	791.3	10.1x
February 2006	ASLP Acquisition & Coastal Villages Pollock	American Seafoods Group	US\$	983.9	9.2x
January 2005	Bumble Bee Seafoods	Castleberry/Snow's Brands	US\$	93.0	7.7x
December 2004	SIF Group	Labeyrie Group	€	332.3	8.2x
April 2004	Connors Bros. Income	Bumble Bee Holdings	US\$	385.0	5.0x
December 2002	Del Monte Foods Company	SKF Foods	US\$	1,728.2	5.1x
March 2002	Industri Kapital	Labeyrie Group	€	212.1	7.9x
October 2001	Nippon Suisan	Unilever's North American seafood business	US\$	175.0	8.8x
				Average	8.3x

1. Multiple is the midpoint of 6.0x - 7.0x the average of the trailing three-year contributed EBITDA as disclosed in Del Monte Foods Company's press release dated June, 2008

Given differences in the business size and mix, geographic location, market dynamics and economic environment at the time of each transaction, growth prospects and other factors inherent in the precedent transactions identified above, including the fact that there have been very few recent transactions, BMO Capital Markets did not consider specific precedent transactions to be directly or reasonably comparable to the Proposed Transaction and, as a consequence, did not rely on this approach.

VALUATION SUMMARY

The following is a summary of the range of fair market values of the Trust Units resulting from the comparable trading approach and the DCF approach:

	Equity Value per Trust Unit	
	Low	High
Comparable trading approach ⁽¹⁾	\$3.01	\$4.27
Discounted cash flow approach	\$3.82	\$5.57

1. Includes change of control premium of 30%.

In arriving at its opinion as to the fair market value of the Trust Units, BMO Capital Markets did not attribute any particular weight to each valuation approach, but rather made qualitative judgments based upon its experience in rendering such opinions and on circumstances prevailing as to the significance and relevance of each valuation approach.

VALUATION CONCLUSION

Based upon and subject to the foregoing, including such other matters as considered relevant, BMO Capital Markets is of the opinion that, as of August 13, 2008, the fair market value of the Trust Units is in the range of \$3.80 to \$4.60 per Trust Unit.

FAIRNESS OPINION

In considering the fairness, from a financial point of view, of the Consideration to be received by the Minority Unitholders pursuant to the Proposed Transaction, BMO Capital Markets reviewed, considered and relied upon or carried out, among other things, the following:

- a comparison of the value of the Consideration to be received by the Minority Unitholders pursuant to the Proposed Transaction to the fair market value range of the Trust Units determined in the Valuation;
- a comparison of the premium to be received by the Minority Unitholders pursuant to the Proposed Transaction to premiums paid in other income fund transactions;
- discussions with CFFI and its financial advisors regarding the process undertaken to identify potential partners for the Proposed Transaction and third party written expressions of interest received by CFFI;
- an analysis of the trading liquidity of the Trust Units; and
- such other information, investigations and analyses considered necessary or appropriate in the circumstances.

Comparison of the Consideration to the Fair Market Value of the Trust Units

Under the terms of the Proposed Transaction, the Consideration to be received by the Minority Unitholders is \$4.50 per Trust Unit, which is within the range of fair market value of the Trust Units as of August 13, 2008, as determined by BMO Capital Markets in the Valuation.

Comparable Transaction Premiums

BMO Capital Markets considered and reviewed take-over premiums paid in precedent Canadian public income fund transactions. Based on the take-over premiums paid in the reviewed transactions, BMO Capital Markets selected a premium of 30% to the equity trading value of the Trust Units as a comparable benchmark. The Consideration of \$4.50 per Trust Unit represents a 32% premium over the 20-day volume weighted average trading price of the Trust Units. BMO Capital Markets notes that the above premium implied by the Proposed Transaction is above the average of the premiums of the comparable sample set.

Expressions of Interest from Third Parties

CFFI has represented to BMO Capital Markets that, in connection with its search for a partner to effect the Proposed Transaction, written expressions of interest were received from a limited number of parties other than Maruha and that these expressions of interest attributed a value to Unitholders of less than \$4.50 per Trust Unit.

Liquidity of the Units

Over the last 12 months, approximately nine million Trust Units have traded on the TSX, representing approximately 47% of the public float. The Proposed Transaction will provide Minority Unitholders the ability to liquidate larger holdings of Trust Units than they might otherwise be able to realize in the absence of the Proposed Transaction.

FAIRNESS OPINION CONCLUSION

Based upon and subject to the foregoing and such other matters as we considered relevant, BMO Capital Markets is of the opinion that, as of August 13, 2008, the Consideration to be received by the Minority Unitholders pursuant to the Proposed Transaction is fair, from a financial point of view, to the Minority Unitholders.

Yours very truly,

(Signed) BMO NESBITT BURNS INC.

**APPENDIX D
TRANSACTION AGREEMENT**

CS ACQUISITION LIMITED PARTNERSHIP

as Purchaser

and

CLEARWATER SEAFOODS INCOME FUND

as Fund

TRANSACTION AGREEMENT

August 14, 2008

TABLE OF CONTENTS

Article 1 INTERPRETATION	5
Section 1.1 Definitions.....	5
Section 1.2 Interpretation Not Affected by Headings.....	13
Section 1.3 Interpretation.....	13
Section 1.4 Date for Any Action.....	13
Section 1.5 Entire Agreement.....	13
Section 1.6 Statutory References, References to Persons and References to Contracts.....	13
Section 1.7 Currency.....	14
Section 1.8 Accounting Principles.....	14
Section 1.9 Schedules.....	14
Article 2 THE TRANSACTION	14
Section 2.1 Transaction Steps.....	14
Section 2.2 Income Tax Allocations.....	16
Section 2.3 Resignation of the Trustees.....	16
Section 2.4 Closing.....	16
Article 3 REPRESENTATIONS AND WARRANTIES OF THE FUND	17
Section 3.1 Representations and Warranties of the Fund.....	17
Section 3.2 Survival of Representations and Warranties of the Fund.....	17
Article 4 REPRESENTATIONS AND WARRANTIES OF THE PURCHASER	17
Section 4.1 Representations and Warranties of the Purchaser.....	17
Section 4.2 Survival of Representations and Warranties of the Purchaser.....	17
Article 5 COVENANTS OF THE FUND	17
Section 5.1 The Securityholder Meetings.....	17
Section 5.2 The Fund Circular.....	19
Section 5.3 Fiduciary Duty.....	20
Section 5.4 Conduct of Business.....	20
Section 5.5 Notes.....	23
Section 5.6 Debentures.....	24
Section 5.7 Access to Information.....	24
Section 5.8 Assistance with Financing.....	24
Article 6 COVENANTS OF THE PURCHASER	25
Section 6.1 Approval of the Special Resolution.....	25
Section 6.2 Trustee Liability.....	25
Section 6.3 Financing.....	27
Section 6.4 Sufficient Funds.....	27
Article 7 MUTUAL COVENANTS	27
Section 7.1 Regarding the Transaction.....	27
Section 7.2 Mutual Co-operation.....	28
Section 7.3 Public Communications.....	28
Section 7.4 Notice and Cure Provisions.....	28

Article 8 CONDITIONS	29
Section 8.1 Mutual Conditions Precedent	29
Section 8.2 Additional Conditions Precedent to the Obligations of the Purchaser	29
Section 8.3 Additional Conditions Precedent to the Obligations of the Fund	31
Article 9 TERMINATION	32
Section 9.1 Termination.....	32
Section 9.2 Effect of Termination	33
Article 10 GENERAL PROVISIONS.....	34
Section 10.1 Waiver.....	34
Section 10.2 Amendments	34
Section 10.3 Notices	34
Section 10.4 Governing Law.....	35
Section 10.5 Expenses	35
Section 10.6 Injunctive Relief and Specific Performance.....	36
Section 10.7 Time of Essence	36
Section 10.8 Binding Effect	36
Section 10.9 Severability.....	36
Section 10.10 No Third Party Beneficiaries	36
Section 10.11 Rules of Construction	36
Section 10.12 No Liability	36
Section 10.13 Counterparts, Execution	37

SCHEDULES

Schedule "A"	SPECIAL RESOLUTION
Exhibit "A"	AMENDMENTS TO DECLARATION OF TRUST
Schedule "B"	DEBENTUREHOLDER RESOLUTION
Schedule "C-1"	REQUIRED CONSENTS
Schedule "C-2"	REQUIRED CONSENTS
Schedule "D"	REPRESENTATIONS AND WARRANTIES OF THE FUND
Schedule "E"	REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

TRANSACTION AGREEMENT

THIS AGREEMENT is made as of August 14, 2008,

BETWEEN:

CS ACQUISITION LIMITED PARTNERSHIP, a limited partnership established under the laws of Ontario (the "Purchaser")

- and -

CLEARWATER SEAFOODS INCOME FUND, a trust established under the laws of the Province of Ontario (the "Fund")

NOW THEREFORE, in consideration of the covenants and agreements herein contained, the Parties agree as follows:

ARTICLE 1 INTERPRETATION

Section 1.1 Definitions

In this Agreement, unless something in the subject matter or the context is inconsistent therewith:

"**affiliate**" has the meaning ascribed thereto in Section 1.2 of National Instrument 45-106 – *Prospectus and Registration Exemptions* as in effect on the date hereof, but with respect to the Fund shall be deemed to include Clearwater, CS Manpar and their respective Subsidiaries and, in the case of the Purchaser, shall be deemed not to include the Fund, CS ManPar, Clearwater or any of their respective Subsidiaries;

"**Agreement**" means this transaction agreement as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms hereof;

"**Applicable Law**" means, with respect to any Person, any domestic or foreign federal, national, state, provincial or local law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement enacted, adopted, promulgated or applied by a Governmental Authority that is binding upon or applicable to such Person, as amended unless expressly specified otherwise;

"**Authorizations**" means, with respect to any Person, any order, permit, approval, consent, waiver, licence, allowance, certificate, exemption, notification, program participation requirement, sign-off, registration with or similar authorization of any Governmental Authority having jurisdiction over the Person, including, without limitation, any licence, permit, approval or quota in relation to fisheries or fishing;

“Board” means the trustees of the Fund from time to time;

“Business” means the seafood business carried on by Clearwater and its direct and indirect Subsidiaries and joint venture partners;

“Business Day” means a day, other than a Saturday, Sunday or other day on which commercial banks in Toronto, Ontario or Halifax, Nova Scotia are closed;

“Class A Unit” means the Class A limited partnership units of Clearwater;

“Class B Unit” means the Class B general partnership units of Clearwater;

“Class C Unit” means the Class C limited partnership units of Clearwater;

“Class D Unit” means the Class D limited partnership units of Clearwater;

“Clearwater” means Clearwater Seafoods Limited Partnership, a limited partnership established under the laws of the Province of Nova Scotia;

“Clearwater Entities” means collectively the Fund and its Subsidiaries and Joint Ventures;

“Clearwater Finance” means Clearwater Finance Inc., a corporation incorporated under the laws of Canada;

“CFFI” means Clearwater Fine Foods Incorporated, a corporation incorporated under the laws of Canada;

“Closing” means the completion of the Transaction Steps on the Closing Date;

“Closing Date” has the meaning ascribed thereto in Section 2.4;

“Contract” means any agreement, contract, licence, undertaking, engagement or commitment of any nature, written or oral, to which the Fund or any of its Subsidiaries is a party;

“CS ManPar” means CS ManPar Inc., a corporation incorporated under the laws of Canada;

“CSHT” means Clearwater Seafoods Holdings Trust, a trust established under the laws of the Province of Ontario;

“CSHT Declaration of Trust” means the declaration of trust of CSHT dated July 17, 2002, as the same may be supplemented, amended, restated or replaced from time to time in accordance with its terms;

“CSHT Note Indenture” means the trust indenture providing for the issuance of notes in series, including the CSHT Notes, dated July 31, 2002 between CSHT and Computershare Trust Company of Canada, as amended from time to time, and includes all supplemental indentures made pursuant thereto;

“CSHT Notes” means the Series 1 Notes issued by CSHT to the Fund in the aggregate principal amount of \$230,887,936;

“D&O Insurance” has the meaning ascribed thereto in Section 6.2(3);

“Debenture Trust Indenture” means the trust indenture dated as of the 15th day of June, 2004, between the Fund and Computershare Trust Company of Canada, and includes all supplemental indentures made pursuant thereto;

“Debentureholder Meeting” means the meeting of Debentureholders, including any adjournment or postponement thereof, to be called and held in accordance with Applicable Law and the Debenture Trust Indenture to consider the Debentureholder Resolution (and for no other purpose unless approved in writing by the Purchaser);

“Debentureholder Resolution” means the extraordinary resolution approving amendments to the Debenture Trust Indenture to be considered at the Debentureholder Meeting, to be substantially in the form and content of Schedule “B” hereto; provided, however, that the amendments contemplated in Exhibit “A” to Schedule “B” are subject to the comments of the trustee under the Debenture Trust Indenture;

“Debentureholders” means the registered or beneficial holders of the outstanding Debentures, as the context requires;

“Debentures” means the convertible unsecured subordinated debentures of the Fund issued pursuant to the Debenture Trust Indenture, consisting of one series of 7% convertible unsecured subordinated debentures due December 31, 2010, and one series of 7.25% convertible unsecured subordinated debentures due March 31, 2014;

“Debt Financing Commitment Letters” means debt financing commitment letters dated August 13, 2008, in the aggregate amount of up to \$130,000,000 and U.S.\$65,000,0000;

“Declaration of Trust” means the amended and restated declaration of trust of the Fund dated July 31, 2002, as the same may be supplemented, amended, restated or replaced from time to time in accordance with its terms;

“Disclosure Letter” means the disclosure letter delivered by the Fund to the Purchaser on the date hereof;

“Effective Time” means 8:00 a.m. (Toronto time) on the Closing Date;

“Environmental Laws” means all applicable laws and agreements with Governmental Authorities relating to (i) public health, (ii) the protection of the environment, or (iii) any hazardous or toxic waste, substance or material;

“Exchange” means the Toronto Stock Exchange;

“Exchange Agreement” means the exchange agreement dated July 31, 2002, by and among, *inter alia*, the Fund, Clearwater and CFFI;

“executive officer” has the meaning ascribed thereto in National Instrument 51-102 – *Continuous Disclosure Obligations*;

“Existing Credit Facilities” means the revolving term debt facility of Clearwater in the maximum amount of \$50 million;

“Fund Circular” means the joint notice of the Fund Meeting and the Debentureholder Meeting and accompanying joint management information circular, including all schedules, appendices and exhibits thereto, to be sent to the Unitholders in connection with the Fund Meeting and to the Debentureholders in connection with the Debentureholder Meeting, as amended, supplemented or otherwise modified from time to time;

“Fund Material Documents” means the Declaration of Trust, the CSHT Declaration of Trust, the CSHT Note Indenture, the Limited Partnership Agreement, the Exchange Agreement and the Non-Competition Agreement;

“Fund Meeting” means the special meeting of Unitholders, including any adjournment or postponement thereof, to be called and held in accordance with Applicable Law and the Declaration of Trust to consider the Special Resolution (and for no other purpose unless approved in writing by the Purchaser);

“Fund Unitholders” means the registered or beneficial holders of the issued and outstanding Fund Units, as the context requires;

“Fund Units” means the trust units of the Fund and, for greater clarity, does not include the Special Fund Units;

“GAAP” means accounting principles generally accepted in Canada including those set out in the Handbook of the Canadian Institute of Chartered Accountants, at the relevant time applied on a consistent basis;

“Governmental Authority” means any (a) multinational, federal, national, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau, ministry or agency, domestic or foreign, (b) any subdivision, agent, commission, board, or authority of any of the foregoing, (c) any quasi-governmental or private body exercising any regulatory, self-regulatory, expropriation or taxing authority under or for the account of any of the foregoing, or (d) any stock exchange;

“GP Shares” means the common shares of CS ManPar;

“Indemnified Person” has the meaning ascribed thereto in Section 6.2(2);

“Intellectual Property” shall mean all issued patents and patent applications, industrial design registrations, trade-marks, registrations and applications therefor, trade-names and styles, logos, copyright registrations and applications therefor, all of the foregoing owned by or licensed to the Fund or any of its Subsidiaries and used in or necessary to the operation of their respective business;

“Joint Venture” means any entity in which Clearwater has a direct or indirect interest, other than a Subsidiary, and which holds property, assets or Authorizations which are material to Clearwater;

“Lien” means any mortgage, charge, pledge, hypothec, security interest, assignment, lien (statutory or otherwise), easement, title retention agreement or arrangement, conditional sale, deemed or statutory trust, restrictive covenant or other encumbrance of any nature which, in substance, secures payment or performance of an obligation;

“Limited Partnership Agreement” means the amended and restated limited partnership agreement relating to Clearwater dated as of July 31, 2002 among CS ManPar, CSHT, CFFI, Atlantic Shrimp Company Limited and 2348800 Nova Scotia Limited, as amended from time to time;

“Material Adverse Effect” means any change, effect, event, development, occurrence or state of facts: (a) that is, or would reasonably be expected to be, material and adverse to the business, operations, results of operations, liabilities (including contingent liabilities), obligations (whether absolute, accrued, conditional or otherwise), cash flow, capital, properties, assets, Authorizations or condition (financial or otherwise) of the Clearwater Entities on a consolidated basis, other than any change, effect, event, development, occurrence or state of facts relating to: (i) any change in general economic conditions in Canada or any change in Canadian securities, financial or currency exchange markets; (ii) any change in the trading volume or market price of the Fund Units primarily resulting from a change, effect, event, development or occurrence excluded from the definition of Material Adverse Effect under clauses (i), (iii) or (iv) hereof; (iii) any change or development resulting from any act of terrorism or any outbreak of hostilities or war (or any escalation or worsening thereof); or (iv) the announcement of the entering into of this Agreement; provided, however, that any such change referred to in clauses (i) or (iii) above does not primarily relate only to (or have the effect of primarily relating only to) the Clearwater Entities or disproportionately adversely affect the Clearwater Entities compared to other companies or other entities operating in Canada in the industries in which Clearwater operates, or (b) that would materially impair the Fund’s ability to perform its obligations under this Agreement or the agreements contemplated by the Debt Financing Commitment Letters in any material respect;

“material change” has the meaning ascribed thereto in the Securities Act;

“Material Contract” means any Contract which is material to the business of the Clearwater Entities on a consolidated basis, and includes any Contract which, if terminated or modified or if it ceased to be in effect, would reasonably be expected to have a Material Adverse Effect;

“material fact” has the meaning ascribed thereto in the Securities Act;

“MI 61-101” means Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions*;

“Minority Unitholders” means all Unitholders other than (i) members of the Purchaser Group; (ii) any other interested party (as such term is defined in MI 61-101); (iii) any related party (as such term is defined in MI 61-101) of any interested party; and (iv) any person or company acting jointly or in concert under MI 61-101 with any of the foregoing;

“misrepresentation” has the meaning ascribed thereto in the Securities Act;

“Non-Competition Agreement” means the non-competition agreement made as of July 31, 2002 between John C. Risley, Colin E. MacDonald, Atlantic Shrimp Company Limited, CFFI and Clearwater;

“Non-Disclosure Agreement” means the non-disclosure agreement entered into between CFFI and the Fund dated October 15, 2007;

“Note Indenture” means the trust indenture providing for the issuance of senior secured notes in series dated December 5, 2003 between Clearwater Finance, Clearwater and BNY Trust Company of Canada, and includes all supplemental indentures made pursuant thereto;

“Notes” means the senior secured notes issued pursuant to the Note Indenture, consisting of \$43,000,000 Series A notes, U.S.\$15,000,000 Series B notes, \$20,000,000 Series C notes and U.S.\$5,000,000 Series D notes;

“Outside Date” means October 31, 2008, or such later date as the Purchaser and the Fund may agree in writing;

“Parties” means, collectively, the Purchaser and the Fund, and **“Party”** means any of them;

“Permitted Liens” means:

- (a) Liens for governmental charges not yet due or that are being contested in good faith by appropriate proceedings, provided that reasonable reserves (established in accordance with GAAP) with respect to contested Taxes are maintained on the books and records of the Fund or a Subsidiary;
- (b) Liens in respect of pledges or deposits made in the ordinary course in connection with workers’ compensation, unemployment insurance and other social security legislation;
- (c) easements, rights-of-way, restrictions and other similar encumbrances that, in respect of any property or asset of the Fund and its Subsidiaries, do not materially interfere with any present use of such property or asset;
- (d) carriers’, warehousemen’s, mechanics’, materialmen’s, repairmen’s or other like liens arising under Applicable Law in the ordinary course that are not overdue or are being contested in good faith by appropriate proceedings and for which

reasonable reserves (established in accordance with GAAP) are maintained on the books and records of the Fund or a Subsidiary;

- (e) Liens in respect of deposits to secure the performance of bids, Contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course;
- (f) statutory and contractual Liens on the property of the Fund or a Subsidiary in favour of landlords securing leases;
- (g) Liens associated with any operating lease, including rights of equipment lessors under equipment Contracts provided the terms of such equipment Contracts have been complied with in all material respects;
- (h) Liens that are purchase money security interests (or similar security interests) charging personal or moveable property acquired by the Fund or its Subsidiaries, arising in the ordinary course and that are granted or assumed by such Person or that arise by operation of law substantially concurrently with and for the purpose of the acquisition of such personal or moveable property; and
- (i) Liens relating to the Notes issued under the Note Indenture and Liens relating to the Existing Credit Facilities;

“Person” includes any individual, firm, partnership, limited partnership, limited liability partnership, joint venture, venture capital fund, limited liability company, unlimited liability company, association, trust, trustee, executor, administrator, legal personal representative, estate, body corporate, corporation, company, unincorporated association or organization, Governmental Authority, syndicate or other entity, whether or not having legal status;

“Proceedings” means any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative;

“Property” means all real property which is owned, leased, operated, occupied, controlled or used by the Fund or any of its Subsidiaries;

“Public Record” means all information filed publicly by or on behalf of the Fund or Clearwater under Securities Laws since December 31, 2006, including without limitation, any press release, material change report, financial statements, or other document of the Fund or Clearwater which has been or is publicly disseminated on or prior to the date hereof;

“Purchaser Group” means CFFI, Maruha Nichiro (Canada), Inc., Clarke Inc., Mickey MacDonald, and Glitnir Banki hf;

“Required Consents” means the approvals or consents listed on Schedule “C-1 hereto;

“Securities Act” means the *Securities Act* (Ontario);

“Securities Laws” means the Securities Act and all other applicable Canadian provincial and territorial securities laws, rules and regulations and published policies thereunder and the applicable rules and policies of the Exchange;

“Securities Regulatory Authorities” means the Exchange and the appropriate securities commission or similar regulatory authority in each of the provinces and territories of Canada;

“Securityholder Approvals” means, collectively, the Unitholder Approval and the required approval of the Debentureholder Resolution at the Debentureholder Meeting;

“Securityholder Meetings” means, collectively, the Fund Meeting and the Debentureholder Meeting;

“SIFT Proposals” means the “SIFT” Trust provisions contained in Bill C-52 (an act to implement certain provisions of the budget tabled in Parliament on March 19, 2007) which received royal assent on June 22, 2007;

“Special Committee” means the special committee of the board of directors of CS ManPar formed for the purpose of, among other things, reviewing the Transaction;

“Special Resolution” means the special resolution of the Unitholders approving the Transaction to be considered at the Fund Meeting, to be substantially in the form and content of Schedule “A” hereto;

“Special Fund Units” means the special trust units of the Fund;

“Subsidiary” has the meaning ascribed thereto in Section 1.1 of National Instrument 45-106 – *Prospectus and Registration Exemptions* as in effect on the date hereof, but with respect to the Fund shall be deemed to include Clearwater, CS ManPar and their respective Subsidiaries and, in the case of the Purchaser, shall be deemed not to include the Fund, CS ManPar, Clearwater or any of their respective Subsidiaries;

“Tax Act” means the *Income Tax Act* (Canada) and regulations thereunder, as amended;

“Taxes” means any federal, state, provincial, municipal, local or foreign income, gross receipts, license, payroll, employment, health, excise, severance, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, together with any interest, penalty, or addition thereto, whether disputed or not;

“Transaction” means the transactions contemplated by this Agreement, including the Transaction Steps set out in Section 2.1;

“Transaction Steps” has the meaning ascribed thereto in Section 2.1;

“**Trustees**” means Thomas D. Traves, Bernard R. Wilson and Brian Crowley, in their capacity as trustees of the Fund;

“**Unitholder Approval**” means: (a) approval of the Special Resolution by 66 $\frac{2}{3}$ % of the votes cast by the Unitholders present in person or represented by proxy at the Fund Meeting in accordance with the Declaration of Trust; and (b) minority approval of the Special Resolution within the meaning of MI 61-101;

“**Unitholders**” means the registered or beneficial holders of the issued and outstanding Units, as the context requires; and

“**Units**” means the issued and outstanding Fund` Units and Special Fund Units.

Section 1.2 Interpretation Not Affected by Headings

The division of this Agreement into Articles and Sections and the insertion of a table of contents and headings are for convenience of reference only and do not affect the construction or interpretation of this Agreement. The terms “hereof”, “hereunder” and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles, Sections and Schedules are to Articles and Sections of and Schedules to this Agreement.

Section 1.3 Interpretation

In this Agreement words importing the singular number include the plural and vice versa, and words importing any gender include all genders. Whenever the words “include”, “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation”, whether or not they are in fact followed by those words or words of like import. Any capitalized terms used in any Schedule but not otherwise defined therein, shall have the meaning as defined in this Agreement.

Section 1.4 Date for Any Action

If the date on which any action is required to be taken hereunder by a Party is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day. In this Agreement, references from or through any date mean, unless otherwise specified, from and including that date and/or through and including that date, respectively.

Section 1.5 Entire Agreement

This Agreement and the Disclosure Letter constitute the entire agreement between the Parties pertaining hereto and supersedes all other prior agreements, understandings, negotiations and discussions, whether oral or written, between the Parties hereto.

Section 1.6 Statutory References, References to Persons and References to Contracts

In this Agreement, unless something in the subject matter or context is inconsistent therewith or unless otherwise herein provided, a reference to any statute, regulation, direction

or instrument is to that statute, regulation, direction or instrument as now enacted or as the same may from time to time be amended, re-enacted or replaced, and in the case of a reference to a statute, includes any regulations, rules, policies or directions made thereunder. Any reference in this Agreement to a Person includes its heirs, administrators, executors, legal personal representatives, predecessors, successors and permitted assigns. References to any contract are to that agreement or contract as amended, modified or supplemented from time to time in accordance with its terms.

Section 1.7 Currency

Unless otherwise stated, all references in this Agreement to sums of money are expressed in lawful money of Canada and "\$" refers to Canadian dollars.

Section 1.8 Accounting Principles

Unless otherwise stated, all accounting terms used in this Agreement shall have the meanings attributable thereto under GAAP, and all determinations of an accounting nature required to be made shall be made in a manner consistent with GAAP.

Section 1.9 Schedules

The following Schedules are annexed to this Agreement and are incorporated by reference into this Agreement and form a part hereof:

Schedule "A"	Special Resolution
Schedule "B"	Debentureholder Resolution
Schedule "C-1"	Required Consents
Schedule "D"	Representations and Warranties of the Fund
Schedule "E"	Representations and Warranties of the Purchaser

ARTICLE 2 THE TRANSACTION

Section 2.1 Transaction Steps

On the Closing Date, commencing at the Effective Time, and subject to the terms and conditions of this Agreement, each of the Purchaser and the Fund (to the extent that such steps are within its control) shall take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under the Fund Material Documents and Applicable Law to cause the following steps (the "**Transaction Steps**") to occur. On the Closing Date, the Transaction Steps shall occur and be deemed to occur in the following order, and for greater certainty none of the following steps shall be deemed to occur unless all such steps shall have occurred and been completed:

- (a) the Non-Competition Agreement shall be terminated, and the Administration Agreement between the Fund, CSHT and Clearwater dated July 31, 2002 shall be terminated;
- (b) the Exchange Agreement shall be terminated;

- (c) the Limited Partnership Agreement shall be amended to provide for the issuance of Class E Units, the return of capital contemplated in sub-paragraph (m) below;
- (d) any other amendments to the Fund Material Documents as contemplated by Section 7.2(2) shall be made;
- (e) the Purchaser shall subscribe for and be issued an aggregate of 17,076,389 Class E Units for aggregate consideration of \$76,843,750, payable in cash;
- (f) Clearwater shall draw down, under the facilities described in the Debt Financing Commitment Letters, an amount sufficient to repay the Existing Credit Facilities, the Debentures and the Notes;
- (g) Clearwater shall repay to Clearwater Finance intercompany debt in amounts sufficient to enable Clearwater Finance to repay the Notes in full
- (h) Clearwater shall terminate the Existing Credit Facilities;
- (i) Clearwater Finance shall, pursuant to and in accordance with Section 5.5, redeem the Notes issued under the Note Indenture;
- (j) Clearwater shall make a distribution to CSHT on the Class C Units and Class D Units owned by CSHT in an aggregate amount equal to the amount of accrued and unpaid interest required to be paid to the Debentureholders in connection with the redemption described in (o) below;
- (k) Clearwater shall redeem all of the 3,673,470 Class C Units owned by CSHT in aggregate consideration of \$45,000,000, payable in cash;
- (l) Clearwater shall redeem all of the 7,523,559 Class D Units owned by CSHT in aggregate consideration of \$44,389,000, payable in cash;
- (m) Clearwater shall distribute in cash to CSHT, as a return of capital on the Class A Units owned by CSHT, the amount of \$893,890;
- (n) CSHT shall, as a repayment of outstanding demand notes in favour of the Fund, pay an aggregate of \$89,389,000, in cash, to the Fund plus any amount of accrued and unpaid interest required to be paid to the Debentureholders in connection with the redemption described in (o) below;
- (o) CSHT shall, as a partial repayment of the CSHT Notes, pay an aggregate of \$893,890, in cash, to the Fund plus any amount of accrued and unpaid interest required to be paid to the Debentureholders in connection with the redemption described in (p) below;
- (p) the Fund shall, pursuant to and in accordance with Section 5.6, redeem all Debentures outstanding under the Debenture Trust Indenture as further described in, and in accordance with, the amendments to the Debenture Trust

Indenture contemplated by Exhibit "A" to Schedule "B", which amendments are subject to the comments of the trustee under the Debenture Trust Indenture;

- (q) Clearwater shall redeem 17,076,389 Class A Units owned by CSHT in aggregate consideration of \$76,843,750, payable in cash;
- (r) CSHT shall, as a partial repayment of the CSHT Notes, pay an aggregate of \$76,843,750 in cash to the Fund;
- (s) the Fund shall redeem all of its then outstanding Fund Units, other than 10,669,307 Fund Units beneficially owned by members of the Purchaser Group, for \$4.50 per Fund Unit, as further described in, and in accordance with, the amendments to the Declaration of Trust contemplated by Exhibit "A" to Schedule "A";
- (t) CSHT shall distribute to the Fund, as a partial repayment of the CSHT Notes, the remaining 10,669,307 Class A Units owned by CSHT, together with all of the 49 GP Shares owned by CSHT;
- (u) the Fund shall redeem the remaining Fund Units in consideration of the distribution by the Fund, on a pro-rata basis, of the 10,669,307 Class A Units and 49 GP Shares received by the Fund from CSHT in step (t), as further described in, and in accordance with, the amendments to the Declaration of Trust contemplated by Exhibit "A" to Schedule "A"; and
- (v) CFFI shall subscribe for one Fund Unit for consideration of \$10;

Section 2.2 Income Tax Allocations

The Trustees shall not designate any portion of the proceeds paid to Unitholders in consideration for the redemption of Fund Units pursuant to Section 2.1(s) as a payment to such Unitholders of any income or capital gains of the Fund.

Section 2.3 Resignation of the Trustees

Effective immediately following Closing, the Fund shall use its best efforts to cause all members of the Board to resign from their position as trustees of the Fund and, as applicable, as trustees, directors and/or officers of the Subsidiaries of the Fund, and the Fund shall use its best efforts to cause the appointment in their stead as a trustee of the Fund one or more Persons designated by the Purchaser.

Section 2.4 Closing

The Closing will be held as soon as practicable and in any event no later than the third Business Day after the satisfaction or waiver (subject to Applicable Law) of the conditions (excluding conditions that, by their terms, are to be satisfied on the Closing Date, but subject to the satisfaction or, where permitted the waiver, of those conditions as of the Closing Date) set forth in Article 8, and is expected to be held on or about 10:00 a.m. (Toronto time) on October 3, 2008, or such other time or date as is agreed to in writing by the Parties (the "Closing Date").

The Closing will take place at the offices of Stikeman Elliott LLP, 5300 Commerce Court West, 199 Bay Street, Toronto, ON M5L 1B9, unless another place is agreed to in writing by the Parties.

**ARTICLE 3
REPRESENTATIONS AND WARRANTIES OF THE FUND**

Section 3.1 Representations and Warranties of the Fund

The Fund represents and warrants to the Purchaser as set out in Schedule “D” hereto.

Section 3.2 Survival of Representations and Warranties of the Fund

The representations and warranties of the Fund contained in this Agreement shall not survive the Closing and shall expire and be terminated on the earlier of the Effective Time and the date on which this Agreement is terminated in accordance with its terms.

**ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF THE PURCHASER**

Section 4.1 Representations and Warranties of the Purchaser

The Purchaser represents and warrants to the Fund as set out in Schedule “E” hereto.

Section 4.2 Survival of Representations and Warranties of the Purchaser

The representations and warranties of the Purchaser contained in this Agreement shall not survive the Closing and shall expire and be terminated on the earlier of the Effective Time and the date on which this Agreement is terminated in accordance with its terms.

**ARTICLE 5
COVENANTS OF THE FUND**

Section 5.1 The Securityholder Meetings

- (1) Subject to the terms of this Agreement, the Fund agrees to establish a record date for, duly call, give notice of, convene and conduct the Fund Meeting in accordance with the Declaration of Trust and Applicable Law and the Debentureholder Meeting in accordance with the Debenture Trust Indenture and Applicable Law on or about September 22, 2008, and in any event on the same date no later than September 30, 2008, and not to adjourn, postpone, cancel or propose to adjourn, postpone or cancel the Securityholder Meetings:
 - (a) except as required for quorum purposes (in which case the Securityholder Meeting shall be adjourned or postponed, but not cancelled) or by Applicable Law;
 - (b) with the prior written consent of the Purchaser; or

- (c) if this Agreement is terminated in accordance with its terms prior to the time for holding either Securityholder Meeting,

provided that the Fund shall, subject to and in accordance with the Declaration of Trust or Debenture Trust Indenture, as applicable, and Applicable Law, adjourn or postpone any Securityholder Meeting (including taking or causing to be taken all steps necessary to reconvene such Securityholder Meeting) from time to time but, in any event, to a date that is no later than five Business Days prior to the Outside Date, upon the request of the Purchaser, acting reasonably.

- (2) In the event of a postponement or adjournment of any Securityholder Meeting pursuant to Section 5.1(1)(a), the Fund agrees to reconvene such Securityholder Meeting as promptly thereafter as practicable.
- (3) The Fund will use commercially reasonable efforts to solicit proxies in favour of the approval of the Securityholder Approvals, including, if requested by the Purchaser, by using dealer and proxy solicitation services and otherwise cooperating with any Persons engaged by the Purchaser (at its own expense) to solicit proxies in favour of the Securityholder Approvals, provided, however, that the Fund may refrain from complying with such obligations (i) if the Board changes its recommendation in compliance with Section 5.3 or (ii) with respect to using third party dealer and proxy solicitation services, unless satisfactory arrangements are made for the cost of such third party solicitation to be paid by the Purchaser. Without limiting the foregoing, the Fund agrees that the Purchaser may, at its expense and on behalf of management of the Fund, for so long as the Board has not changed its recommendation referred to in Section 5.2(3), directly or by engaging a soliciting dealer, actively solicit proxies in favour of the Securityholder Approvals on behalf of management of the Fund, and the Fund will disclose in the Fund Circular that the Purchaser may make such solicitation.
- (4) The Fund will, upon request from time to time by the Purchaser, deliver to the Purchaser: (a) basic lists of all registered Unitholders, Debentureholders and other security holders of the Fund and/or Clearwater or any of their respective applicable Subsidiaries, showing the name and address of each holder and the number of Units, Debentures, Notes or other securities of the Fund and/or Clearwater or any of their respective applicable Subsidiaries, as the case may be, held by each such holder, all as shown on the records of the Fund and/or Clearwater or any of their respective applicable Subsidiaries, as applicable, as of a date that is not more than three Business Days prior to the date of delivery of such basic lists, and, to the extent in the possession of the Fund, a list of participants in book-based clearing systems, nominee registered Unitholders, Debentureholders or other securities of the Fund and/or Clearwater or any of their respective applicable Subsidiaries, as the case may be, and non-registered beneficial owners lists that are available to the Fund, and securities positions and other information and assistance as the Purchaser may reasonably request in connection with the solicitation of proxies or the transactions contemplated hereby, and (b) from time to time, at the request of the Purchaser, acting reasonably, updated or supplemental lists setting out any changes from the list(s) referred to in clause (a) above.

- (5) The Fund will allow the Purchaser's representatives and legal counsel to attend each of the Securityholders Meetings.
- (6) The Fund will advise the Purchaser as the Purchaser may reasonably request, and at least on a daily basis on each of the last seven Business Days prior to the date of the Securityholder Meetings, as applicable, as to the aggregate tally of the proxies received by the Fund in respect of each of the Securityholder Approvals.

Section 5.2 The Fund Circular

- (1) As promptly as is reasonably practicable after the execution of this Agreement, the Fund shall prepare and complete the Fund Circular together with any other documents required by the Declaration of Trust, the Debenture Trust Indenture and Applicable Law in connection with the Securityholder Meetings, and the Fund shall, as promptly thereafter as is reasonably practicable, cause the Fund Circular and other documentation required in connection with the Securityholder Meetings to be filed and to be sent to each Unitholder or Debentureholder, as applicable, and other Persons as required by the Declaration of Trust, the Debenture Trust Indenture and Applicable Law, in each case so as to permit the Securityholder Meetings to be held as promptly as reasonably practicable, and in any event within the time required by Section 5.1(1).
- (2) The Fund shall ensure that the Fund Circular complies in all material respects with the Declaration of Trust, the Debenture Trust Indenture and Applicable Law, and, without limiting the generality of the foregoing, that the Fund Circular (including with respect to any information incorporated therein by reference) will not contain any misrepresentation (other than in each case with respect to any information furnished in writing by the Purchaser) and shall provide Unitholders and Debentureholders with information in sufficient detail to permit them to form a reasoned judgement concerning the matters to be placed before them at the Securityholder Meetings.
- (3) Subject to Section 5.3, Fund shall include in the Fund Circular a statement that the Board, after consultation with its financial and outside legal advisors and upon receiving the recommendation of the Special Committee, has unanimously determined that the consideration per Trust Unit offered pursuant to the Transaction is fair to the Minority Unitholders from a financial point of view, and that the Transaction is in the best interests of the Minority Unitholders, and has unanimously approved this Agreement and has unanimously resolved to support and to recommend that the Minority Unitholders provide the Unitholder Approval.
- (4) The Fund Circular shall be in form and substance satisfactory to the Purchaser, acting reasonably, and recognizing that the content and preparation of the Fund Circular is the responsibility of the Fund. The Purchaser and its legal counsel shall be given a reasonable opportunity to review and comment on drafts of the Fund Circular and other documents related thereto. Without limiting the generality of the foregoing, all information relating to the Purchaser and its securityholders included in the Fund Circular shall be in form and content satisfactory to the Purchaser, in its sole discretion.
- (5) The Purchaser will furnish to the Fund all such information concerning the Purchaser as well as the Purchaser Group as may be reasonably required by the Fund under

Applicable Law in the preparation of the Fund Circular and other documents related thereto, which information shall be complete and not contain any misrepresentations. The Purchaser will indemnify and save harmless the Fund and its trustees, officers, employees and agents from and against any and all liabilities, claims, demands, losses, costs, damages and expenses to which any of them may be subject or which any of them may suffer in any way caused by or arising, directly or indirectly, from or in consequence of any misrepresentation or alleged misrepresentation in any information relating to the Purchaser or the Purchaser Group provided in writing by the Purchaser and included in the Fund Circular.

- (6) The Fund and the Purchaser shall each promptly notify each other if at any time before the Effective Time it becomes aware (in the case of the Fund only with respect to any of the Clearwater Entities and in the case of the Purchaser only with respect to it and the members of the Purchaser Group) that the Fund Circular contains a misrepresentation, or that otherwise requires an amendment or supplement to the Fund Circular, and the Parties shall co-operate in the preparation of any amendment or supplement to the Fund Circular, as required under the Declaration of Trust, the Debenture Trust Indenture and Applicable Law or as otherwise considered appropriate, and the Fund shall promptly mail or otherwise publicly disseminate any amendment or supplement to the Fund Circular to Unitholders and Debentureholders, file the same with the Securities Regulatory Authorities and otherwise comply with the Declaration of Trust, the Debenture Trust Indenture and Applicable Law with respect to such amendment or supplement. The Fund and the Purchaser shall comply with the provisions of Section 5.2(4) with respect to any such amendment or supplement.

Section 5.3 Fiduciary Duty

Nothing contained herein shall be construed to require the Board to take or refrain from taking any action that would be inconsistent with its obligation to properly discharge its fiduciary duties under the Declaration of Trust and/or Applicable Law, and the Board may change its recommendation referred to in Section 5.2(3) consistent with the proper discharge of its fiduciary duties, provided that the Fund shall have notified the Purchaser regarding its intention to do any of the foregoing immediately, and in any event no later than five days prior to taking any steps in connection therewith. Notwithstanding the foregoing, nothing in this Agreement shall permit the Fund to terminate this Agreement other than in accordance with the provisions of Article 9, or limit in any way the obligation of the Fund to convene and hold the Securityholder Meetings in accordance with Section 5.1 of this Agreement unless this Agreement is terminated in accordance with Article 9.

Section 5.4 Conduct of Business

To the extent that the Fund has the legal power to cause compliance with the following, the Fund covenants and agrees that during the period from the date of this Agreement until the earlier of the Effective Time and the time that this Agreement is terminated in accordance with its terms, except as expressly contemplated by the Agreement or with the prior written consent of the Purchaser, which shall not be unreasonably withheld, the Fund shall, and shall cause its Subsidiaries to, conduct their business only in the ordinary course consistent with past practice and in compliance in all material respects with all Applicable Law, and shall use their

commercially reasonable efforts to preserve intact the present business organization of the Fund and its Subsidiaries and to preserve the current relationships of the Clearwater Entities with customers, suppliers, distributors, licensors, employees and other Persons with which any of the Clearwater Entities has significant business relations. Without limiting the generality of the foregoing, from the date of this Agreement until the earlier of the Effective Time and the time that this Agreement is terminated in accordance with its terms, except as expressly required by the Agreement, the Fund shall not, and shall not permit any of its Subsidiaries to, except (i) with the prior written consent of Purchaser in its sole discretion, (ii) as is contemplated by this Agreement or (iii) to the extent that the Fund does not have the legal power to cause compliance therewith:

- (a) except for inter-company dividends and distributions, declare, set aside or pay any dividends on or make any other distributions on any of their equity securities (including without limitation distributions on the Fund Units);
- (b) issue, sell, pledge, dispose of, encumber, agree or offer to issue, sell, pledge, dispose of or encumber any debt or equity securities, including any options, warrants, calls, conversion privileges or rights of any kind to acquire any securities of the Fund or any of its Subsidiaries, other than, as applicable, the issuance of Fund Units in accordance with the terms of the Debentures;
- (c) amend the Declaration of Trust, the Limited Partnership Agreement, their respective articles or by-laws or other constating documents, or the terms of any of their respective outstanding securities or any outstanding indebtedness or credit facilities or any other Fund Material Document;
- (d) split, consolidate or reclassify any of its outstanding securities or undertake any other capital reorganization;
- (e) redeem, purchase or offer to purchase any securities of the Fund or any of its Subsidiaries, except as required by the terms of the Declaration of Trust;
- (f) acquire or agree to acquire, or make any investment in or equity contribution to any Person (or any material interest therein or material amount of securities thereof);
- (g) reorganize, amalgamate or merge with any other Person whatsoever;
- (h) adopt a plan of liquidation or resolve to liquidate, dissolve, wind-up or reorganize;
- (i) (i) grant to any trustee, officer, director or employee of any of the Clearwater Entities an increase in, or additional amounts of, compensation, bonus or present or future monetary benefit in any form (including bonus or incentive payments), except in respect of employees in the ordinary course of business; (ii) grant any general salary increase; (iii) commit to or make any loan to any trustee, officer, director or employee of any of the Clearwater Entities; (iv) grant or modify any bonus or similar payment or benefit to, any severance, retention, retirement, change of control or termination pay to or enter into any employment agreement

with, any trustee, officer, director or employee of any of the Clearwater Entities, except with respect to new hires or with respect to employees in the ordinary course of business; (v) increase any benefits payable under its current severance, change of control or termination pay policies; or (vi) adopt or amend in any material respect or make any voluntary contribution to any pension plan;

- (j) enter into any transaction or perform any act which could reasonably be expected to (i) interfere with, delay or reduce the likelihood of the completion of the Transaction, (ii) render inaccurate any of the representations and warranties of the Fund set forth herein as if such representations and warranties were made at a date subsequent to such transaction or act and all references to the date hereof were to such later date or (iii) adversely affect, in any material respect, the Fund's ability to perform its covenants and agreements under this Agreement;
- (k) except as set forth in section 5.4(k) of the Disclosure Letter, incur any additional indebtedness, guarantee the payment of any third party indebtedness or become responsible for the indebtedness of any third party, or pledge, lease, encumber or create any Lien, other than Permitted Liens, on or any of its or their property or assets, including drawing down any amount available under the Existing Credit Facilities other than for working capital purposes or in connection with refinancing the Existing Credit Facilities or other Debt in existence at the date hereof (provided that the aggregate amount of Debt available after such refinancing does not exceed the amount of Debt facilities available as at the date hereof);
- (l) except as contemplated in any existing contractual commitments or as set forth in section 5.4(l) of the Disclosure Letter, acquire, sell or otherwise dispose of, or commit to acquire or sell or otherwise dispose of, any assets or property or group of related assets or property (through one or more related or unrelated transactions), having a value and/or cost in excess of \$10 million in the aggregate;
- (m) make any capital expenditure or commence to undertake any expansion of its facilities that is out of the ordinary course of business other than in accordance with the approved budget of Clearwater for 2008, (a copy of which has been provided to the Purchaser), or authorized prior to the date hereof;
- (n) except as set forth in section 5.4(n) of the Disclosure Letter, waive, release, assign, settle or compromise any claim in a manner that could require a payment by, or release another Person of an obligation to, any of the Clearwater Entities of \$1 million individually, or \$5 million in the aggregate, or could reasonably be expected to have a Material Adverse Effect or interfere with or delay the completion of the Transaction;
- (o) enter into any transaction or perform any act which would reasonably be expected to cause, or fail to take any act which would reasonably be expected to result in, a breach of, or default under, or render inaccurate any of the representations and warranties made under, any Material Contract or amend or

modify in any material respect or terminate or waive any material right under any Material Contract or enter into any Contract, other than Contracts relating to the sale of inventory in the ordinary course, that would be a Material Contract if in effect on the date hereof;

- (p) except as set forth in section 5.4(p) of the Disclosure Letter, enter into, amend or modify any union recognition agreement, collective agreement or similar agreement with any trade union or representative body;
- (q) amend, modify or terminate any material insurance policy in effect on the date of this Agreement, except for scheduled renewals of any insurance policy in effect on the date hereof in the ordinary course of business consistent with past practice;
- (r) do anything or omit to do anything that (i) would adversely affect the Fund's status as a "mutual fund trust" for the purposes of the Tax Act at any time at or before the end of its taxation year in which the redemption of its Units contemplated under Section 2.1 hereof occurs; or (ii) would cause CSHT to become subject to tax under proposed section 122 of the Tax Act (as proposed in the SIFT Proposals, as they may be amended from time to time) for any taxation year ending before 2011;
- (s) fail, in any material respect, to timely pay, collect, withhold, and remit all Taxes which are due and payable unless validly contested or make or rescind any material express or deemed election relating to Taxes (except elections respecting transactions which occurred prior to the date hereof and which the Purchaser is permitted to review); or
- (t) agree, resolve or commit to do any of the foregoing.

Section 5.5 Notes

The Fund shall, and shall cause its Subsidiaries to, use commercially reasonable efforts to take all such action as may be reasonably requested by the Purchaser to cause the Notes to be redeemed in full (including the full principal amount outstanding and accrued and unpaid interest or other charges) on the Closing Date and the related security interests to be released; provided that for greater certainty, the Fund shall not be required to provide or cause to be provided notice of redemption of the Notes that cannot be revoked without payment in the event the Transaction is not completed. The Fund agrees that it shall, and shall cause its Subsidiaries to, consult and cooperate with the Purchaser in connection with the redemption of the Notes, and that any such redemption shall be on terms and conditions, including as to the amount of any "make-whole", consent or similar payment, satisfactory to the Purchaser in its sole discretion. Notwithstanding anything else contained in this Agreement, none of the Clearwater Entities shall be required to (i) redeem the Notes or (ii) provide or cause to be provided notice of redemption of the Notes, in each case, if such notice cannot be revoked without payment in the event the Transaction is not completed.

Section 5.6 Debentures

The Fund agrees that, subject to the approval of the Debentureholder Resolution by the Debentureholders, it will take all such actions as are necessary to cause the Debentures to be redeemed on the Closing Date in accordance with the terms of this Agreement.

Section 5.7 Access to Information

From the date hereof until the earlier of the Effective Time and the termination of this Agreement, subject to compliance with Applicable Law, the Non-Disclosure Agreement and the terms of any existing Contracts, the Fund shall:

- (a) give to the Purchaser and its representatives (including financing sources) on reasonable notice full access during normal business hours to the offices, properties, books and records of the Clearwater Entities; and
- (b) promptly furnish to the Purchaser and its representatives such financial and operating data and other information as such Persons may reasonably request,

provided, however, that the Fund shall be under no obligation under this section unless the recipient of the information is subject to a non-disclosure agreement on terms reasonably satisfactory to the Fund.

Section 5.8 Assistance with Financing

- (a) If requested by the Purchaser, the Fund shall, and shall cause its Subsidiaries, to reasonably cooperate with the Purchaser to permit the Existing Credit Facilities and the Notes to be repaid and the related security interests to be released, in each case in accordance with Section 2.1 and Section 5.5. Without limiting the foregoing, the Fund shall, and shall cause Clearwater to cause timely notices of prepayment to be given to the existing lenders as required under the Existing Credit Facilities and to obtain pay-out letters from such lenders with outstanding balances, per diems and other information as may be required to repay such credit facilities on the Closing Date, provided, however, that, if the transactions contemplated by this Agreement are not completed and this Agreement is terminated as a result of a breach by the Purchaser of this Agreement or a breach of any of the undertakings delivered by members of the Purchaser Group, dated the date hereof, the Purchaser shall indemnify the Clearwater Entities in respect of any amounts paid or liabilities or expenses incurred in respect of prepayment penalties, breakage fees or other expenses in respect of the withdrawal of such notices of prepayment and in respect of any other liabilities, costs, expenses and losses incurred as a result of such co-operation.
- (b) The Fund shall provide and, to the extent that the Fund has the legal power to cause compliance with the following, shall cause Clearwater and its Subsidiaries and its and their trustees, directors, officers and employees, to provide all timely cooperation to the Purchaser as the Purchaser may reasonably request in connection with the arrangements by the Purchaser to obtain the advance of the debt financing contemplated in the Debt Financing Commitment Letters, or any

alternative to such financing arranged by or for the benefit of the Purchaser (provided that such request is made on reasonable notice and does not unreasonably interfere with the ongoing operations of the Clearwater Entities), including using its reasonable commercial efforts to: (i) participate in meetings and due diligence sessions, (ii) furnish the Purchaser and its financing sources within a reasonable timeframe with financial and other pertinent information regarding the Fund and its Subsidiaries as may be reasonably requested by the Purchaser, (iii) reasonably cooperate with the syndication efforts of the Purchaser and its financing sources for such financings, (iv) cooperate with the Purchaser in connection with applications to obtain such consents, approvals or authorizations which may be reasonably necessary or desirable in connection with such debt financing and executing and delivering any credit loan or other agreements, pledge and security documents, currency or interest hedging arrangements or other definitive financing documents or other certificates and documents as may be reasonably requested by the Purchaser or otherwise facilitating the pledging of collateral as may be reasonably requested by the Purchaser; provided that any obligations contained in such documents or agreements shall be effective no earlier than as of the Effective Time, and (v) assist in the satisfaction of the conditions and obligations in the Debt Financing Commitment Letters, or any alternative to such financing arranged by or for the benefit of the Purchaser, to secure such financings including facilitate the delivery of collateral security, surveys and title insurance. The Purchaser shall promptly pay on request by the Fund any and all out-of-pocket costs and expenses incurred by the Fund and its Subsidiaries relating to such co-operation and shall indemnify and hold harmless the Fund, the Subsidiaries and their respective trustees, directors, officers and employees for and against any and all liabilities, losses, damages, claims, costs, expenses (including legal expenses), interest, awards, judgments and penalties suffered or incurred by them in connection with such co-operation and the arrangement of such financings.

ARTICLE 6 COVENANTS OF THE PURCHASER

Section 6.1 Approval of the Special Resolution

The Purchaser agrees that it will, subject to the terms and conditions of this Agreement, vote or cause to be voted the votes attaching to the Units held or beneficially owned by it and/or its affiliates in favour of the Special Resolution.

Section 6.2 Trustee Liability

- (1) Subject to Closing, the Purchaser shall, as of and from the Closing Date, assume, discharge, perform and fulfill all liabilities and obligations of the Fund and CSHT relating to any period prior to the Effective Time, regardless of whether any claim therefor may arise before, on or after the Closing Date including, without limitation, the following: (a) all accounts payable of the Fund and CSHT; (b) all obligations and liabilities of the Fund and CSHT under any Contract; and (c) all other obligations and liabilities of the Fund and CSHT, contingent or otherwise.

- (2) From and after the Effective Time, the Purchaser shall, and shall cause Clearwater to, indemnify and hold harmless, to the fullest extent permitted under the Declaration of Trust, (and to also advance expenses as incurred to the fullest extent permitted under the Declaration of Trust), each present and former trustee of the Fund and each present and former officer, director and trustee of Clearwater and/or their respective Subsidiaries (each, an “**Indemnified Person**”) against any costs or expenses (including reasonable attorneys’ fees), judgments, fines, losses, claims, damages or liabilities incurred in connection with any claim, inquiry, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of or related to such Indemnified Person’s service as a trustee of the Fund or as an officer, director or trustee of Clearwater and/or any of their respective Subsidiaries or services performed by such Persons at the request of the Fund, Clearwater and/or any of their respective Subsidiaries relating to any period prior to the Effective Time, whether asserted or claimed prior to, at or after the Effective Time, including the approval or completion of this Agreement, the Transaction or any of the other transactions contemplated by this Agreement or arising out of or related to this Agreement and the transactions contemplated hereby.
- (3) Prior to the Effective Time, the Fund shall obtain and, if the Fund is unable to, the Purchaser shall cause Clearwater prior to the Effective Time, to obtain, fully paid directors’, officers’ and trustees’ liability coverage exclusively for the Fund’s existing directors’, officers’ and trustees’ which is non-cancellable by either the insurer or the insured for a claims reporting or run-off and extended reporting period and claims reporting period of at least six years from and after the Effective Time with respect to any claim related to any period or time at or prior to the Effective Time from a reputable insurance carrier, and with terms, conditions and retentions that are no less advantageous to the Indemnified Persons than the coverage provided under the Fund’s existing policies with respect to any actual or alleged error, misstatement, misleading statement, act, omission, neglect, breach of duty or any matter claimed against a director, officer or trustee of the any of the Clearwater Entities by reason of him or her serving in such capacity that existed or occurred at or prior to the Effective Time (including in connection with the approval or completion of this Agreement, the Transaction or the other transactions contemplated by this Agreement or arising out of or related to this Agreement and the transactions contemplated hereby) (“**D&O Insurance**”).
- (4) The rights of the Indemnified Persons under this Section 6.2 shall be in addition to any rights such Indemnified Persons may have under the constating documents of the Clearwater Entities, or under any Applicable Law or under any Contract of any Indemnified Person with the Clearwater Entities.
- (5) This Section 6.2 shall survive the consummation of the Transaction and is intended to be for the benefit of, and shall be enforceable by, the Indemnified Persons and their respective heirs, executors, administrators and personal representatives and shall be binding on the Fund, Clearwater and their successors and assigns, and, for such purpose, the Fund hereby confirms that it is acting as agent on behalf of the Indemnified Persons.

- (6) In the event that, following Closing, either the Purchaser or Clearwater or any of their respective successors or assigns (i) consolidates with or merges into any other Person and shall not be the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers or conveys all or a majority of its properties and assets to any Person, then, and in each such case, proper provision shall be made so that the successors and assigns of such corporation or entity shall succeed to the obligations of this Section 6.2.

Section 6.3 Financing

The Purchaser shall use commercially reasonable efforts to obtain and effect the financing contemplated by the Debt Financing Commitment Letters, including without limitation by satisfying, on a timely basis, all covenants, terms, representations and warranties applicable to the Purchaser in the Debt Financing Commitment Letters that are within its control, and not agreeing to any additional condition precedent to draw down under the Debt Commitment Letters.

Section 6.4 Sufficient Funds

The Purchaser shall ensure that the steps set out in Section 2.1 will result in sufficient funds being available to the Fund in order to complete the redemptions set out in Section 2.1(p) and Section 2.1(s).

ARTICLE 7 MUTUAL COVENANTS

Section 7.1 Regarding the Transaction

- (1) Subject to the terms and conditions of this Agreement, the Purchaser and the Fund shall use their commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under Applicable Law to consummate the Transaction as soon as practicable, including using commercially reasonable efforts to:
- (a) prepare and file as promptly as practicable all necessary documents, registrations, statements, petitions, filings and applications for the Required Consents;
 - (b) obtain and maintain all approvals, clearances, consents, registrations, permits, authorizations and other confirmations from any Governmental Authority or other third party that are necessary, proper or advisable to consummate the Transaction;
 - (c) oppose, lift or rescind any injunction or restraining or other order seeking to stop, or otherwise adversely affecting its ability to consummate, the Transaction and to defend, or cause to be defended, any Proceedings to which it is a party or brought against it or its trustees, directors or officers challenging this Agreement or the Transaction; and

- (d) comply promptly with all requirements which Applicable Law may impose on it or its Subsidiaries or affiliates (to the extent that it controls such Subsidiary or affiliate) with respect to the Transaction.
- (2) The Purchaser and the Fund shall cooperate with and keep each other fully informed as to the status of and the processes and proceedings relating to obtaining the Required Consents, and shall promptly notify each other of any communication from any Governmental Authority in respect of the Transaction or this Agreement.

Section 7.2 Mutual Co-operation

- (1) The Fund agrees to reasonably cooperate and to cause its Subsidiaries to reasonably cooperate with the Purchaser with respect to any tax planning or tax structuring proposed by the Purchaser in connection with the Transaction, including consenting to any variation or addition to the Transaction Steps reasonably requested by the Purchaser, to the extent such tax planning, tax structuring, variation or addition does not: (i) in the reasonable opinion of the Fund, cause prejudice to the Fund, Clearwater or the Fund Unitholders, (ii) impede, delay or prevent consummation of the transactions contemplated in this Agreement (including by giving rise to litigation by third parties), (iii) violate any Applicable Law, (iv) require approval of the Fund Unitholders or (v) be considered in determining whether a representation, warranty or covenant of the Fund hereunder has been breached.
- (2) Each of the Parties agree to assist and co-operate with each other, and to take appropriate steps to amend and/or terminate, or cause to be amended or terminated, the Fund Material Documents or any other agreement or instrument as may be necessary or desirable as agreed by the Parties, in order to permit the Transaction to be completed as contemplated by this Agreement and as otherwise may be necessary or desirable to give effect to the Transaction.

Section 7.3 Public Communications

None of the Fund, Clearwater or the Purchaser shall issue any press release relating to this Agreement or the Transaction without the consent of the Parties hereto (which consent shall not be unreasonably withheld, conditioned or delayed), except as required by Applicable Laws or in order to comply with fiduciary duties (in which case such party will first make a reasonable effort to (i) consult with the other party and obtain such approval and (ii) enable the other party to review and comment on such news release it proposes to issue or file prior to the release thereof).

Section 7.4 Notice and Cure Provisions

- (1) Each Party will give prompt notice to the other of the occurrence, or failure to occur, at any time from the date hereof until the earlier to occur of the termination of this Agreement and the Effective Time of any event or state of facts which occurrence or failure would, or would be likely to:

- (a) cause any of the representations or warranties of such Party contained herein to be untrue or inaccurate in any material respect on the date hereof or at the Effective Time; or
 - (b) result in the failure to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by such Party hereunder prior to the Outside Date.
- (2) The Purchaser may not exercise its right to terminate this Agreement pursuant to Section 9.1(1)(c)(i) and the Fund may not exercise its right to terminate this Agreement pursuant to Section 9.1(1)(d) unless the Party seeking to terminate the Agreement shall have delivered a written notice to the other Party specifying in reasonable detail all breaches of covenants, representations and warranties or other matters which the Party delivering such notice is asserting as the basis for the termination right. If any such notice is delivered, provided that the applicable Party is proceeding diligently to cure such matter and such matter is capable of being cured, no Party may exercise such termination right until the earlier of (i) the Outside Date, and (ii) the date that is 10 Business Days following receipt of such notice by the applicable Party to whom the notice was delivered, if such matter has not been cured by such date.

ARTICLE 8 CONDITIONS

Section 8.1 Mutual Conditions Precedent

The obligations of the Parties to complete the transactions contemplated by this Agreement are subject to the fulfillment, on or before the Effective Time, of each of the following conditions precedent, each of which may only be waived with the mutual consent of the Parties:

- (a) the Fund shall have received Unitholder Approval;
- (b) no Applicable Law shall be in effect that makes the consummation of the Transaction illegal or otherwise prohibited or enjoins the Fund, Clearwater or the Purchaser from consummating the Transaction;
- (c) the Required Consents set out in Schedule C-1 shall have been obtained on terms and conditions satisfactory to the Parties, acting reasonably; and
- (d) this Agreement shall not have been terminated in accordance with its terms.

Section 8.2 Additional Conditions Precedent to the Obligations of the Purchaser

The obligations of the Purchaser to complete the transactions contemplated by this Agreement shall also be subject to the fulfillment of each of the following conditions precedent (each of which is for the exclusive benefit of the Purchaser and may be waived by the Purchaser):

- (a) all covenants of the Fund under this Agreement to be performed on or before the Effective Time shall have been duly performed by the Fund in all material respects, and the Purchaser shall have received a certificate of the Fund addressed to the Purchaser and dated the Effective Time, signed on behalf of the Fund by two trustees (on behalf of the Fund and without personal liability) confirming the same as at the Effective Time;
- (b) the representations and warranties of the Fund set forth in this Agreement shall be true and correct in all respects as though made on and as of the Effective Time, without regard to any materiality or Material Adverse Effect qualifications contained in them as of the Effective Time (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date), except where the failure or failures of all such representations and warranties to be so true and correct in all respects would not reasonably be expected to have a material adverse effect and for the purposes of this provision “**material adverse effect**” shall mean (i) a Material Adverse Effect; and (ii) any other change effect, event, development, occurrence or state of facts which results in the Clearwater Entities, either individually or collectively, incurring or suffering any loss, damage, claim, expense, or loss in an aggregate amount exceeding \$15 million (other than any write-down of the Fund’s investment in Clearwater as a result of the Transaction), and the Purchaser shall have received a certificate of the Fund addressed to the Purchaser and dated the Effective Time, signed on behalf of the Fund by two trustees (on behalf of the Fund and without personal liability) confirming the same as at the Effective Time;
- (c) the Notes shall have been redeemed or repaid in full on or prior to the Closing Date on terms and conditions satisfactory to the Purchaser and all related security interests shall have been released;
- (d) the Debentureholders shall have approved the Debentureholder Resolution in accordance with Applicable Law and the Debenture Trust Indenture;
- (e) the Required Consents set out in Schedule C-2 shall have been obtained on terms and conditions satisfactory to the Purchaser, acting reasonably;
- (f) there shall not have occurred, following the date of this Agreement or exist a Material Adverse Effect;
- (g) immediately prior to the Effective Time, there shall not have occurred or exist any breach of, or default or event of default under, (or any state of facts which, after notice or lapse of time or both, will result in a breach of, or default or event of default under) the Note Indenture, the Debenture Trust Indenture or the Existing Credit Facilities, other than, in each case, a breach, default or event of default that would not be reasonably likely to have a material adverse effect (as defined in Section 8.2(b));
- (h) there shall not be pending or threatened any Proceeding by any Governmental Authority or any other Person: (i) seeking to prohibit or restrict the

consummation of the Transaction or seeking to obtain from the Parties any material damages directly or indirectly in connection with the Transaction; (ii) seeking to restrain or limit the ability of the Purchaser to hold the assets of or control the Clearwater Entities; or (iii) which, if successful, is reasonably likely to have a Material Adverse Effect;

- (i) as at the Effective Time, the "eligible accounts" and "eligible inventory" contemplated by the Debt Financing Commitment Letters shall be greater than \$75,000,000;
- (j) as at the Effective Time, the Fund and its subsidiaries shall have total indebtedness (on a consolidated basis but excluding hedging obligations) not exceeding \$230,000,000;
- (k) the ratio of consolidated earnings before interests, taxes, depreciation and amortization to fixed charges of the Fund and its subsidiaries (on a consolidated basis for the four fiscal quarters ending September 30, 2008) shall not be less than 1.25: 1.0;
- (l) the ratio of consolidated earnings before interest, taxes, depreciation and amortization to interest expense on senior indebtedness of the Fund and its subsidiaries (on a consolidated basis) for the four fiscal quarters ending September 30, 2008 shall not be less than 2.50:1;
- (m) the ratio of total indebtedness to earnings before interest, taxes, depreciation and amortization of the Fund and its subsidiaries (on a consolidated basis) for the four fiscal quarters ending September 30, 2008 shall not be greater than 5.50:1.0;
- (n) as at the Effective Time, the net worth of the Fund and its subsidiaries (on a consolidated basis) shall not be less than \$70 million (excluding any write-down of the Fund's investment in Clearwater as a result of the Transaction); and
- (o) the extension of the currently outstanding ISK\$2.46 billion bonds shall have been completed substantially in accordance with the draft bond issue agreement between Clearwater Finance and Glitnir Banki hf, copies of which have been provided to each of the parties hereto.

Section 8.3 Additional Conditions Precedent to the Obligations of the Fund

The obligations of the Fund to complete the transactions contemplated by this Agreement shall also be subject to the following conditions precedent (each of which is for the exclusive benefit of the Fund and may be waived by the Fund):

- (a) all covenants of the Purchaser under this Agreement to be performed on or before the Effective Time shall have been duly performed by the Purchaser in all material respects, and the Fund shall have received a certificate of the Purchaser, addressed to the Fund and dated the Effective Time, signed on behalf of the Purchaser by two of its senior executive officers (on the Purchaser's behalf and without personal liability), confirming the same as of the Effective Time;

- (b) the representations and warranties of the Purchaser set forth in this Agreement shall be true and correct in all material respects as of the Effective Time as though made on and as of the Effective Time (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date, and except in each case, for those representations and warranties that are subject to a materiality qualification, which must be true and correct in all respects), and the Fund shall have received a certificate of the Purchaser, addressed to the Fund and dated the Effective Time, signed on behalf of the Purchaser by two senior executive officers of the Purchaser (on the Purchaser's behalf and without personal liability), confirming the same as at the Effective Time;
- (c) there shall be sufficient funds available in the appropriate Clearwater Entities in order to complete the transaction steps set out in Section 2.1, including without limitation funds from the subscription by the Purchasers under Section 2.1(e) and the availability of funds under the Debt Financing Commitment Letters; and
- (d) there shall not be pending or threatened any Proceeding by any Governmental Authority or any other Person seeking to prohibit or restrict the consummation of the Transaction or seeking to obtain from the Fund any material damages directly or indirectly in connection with the Transaction.

ARTICLE 9 TERMINATION

Section 9.1 Termination

- (1) This Agreement may be terminated and the Transaction may be abandoned at any time prior to the Effective Time (notwithstanding any approval of this Agreement or the Special Resolution by the Unitholders):
 - (a) by mutual written agreement of the Fund and the Purchaser;
 - (b) by either the Fund or the Purchaser, if:
 - (i) the Effective Time shall not have occurred on or before the Outside Date, except that the right to terminate this Agreement under this Section 9.1(1)(b)(i) shall not be available to any Party whose failure to fulfill any of its obligations has been the cause of, or resulted in, the failure of the Effective Time to occur by such date;
 - (ii) after the date hereof, there shall be enacted or made any Applicable Law (or any Applicable Law shall have been amended) that makes consummation of the Transaction illegal or otherwise prohibited or enjoins the Fund or any of its Subsidiaries or the Purchaser from consummating the Transaction and such Applicable Law (if applicable) or injunction shall have become final and non-appealable; or

- (iii) Unitholder Approval shall not have been obtained at the Fund Meeting (including any adjournment or postponement thereof);
 - (c) by the Purchaser:
 - (i) if a breach of any representation or warranty or failure to perform any covenant or agreement on the part of the Fund set forth in this Agreement shall have occurred that would cause the conditions set forth in Section 8.1 or Section 8.2 not to be satisfied, and such conditions are incapable of being satisfied by the Outside Date; provided that the Purchaser is not then in breach of this Agreement so as to cause any of the conditions set forth in Section 8.1 or Section 8.3 not to be satisfied;
 - (ii) if prior to obtaining Unitholder Approval, the Board withdraws, amends, modifies or qualifies, in a manner adverse to the Purchaser, the approval or recommendation of the Board of the Transaction, or shall fail to reaffirm such approval or recommendation within two Business Days of receipt of any written request to do so by the Purchaser;
 - (iii) a Material Adverse Effect exists or has occurred following the date of this Agreement;
 - (d) by the Fund, if a breach of any representation or warranty or failure to perform any covenant or agreement on the part of the Purchaser set forth in this Agreement shall have occurred that would cause the conditions set forth in Section 8.1 or Section 8.3 not to be satisfied, and such condition is incapable of being satisfied by the Outside Date; provided that the Fund is not then in breach of this Agreement so as to cause any of the conditions set forth in Section 8.1 or Section 8.2 not to be satisfied.
- (2) The Party desiring to terminate this Agreement pursuant to this Section 9.1 (other than pursuant to Section 9.1(1)(a)) shall give notice of such termination to the other Party.

Section 9.2 Effect of Termination

If this Agreement is terminated pursuant to Section 9.1, this Agreement shall, except as provided in this Section 9.2, become void and of no effect without liability of any Party (or any shareholder, partner, trustee, director, officer, employee, agent, consultant or representative of such Party) to any other Party hereto, except that the provisions of this Section 9.2, the indemnity obligations set forth in Section 5.2(5) and Section 5.8(a) and Section 10.5 shall survive any termination hereof pursuant to Section 9.1(1). If the transactions contemplated by this Agreement are not completed and this Agreement is terminated as a result of a breach of this Agreement by the Purchaser or a breach of any of the undertakings delivered by members of the Purchaser Group, dated the date hereof, the Purchaser shall reimburse the Clearwater Entities in respect of any costs and expenses incurred in respect of this Agreement or the transactions contemplated hereby (which costs and expenses shall include, without limitation, any prepayment penalties, breakage fees, expenses or other fees incurred in respect of (i) the withdrawal of notices of prepayment sent in respect of the Existing Credit Facilities and the Notes; and (ii) the transactions contemplated by the Debt Financing Commitment Letters.

**ARTICLE 10
GENERAL PROVISIONS**

Section 10.1 Waiver

No waiver of any of the provisions of this Agreement shall be deemed to constitute a waiver of any other provision (whether or not similar) or a future waiver of the same provisions, nor shall such waiver be binding unless executed in writing by the Party to be bound by the waiver. No failure or delay by any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

Section 10.2 Amendments

This Agreement, including the Transaction Steps, may, at any time and from time to time before or after receipt of Unitholder Approval, but not later than the Effective Time, be amended by mutual written agreement of the Parties.

Section 10.3 Notices

All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made as of the date delivered or sent if delivered personally or sent by electronic mail, or as of the following Business Day if sent by prepaid overnight courier, to the Parties at the following addresses (or at such other addresses as shall be specified by any Party by notice to the other given in accordance with these provisions):

(a) if to the Purchaser:

757 Bedford Highway
Bedford, Nova Scotia B4A 3Z7

Attention: Stan Spavold
Email: sspavold@clearwater.ca

with a copy (which shall not constitute notice) to:

Stikeman Elliott LLP
5300 Commerce Court West
199 Bay Street
Toronto, Ontario M5L 1B9

Attention: Joel Binder
Email: jbinder@stikeman.com

(b) if to the Fund:

Special Committee
c/o Dr. Tom Traves, Chair
President, Dalhousie University
Halifax, Nova Scotia B3H 4H8

E-mail: tom.traves@dal.ca

with copies (which shall not constitute notice) to:

757 Bedford Highway
Bedford, Nova Scotia B4A 3Z7

Attention: Dr. Tom Traves
E-Mail: tom.traves@dal.ca

and Goodmans LLP
250 Yonge St., Suite 2400
Toronto, Ontario M5B 2M6

Attention: Bob Vaux/Mark Spiro
E-mail: rvaux@goodmans.ca/mspiro@goodmans.ca

and Stewart McKelvey
Suite 900, Purdy's Wharf Tower 1
1959 Upper Water Street
P.O. Box 997
Halifax, Nova Scotia B3J 2X2

Attention: Andrew Burke/Gavin Stuttard
E-mail: aburke@smss.com/gstuttard@smss.com

Section 10.4 Governing Law

This Agreement shall be governed, including as to validity, interpretation and effect, by the laws of the Province of Ontario and the laws of Canada applicable therein, and shall be construed and treated in all respects as an Ontario contract. Each of the Parties hereby irrevocably attorns to the non-exclusive jurisdiction of the Courts of the Province of Ontario in respect of all matters arising under and in relation to this Agreement and the Transaction.

Section 10.5 Expenses

Except as otherwise provided in this Agreement, each of the Parties shall pay its legal, financial advisory and accounting costs and expenses incurred in connection with the preparation, execution and delivery of this Agreement and all documents and instruments executed or prepared pursuant hereto and any other costs and expenses whatsoever and howsoever incurred except that the Purchaser shall pay (i) the reasonable and documented fees and out-of-pocket expenses of BMO Nesbitt Burns Inc. in respect of the formal valuation

prepared by it in connection with the Transaction and in accordance with the requirements of MI 61-101 and (ii) any requisite filing fees and applicable taxes in relation to any filing or application made in respect of the *Competition Act* (Canada).

Section 10.6 Injunctive Relief and Specific Performance

The Parties agree that irreparable harm would occur for which money damages would not be an adequate remedy at law in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. Accordingly, in the event of any such breach, any aggrieved party shall be entitled to the remedy of specific performance of such obligations and interlocutory, preliminary and permanent injunctive and other equitable relief, which subject to Section 9.2 shall be the sole and exclusive remedy available to the parties.

Section 10.7 Time of Essence

Time is of the essence of this Agreement.

Section 10.8 Binding Effect

This Agreement shall be binding on and shall enure to the benefit of the Parties and their respective successors and permitted assigns, provided that this Agreement may not be assigned or novated by any Party without the prior written consent of the other.

Section 10.9 Severability

If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any Applicable Law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party.

Section 10.10 No Third Party Beneficiaries

Except as provided in Section 6.2, this Agreement is not intended to confer any rights or remedies upon any Person other than the Parties to this Agreement.

Section 10.11 Rules of Construction

The Parties to this Agreement waive the application of any Applicable Law or rule of construction providing that ambiguities in any agreement or other document shall be construed against the party drafting such agreement or other document.

Section 10.12 No Liability

No partner, director or officer of the Purchaser shall have any personal liability whatsoever to the Fund under this Agreement or any other document delivered in connection with the transactions contemplated hereby on behalf of the Purchaser. The Trustees, in incurring any debts, liabilities or obligations, or in taking or omitting any other actions for or in connection with the affairs of the Fund are, and will be conclusively deemed to be, acting for

and on behalf of the Fund, and not in their own personal capacities. Neither the Trustees nor the Unitholders shall be subject to personal liability for any debts, liabilities, obligations, claims, demands, judgments, costs, charges or expenses (including legal expenses) against or with respect to the Fund or arising out of anything done or permitted or omitted to be done in respect of the execution of the duties of the office of Trustees for or in respect to the affairs of the Fund, and resort will be had solely to the property and assets of the Trustees held in trust pursuant to the Declaration of Trust.

Section 10.13 Counterparts, Execution

This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument. The Parties shall be entitled to rely upon delivery of an executed facsimile or similar executed electronic copy of this Agreement, and such facsimile or similar executed electronic copy shall be legally effective to create a valid and binding agreement between the Parties.

IN WITNESS WHEREOF the Purchaser and the Fund have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

**CS ACQUISITION LIMITED PARTNERSHIP,
by its general partner, CS Acquisition GP
Corp.**

Per: "Stan Spavold"
Authorized Signing Officer

**CLEARWATER SEAFOODS INCOME FUND,
by its administrator Clearwater Seafoods
Limited Partnership, by its managing general
partner CS ManPar Inc.**

Per: "Robert Wight"
Authorized Signing Officer

SCHEDULE "A"
SPECIAL RESOLUTION

BE IT RESOLVED as a Special Resolution that:

- (1) The transactions contemplated by the transaction agreement (the "Transaction Agreement") between CS Acquisition Limited Partnership (the "Purchaser") and Clearwater Seafoods Income Fund (the "Fund") made as of August 14, 2008 (as it may be or may have been amended in accordance with its terms), including without limitation the redemption of all outstanding Fund Units, other than Fund Units beneficially owned by any member of the Purchaser Group, for a cash consideration of \$4.50 per Fund Unit and the amendments to and terminations of the Fund Material Documents necessary or desirable to complete the transactions contemplated by the Transaction Agreement, including without limitation those required to effect the Transaction Steps, are hereby approved and authorized in all respects;
- (2) The amendments to the Declaration of Trust as set forth in Exhibit "A" are hereby approved and authorized, effective as of the Effective Time. Any two trustees of the Fund are authorized, without further notice to or approval of the Fund Unitholders, to approve such other amendments to the Declaration of Trust or amendments to or terminations of any other Fund Material Document or any other agreement or instrument as may be necessary or desirable in their discretion in order to complete the transactions contemplated in the Transaction Agreement and as otherwise may be necessary or desirable in their discretion in order to give effect to this Special Resolution;
- (3) Any two trustees of the Fund be and are hereby authorized and directed to execute on behalf of the Fund and to deliver and to cause to be delivered, all such documents, agreements and instruments, including without limitation the amendments to the Declaration of Trust and Fund Material Documents approved by this Special Resolution, and to do or cause to be done all such other acts and things as they shall determine to be necessary or desirable in order to carry out the intent of this Special Resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of such documents, agreements or instruments or the doing of any such act or thing;
- (4) Notwithstanding that this resolution has been passed by the Fund Unitholders, the board of trustees of the Fund are authorized, without further notice to or approval of the Fund Unitholders: (a) to amend the Transaction Agreement to the extent permitted by the Transaction Agreement; and/or (b) to terminate the Transaction Agreement and to not proceed with the transactions contemplated therein to the extent permitted by the Transaction Agreement; and
- (5) All capitalized terms not otherwise defined in this Special Resolution have the meanings ascribed thereto in the Transaction Agreement.

EXHIBIT "A"
AMENDMENTS TO DECLARATION OF TRUST

Section 1.1. Definitions shall be amended to include the following:

"Class A Unit" means the Class A limited partnership units of CSLP;

"Closing Date" has the meaning ascribed thereto in the Transaction Agreement;

"Code" means the U.S. Internal Revenue Code of 1986, as amended;

"First Redemption" means the redemption of all outstanding Trust Units (other than 2,849,059 Trust Units, 4,462,249 Trust Units, 2,082,794 Trust Units and 1,275,205 Trust Units beneficially owned by Clarke Inc., CJR Investments Inc., Glitnir Banki hf and Clearwater Fine Foods Inc., respectively) in consideration of payment of the First Trust Unit Redemption Price;

"First Redemption Date" means the Closing Date;

"First Trust Unit Redemption Price" means \$4.50 in cash per Trust Unit.

"GP Shares" means the issued and outstanding shares in the capital of CS ManPar;

"Purchaser Group" has the meaning ascribed thereto in the Transaction Agreement;

"Second Redemption" means the redemption of all outstanding Trust Units beneficially owned by any member of the Purchaser Group in consideration of payment of the Second Trust Unit Redemption Price, provided that the Second Redemption shall take place following the First Redemption;

"Second Redemption Date" means the Closing Date, or such other date as agreed to in writing by the parties to the Transaction Agreement provided that the Second Redemption shall take place following the First Redemption;

"Second Trust Unit Redemption Price" means a pro rata interest in the Class A Units and GP Shares held by the Trust, represented by a Trust Unit, as at the time of the Second Redemption, which pro rata interest will be determined based on the number of Trust Units outstanding as at the time of the Second Redemption;

"Transaction" means the transactions contemplated by the Transaction Agreement;

"Transaction Agreement" means the transaction agreement dated as of August 14, 2008, between CS Acquisition Limited Partnership and the Trust, as amended from time to time in accordance with its terms; and

"Trust Unitholders" means at any time the holders at that time of one or more Trust Units, as shown on the register of such holders maintained by the Transfer Agent on behalf of the Trust.

Section 1.1 The definition of “Trustee” in Section 1.1(yy) shall be deleted and replaced with the following:

“Trustee” means a person who is, in accordance with the provisions hereof, a trustee of the Trust at that time, including without limitation so long as he, she or it remains a trustee, and “Trustees” means, at any time, all of the persons, each of whom is at that time a Trustee.

Section 5.1(ii) The language in Section 5.1(ii) shall be deleted and replaced with the following:

Section 5.1(ii)– *the following amounts shall be deducted in the calculation:*

1. *all costs and expenses of the Trust which, in the opinion of the Trustees, may reasonably be considered to have accrued and become owing in respect of, or which relate to, such Distribution Period or a prior Distribution Period if not accrued in such prior period;*
2. *all amounts which relate to the redemption of Trust Units and which have become payable in cash by the Trust in such Distribution Period;*
3. *any other interest expenses incurred by the Trust between distributions;*
4. *any amount which the Trustees may reasonably consider to be necessary to provide for the payment of any costs which have been or will be incurred in the activities and operations of the Trust and to provide for the payments of any income tax liability of the Trust; and*
5. *amounts representing the First Trust Unit Redemption Price payable to Trust Unitholders in respect of the First Redemption on the First Redemption Date.*

Section 6.6 **Cancellation of all Redeemed Trust Units** shall be deleted and replaced with the following:

Section 6.6 – **First Redemption and Second Redemption of Trust Units by the Trust**

1. *Notwithstanding any other provision of this Declaration of Trust, the Trust shall complete the First Redemption, without further act or formality, on the First Redemption Date in accordance with the Transaction Agreement;*
2. *The Trust shall cause to be forwarded a cheque by first class mail or a wire transfer in Canadian currency representing the aggregate First Trust Unit Redemption Price required to be paid to each Trust Unitholder pursuant to Section 6.6(1) against delivery of certificates representing the Trust Units to be redeemed, together with such documentation as may reasonably be requested by the Trustees or the Transfer Agent. Payments made by the Trust of the First Trust Unit Redemption Price are conclusively deemed to have been made upon the mailing of a cheque in a postage prepaid envelope addressed to the Trust Unitholder unless such cheque is dishonoured upon presentment or upon transmission of a wire transfer, as applicable. Upon such payment, the Trust shall be discharged from all liability to the former*

Trust Unitholders in respect of the Trust Units so redeemed. Under no circumstances will interest be paid to any holder on any payment to be made hereunder, regardless of any delay in making such payment.

3. *The Trust and its agents shall be entitled to deduct and withhold from any consideration payable to any Trust Unitholder as a consequence of the First Redemption, such amounts as the Trust or any agent is required or permitted to deduct and withhold with respect to such payment under the Tax Act, the Code, or any other provision of provincial, local or, foreign tax law, in each case, as amended. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the Trust Unitholder in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority.*
4. *Notwithstanding any other provision of this Declaration of Trust, on the Second Redemption Date, but following the completion of the First Redemption (including the payment required under Section 6.6(2)), the Trust shall complete the Second Redemption, without further act or formality, in accordance with and at the time contemplated by the Transaction Agreement;*
5. *The Trust shall deliver, or cause to be delivered, certificates representing the Class A Units and GP Shares comprising the Second Trust Unit Redemption Price to, or as directed by, each beneficial Trust Unitholder, whose Trust Units are redeemed pursuant to Section 6.6(4) against delivery of certificates representing the Trust Units to be redeemed, together with such documentation as may reasonably be requested by the Trustees or the Transfer Agent. Upon such delivery of the Class A Units and GP Shares representing the Second Trust Unit Redemption Price, the Trust shall be discharged from all liability to the former Trust Unitholders whose Trust Units are redeemed pursuant to Section 6.6(4) in respect of the Trust Units so redeemed.*
6. *Notwithstanding anything else contained herein, where the Trust redeems Trust Units in connection with the First Redemption on the First Redemption Date and in connection with the Second Redemption on the Second Redemption Date, the Trustees may, in their sole discretion, designate to the Trust Unitholders all income or capital gain realized by the Trust as a result of the Transaction and any other income or capital gains of the Trust realized by the Trust prior to the Transaction to the extent such income or capital gains have not been previously paid or designated to the Trust Unitholders, in each case to the extent such income or capital gains are paid or made payable to the Trust Unitholders other than any member of the Purchaser Group as a result of a distribution prior to the First Redemption or upon the First Redemption or to the extent such income or capital gains are paid or made payable to the Trust Unitholders that are members of the Purchaser Group as a result of a distribution prior to the Second Redemption or upon the Second Redemption.*

Section 6.8 Cancellation of all Redeemed Trust Units shall be added and read as follows:

All Trust Units that are redeemed on the First Redemption Date shall be cancelled on the First Redemption Date at the time of the First Redemption and all Trust Units that are redeemed on the Second Redemption Date shall be cancelled on the Second Redemption Date at the time of the Second Redemption and, in each case, such Trust Units shall no longer be outstanding and shall not be reissued and the holders thereof shall no longer be considered Trust Unitholders or entitled to any rights as Trust Unitholders including any right to receive distributions or other amounts from the Trust, but shall only be entitled to received the First Trust Unit Redemption Price or the Second Trust Unit Redemption Price, as applicable.

Section 7.1 Number of Trustees shall be replaced with the following:

There shall be at all times no fewer than one (1) and no more than ten (10) Trustees, with the number of Trustees from time to time within such range being fixed by resolution of the Trustees; provided that until otherwise so determined by resolution, the number of Trustees shall be one (1).

Section 7.5 Quorum shall be deleted and replaced with the following:

The quorum for the transaction of business at any meeting of the Trustees shall consist of a majority of the number of Trustees then holding office, and, notwithstanding any vacancy among the number of Trustees, a quorum of Trustees may exercise all of the powers of the Trustees. In the event that only one Trustee has been appointed in accordance with this Declaration of Trust, a quorum shall consist of one Trustee.

Section 8.1 Qualification of Trustees shall be amended to delete “(c) a person who is not an individual” and “(f) any person who is not “unrelated” (as such term is defined in the Toronto Stock Exchange Manual) to CFFI” as being disqualified from being a Trustee of the Trust;

The second paragraph of **Section 8.5 - Ceasing to Hold Office** shall be deleted and replaced with the following:

A resignation of a Trustee becomes effective at the time a written resignation is sent to the Trust, or at the time specified in the resignation, whichever is later.

Section 9.3 Units and Notes Held by the Trust shall be deleted.

Section 9.4 Restrictions on Trustee’s Powers shall be deleted.

Section 9.11 Conflicts of Interest shall be deleted.

Section 11.2 Notification of Amendment shall be deleted and replaced with the following:

As soon as shall be practicable after the making of any amendment without the consent of Trust Unitholders pursuant to this Article 11, the Trustees shall furnish written notification of the substance of such amendment to each Trust Unitholder. For greater certainty, any amendments to the Declaration of Trust made with the consent of Trust Unitholders by Special Resolution shall not require notification under this Section 11.2.

Section 11.3 **Authorization of Trustee** shall be added and read as follows:

Section 11.3 - Authorization of Trustee

Any Trustee is authorized, without further notice to or approval of the Trust Unitholders, to approve such other amendments to this Declaration of Trust as are in his, her or its discretion necessary or desirable in order to permit the First Redemption or the Second Redemption and as otherwise may be necessary or desirable in order to give effect to the Transaction and the Transaction Agreement.

SCHEDULE "B"
DEBENTUREHOLDER RESOLUTION

BE IT RESOLVED as an Extraordinary Resolution that:

1. The proposed amendments to (i) the Trust Indenture dated as of the 15th day of June, 2004, between Clearwater Seafoods Income Fund (the "**Fund**") and Computershare Trust Company of Canada (the "**Debenture Trustee**") providing for the issue of Unsecured Subordinated Debentures (the "**Trust Indenture**") and (ii) the First Supplemental Indenture to the Trust Indenture dated as of the 9th day of March, 2007 (the "First Supplemental Indenture") between the Fund and the Debenture Trustee, each as set forth in Exhibit "A" are hereby approved and authorized;
2. The Debenture Trustee is hereby authorized and directed to (i) concur in, execute and deliver one or more supplemental indentures to the Trust Indenture which give effect to the amendments to the Trust Indenture and the First Supplemental Indenture set out in Exhibit "A" hereto and all amendments incidental or ancillary thereto;
3. The Transaction, substantially as described in the management information circular of the Fund, relating to this meeting of Debentureholders, is hereby authorized, approved and agreed to, notwithstanding any express terms of the Trust Indenture or the First Supplemental Indenture; and
4. The Debenture Trustee is hereby authorized and directed to execute and to cause to be executed on behalf of the Debentureholders or to deliver or cause to be delivered all such documents, agreements and instruments and to do or cause to be done all such other acts and things as the Fund and its advisers shall determine to be necessary or desirable to carry out the intent of this Extraordinary Resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such document, agreement or instrument or the doing of any such act or thing.

EXHIBIT "A"
AMENDMENTS TO THE DEBENTURE TRUST INDENTURE

Section 1.1 **Definitions** shall be amended to include the following:

"Closing" has the meaning ascribed thereto in the Transaction Agreement;

"Closing Date" has the meaning ascribed thereto in the Transaction Agreement;

"First Supplemental Indenture" means the First Supplemental Indenture dated as of March 9, 2007, between the Fund and the Debenture Trustee; and

"Transaction Agreement" means the transaction agreement dated as of August 14, 2008, between CS Acquisition Limited Partnership and the Trust, as amended from time to time in accordance with its terms;

Section 2.4(c.1) and Section 2.1(d.1) The following paragraph shall be added as a new Section 2.4(c.1) of the Trust Indenture and a new Section 2.1(d.1) of the First Supplemental Indenture as follows:

"Notwithstanding anything else to the contrary contained herein, on the Closing Date, the Debentures will be redeemable in whole for cash at the option of the Fund with or without prior notice, and irrespective of the Current Market Price, at a cash price equal to 101% of the principal amount thereof plus accrued and unpaid interest to but excluding the Closing Date."

Section 4.1 **Section 4.1 Applicability of this Article** of the Trust Indenture is hereby deleted in its entirety and replaced with the following:

"Subject to regulatory approval, the Fund shall have the right at its option to redeem, either in whole at any time or in part from time to time before the Maturity Date, either by payment of money, by issuance of Freely Tradeable Trust Units as provided in Section 4.6 (other than in respect of a redemption on the Closing Date) or any combination thereof, any Debentures issued hereunder of any series which by their terms are made so redeemable (subject, however, to any applicable restriction on the redemption of Debentures of such series) at such rate or rates of premium, if any, and on such date or dates and in accordance with such other provisions as shall have been expressed in this Indenture, in the Debentures, in an Officer's Certificate, or in a supplemental indenture. Subject to regulatory approval, the Fund shall also have the right at its option to repay, either in whole or in part, on maturity, either by payment of money in accordance with Section 2.13, by issuance of Freely Tradeable Trust Units as provided in Section 4.10 or any combination thereof, any Debentures issued hereunder of any series which by their terms are made so repayable on maturity (subject however, to any applicable restriction on the repayment of the principal amount of the Debentures of such series) at such rate or rates of premium, if any, and on such date or dates and in accordance with such other provisions as shall have been determined at the time of issue of such Debenture and shall have been expressed in this Indenture, in the Debentures, in an Officer's Certificate, or in a supplemental indenture authorizing or providing for the issue thereof, or in the case of Additional Debentures issued pursuant to a Periodic Offering, in the Written Direction of the Fund requesting the certification and delivery thereof."

Section 4.3 The first paragraph of **Section 4.3 Notice of Redemption** of the Trust Indenture is hereby deleted in its entirety and replaced with the following:

*“Notice of redemption (the “**Redemption Notice**”) of any series of Debentures shall be given to the Debenture Trustee on or prior to the date fixed for redemption, or in the case of a redemption in accordance with Section 2.4(c.1) of this Indenture or Section 2.1(d.1) of the First Supplemental Indenture, on the Closing Date (the “**Redemption Date**”) by providing written notice to the Debenture Trustee in the manner provided in Section 13.3. Every such notice shall specify the aggregate principal amount of Debentures called for redemption, the Redemption Date, the Redemption Price, together with accrued and unpaid interest to but excluding the Redemption Date, and the places of payment and shall state that interest upon the principal amount of Debentures called for redemption shall cease to accrue and be payable from and after the Redemption Date. In addition, unless all the outstanding Debentures are to be redeemed, the Redemption Notice shall specify:”*

Schedule “A” The following paragraphs in the Form of Debenture set out in Schedule “A” to the Trust Indenture or the First Supplemental Indenture, respectively, and each outstanding Debenture:

“This Initial Debenture may be redeemed at the option of the Fund on the terms and conditions set out in the Indenture at the redemption price therein and herein set out provided that this Initial Debenture is not redeemable before December 31, 2007, except in the event of the satisfaction of certain conditions after a Change of Control has occurred. On and after December 31, 2007 and prior to December 31, 2008, the Initial Debentures are redeemable at the option of the Fund provided that the Current Market Price of the Trust Units on the date on which notice of redemption is given is not less than 125% of the Conversion Price at a price equal to the principal amount of Debentures and, in addition thereto, at the time of redemption, the Fund shall pay to the holder accrued and unpaid interest thereon. On and after December 31, 2008, the Initial Debentures are redeemable at the option of the Fund at a price equal to the principal amount of the Debentures and, in addition thereto, at the time of redemption the Fund shall pay to the holder accrued and unpaid interest thereon. The Fund may, on notice as provided in the Indenture, at its option and subject to any applicable regulatory approval, elect to satisfy its obligation to pay all or any portion of the applicable Redemption Price by the issue of that number of Trust Units obtained by dividing the applicable Redemption Price by 95% of the Current Market Price of the Trust Units on the Redemption Date.”

“This Series 2007 Debenture may be redeemed at the option of the Fund on the terms and conditions set out in the Indenture at the redemption price therein and herein set out provided that this Series 2007 Debenture is not redeemable before March 31, 2010, except in the event of the satisfaction of certain conditions after a Change of Control has occurred. On and after March 31, 2010 and prior to March 31, 2012, the Series 2007 Debentures may be redeemed at the option of the Fund in whole or in part from time to time on notice as provided for in Section 4.3 of the Trust Indenture, provided that (i) the Current Market Price of the Trust Units on the date on which notice of redemption is given is not less than 125% of the Conversion Price and the Fund shall have provided to the Debenture Trustee an Officer’s Certificate confirming such Current Market Price, or (ii) the Series 2007 Debentures are being redeemed pursuant to the 90% Redemption Right described in Section 2.1(i)(ii) of the First Supplemental Indenture. In such event, the Series 2007 Debentures will be redeemable at a Redemption Price equal to the principal amount of Debentures and, in addition thereto, at the time of redemption, the Fund shall pay to

the holder accrued and unpaid interest up to but excluding the Redemption Date. On and after March 31, 2012 but prior to the Maturity Date, the Series 2007 Debentures may be redeemed at the option of the Fund in whole or in part from time to time on notice as provided for in Section 4.3 of the Trust Indenture at a Redemption Price equal to the principal amount of Series 2007 Debentures and, in addition thereto, at the time of redemption, the Fund shall pay to the holder accrued and unpaid interest up to but excluding the Redemption Date. The Redemption Notice for the Series 2007 Debentures shall be in the form of Schedule "B" to the First Supplemental Indenture. In connection with the redemption of the Series 2007 Debentures, the Fund may, at its option and subject to the provisions of Section 4.6 of the Trust Indenture and subject to regulatory approval, elect to satisfy its obligation to pay all or a portion of the aggregate Redemption Price of the Series 2007 Debentures to be redeemed by issuing and delivering to the holders of such Series 2007 Debentures, such number of Freely Tradeable Trust Units as is obtained by dividing the aggregate Redemption Price of the outstanding Debentures which are to be redeemed by 95% of the Current Market Price in effect on the Redemption Date, provided that no fractional Trust Units will be issued on such redemption but in lieu thereof the Fund shall satisfy such fractional interests by a cash payment equal to the Current Market Price of a fractional interest. Interest accrued and unpaid on the Debentures on the Redemption Date will be paid to holders of Debentures, in cash, in the manner contemplated in Section 4.5 of the Trust Indenture. If the Fund elects to exercise such option, it shall so specify and provide details in the Redemption Notice."

shall be deleted in their entirety and replaced with the following:

"On the Closing Date, the Debentures will be redeemable in whole for cash at the option of the Fund with or without prior notice, and irrespective of the Current Market Price, at a cash price equal to 101% of the principal amount thereof plus accrued and unpaid interest to but excluding the Closing Date."

Section 4.5 ~~Section 4.5~~ **Deposit of Redemption Monies of Trust Units** of the Trust Indenture shall be deleted in its entirety and replaced with the following:

Redemption of Debentures shall be provided for by the Fund depositing with the Debenture Trustee or any paying agent to the order of the Debenture Trustee, on or before 11:00 a.m. (Toronto time) on the Business Day immediately prior to the Redemption Date specified in such Redemption Notice, or in the case of a redemption in accordance with Section 2.4(c.1) of this Indenture or Section 2.1(d.1) of the First Supplemental Indenture, on the Redemption Date, such sums of money, or certificates representing such Trust Units, or both, as the case may be, as is sufficient to pay the Redemption Price of the Debentures so called for redemption, plus such sum of money as is sufficient to pay accrued and unpaid interest thereon up to but excluding the Redemption Date, provided the Fund may elect to satisfy this requirement by providing the Debenture Trustee with a certified cheque or bank draft for such amounts required under this Section 4.5 post-dated to the Redemption Date. The Fund shall also deposit with the Debenture Trustee a sum of money sufficient to pay any charges or expenses which may be incurred by the Debenture Trustee in connection with such redemption. Every such deposit of charges or expense amounts shall be irrevocable. From the sums so deposited, or certificates so deposited, or both, the Debenture Trustee shall pay or cause to be paid, or issue or cause to be issued, (i) in the case of a Global Debenture, to the Depository upon the Depository making the appropriate notation in respect of the principal amount of the Debentures so redeemed, which notation shall be authenticated by the Debenture Trustee or (ii) in the case of Fully Registered Debentures to the

holders of such Debentures so called for redemption, upon surrender of such Debentures, the Redemption Price and interest (if any) to which they are respectively entitled on redemption.

Payment of funds to the Debenture Trustee shall be made by electronic transfer or certified cheque or pursuant to such other arrangements for the provision of funds as may be agreeable between the Debenture Trustee and the Fund in order to effect such redemption payment hereunder. The Debenture Trustee shall disburse such redemption proceeds only upon receiving, at least one Business Day prior to each Redemption Date, or in the case of a redemption in accordance with Section 2.4(c.1) of the Indenture or Section 2.1 (d.1) of the First Supplemental Indenture, on the Redemption Date, funds in an amount sufficient to pay the aggregate Redemption Price that is payable in cash and the aggregate amount of interest (if any) payable on redemption. Notwithstanding the foregoing, i) all payments in excess of \$25 million in Canadian dollars (or such other amount as determined from time to time by the Canadian Payments Association) shall be made by the use of the LVTS; and ii) in the event that payment must be made to the Depository, the Fund shall remit payment to the Debenture Trustee by LVTS. The Debenture Trustee shall have no obligation to disburse funds pursuant to this Section 4.5. unless it has received written confirmation satisfactory to it that the funds have been deposited with it in sufficient amount to pay the aggregate Redemption Price that is payable in cash and the aggregate amount of interest (if any) payable on redemption. The Debenture Trustee shall, if any funds are received by it in the form of uncertified cheques, be entitled to delay the time for release of such funds until such uncertified cheques shall be determined to have cleared the financial institution upon which the same are drawn."

Section 4.6 Section 4.6 Right to Repay Redemption Price in Trust Units of the Trust Indenture shall be amended by adding the following as a new paragraph (m):

"The Unit Redemption Right will not apply to a redemption in accordance with Section 2.4(c.1) of the Indenture or Section 2.1 (d.1) of the First Supplemental Indenture."

SCHEDULE "C-1"
REQUIRED CONSENTS

The applicable waiting period under Part IX of the *Competition Act* (Canada) shall have expired or been waived or terminated and there shall be no order in place issued by the Competition Tribunal established under the *Competition Tribunal Act* (Canada) which would preclude completion of the transactions contemplated by this Agreement.

SCHEDULE "C-2"
REQUIRED CONSENTS

Consent or approvals, in respect of the fish export licence(s) and certificate(s) of registration issued to Clearwater under the Canadian federal Fish Inspection Regulations for Clearwater fish processing plants or facilities to the extent necessary as determined by the Parties, acting reasonably.

SCHEDULE "D"
REPRESENTATIONS AND WARRANTIES OF THE FUND

- (a) **Fund Existence.** The Fund has been duly created and is existing as a trust under the laws of the Province of Ontario and the Trustees have been duly appointed as trustees of the Fund and the Trustees have all necessary power and authority to own, lease and operate the property and assets of the Fund for and on behalf of the Fund and to carry on the affairs of the Fund and to execute, deliver and perform the obligations of the Fund under this Agreement.
- (b) **Clearwater Entities.** Each of the Clearwater Entities is a corporation, partnership or trust duly incorporated or created and existing in good standing under the laws of its jurisdiction of incorporation or creation and has the power and authority to own, lease and operate its property and assets and carry on its business as it is currently being conducted or is proposed to be conducted. Clearwater and each of its Subsidiaries holds all Authorizations necessary to carry on business as it is currently being conducted in all jurisdictions where the Business is carried on and all such Authorizations are in good standing, except for such failures to hold such Authorizations or for such Authorizations to be in good standing which either individually or in the aggregate would not have a Material Adverse Effect.
- (c) **Authorization.** The execution and delivery of and performance by the Fund of this Agreement and the consummation of the transactions contemplated by them have been duly authorized by all necessary action on the part of the Fund, excluding approval of Unitholders and Debentureholders.
- (d) **Execution and Binding Obligations.** This Agreement has been duly executed and delivered by the Fund and constitutes a legal, valid and binding agreement of the Fund, enforceable against it in accordance with its terms, subject only to any limitation under Applicable Law relating to (i) bankruptcy, winding-up insolvency, arrangement, fraudulent preference and conveyance, assignment and preference and other similar laws of general application affecting creditors' rights, and (ii) the discretion that a court may exercise in the granting of equitable remedies such as specific performance and injunction.
- (e) **No Contravention.** Except (other than with respect to (i) below) as would not reasonably be expected to result in a Material Adverse Effect and provided non-Canadians hold less than 50% of the voting and/or equity interests of the Purchaser, neither the execution, delivery or performance by the Fund of this Agreement, nor the consummation of the Transaction Steps (other than in respect of the transactions contemplated in paragraph (f) of the Transaction Steps) will result in: (i) a breach or violation by the Fund of the Declaration of Trust; (ii) a breach or violation of any Applicable Law; (iii) a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, cancel, or not renew or require any notice under, any provision of any Contract or Authorization to which the Fund or any of its Subsidiaries is bound; (iv) the imposition of any Taxes or Liens with respect to the Fund and its Subsidiaries; or (v) the requirement that any Authorization or filing be made or be obtained by the Fund or its Subsidiaries, other than the approval of Unitholders and

Debentureholders contemplated in this Agreement and except for the Required Consents.

- (f) **Required Consents.** Except for the Required Consents or as set forth in Section 3.1(f) of the Disclosure Letter, no consents, waivers or approvals from other parties to Contracts to which the Fund or any of its Subsidiaries is a party or by which it or they are bound, and no Authorizations of, or declaration or filing with, or notice to, any Governmental Authority, are required by the Fund or any of its Subsidiaries in connection with the execution, delivery or performance of this Agreement by the Fund or the consummation of the Transaction Steps (other than in respect of the transactions contemplated in paragraph (f) of the Transaction Steps), except for those the failure of which to obtain would not reasonably be expected to result in a Material Adverse Effect.
- (g) **Subsidiaries.** Except as set out in the Public Record or in Section 3.1(g) of the Disclosure Letter, the Fund directly or indirectly owns all of the issued and outstanding shares, units or other ownership, voting, equity or economic interest in each of its Subsidiaries and no such share, unit or other ownership, voting, equity or economic interest is subject to any restriction on transfer, pledge or other disposition. Except as set out in the Public Record, there are no options, warrants, conversion privileges or other rights, agreements, arrangements or commitments (pre-emptive, contractual or otherwise) obligating any of the Fund's Subsidiaries or the Joint Ventures to issue or sell any of their shares or securities or obligations of any kind convertible into or exchangeable for any shares, units or other securities of such Subsidiary or Joint Venture. There is no unanimous shareholder agreement with respect to the Fund or any of its Subsidiaries other than those with respect to the Joint Ventures and CS ManPar. All shares, units or other ownership interests outstanding in each of the Fund's Subsidiaries have been duly authorized and issued and are validly outstanding as fully paid. There are no bonds, debentures or other evidences of indebtedness of any Subsidiary of the Fund or any Joint Venture outstanding having the right to vote (or that are convertible or exercisable for securities having the right to vote) with such Subsidiary or Joint Venture's shareholders or unitholders, as the case may be, on any matter.
- (h) **Absence of Certain Changes or Events; No Undisclosed Material Liabilities.** Since December 31, 2007, except as contemplated hereby or as disclosed in the Public Record: (i) each of the Clearwater Entities has conducted its business in all material respects in the ordinary course consistent with past practice; (ii) no liability, indebtedness or obligation of any nature (whether absolute, accrued, contingent or otherwise) material to the Clearwater Entities, on a consolidated basis, has been incurred other than in the ordinary course consistent with past practice; and (iii) there has not occurred a Material Adverse Effect or any event or circumstance which has had, or would reasonably be expected to have, a Material Adverse Effect.
- (i) **Litigation, etc.,** Except as set forth in Section 3.1(i) of the Disclosure Letter, there is no Proceeding pending or, to the knowledge of the Fund, threatened against any of the Clearwater Entities under Applicable Law or equity or before any Governmental Authority which, if determined against the relevant Clearwater Entity, would have a Material Adverse Effect and to the knowledge of the Fund no facts exist which could reasonably be expected to be a basis for any of the foregoing; and (ii) no Clearwater

Entity is subject to any outstanding material order, writ, judgment, injunction, decree or arbitration order or award. There are no Proceedings pending or, to the knowledge of the Fund, threatened against any Clearwater Entity seeking to prevent the transactions contemplated by this Agreement.

- (j) **Assets.** The Fund or one of its Subsidiaries has good and valid title to the assets and property reflected in the latest consolidated balance sheet of the Fund included in the Public Record (other than any such asset disposed of in the ordinary course of business), free and clear of any and all Liens except Permitted Liens. Neither the Fund nor any of its Subsidiaries is a party to any option, warrant, purchase right or other Contract (other than this Agreement) that could require the Fund or a Subsidiary to sell, transfer, or otherwise dispose of any of its material assets to a Person other than the Purchaser (other than any such sale, transfer or disposition in the ordinary course of business).
- (k) **Authorized and Issued Capital.** The Fund is authorized to issue an unlimited number of Fund Units and Special Fund Units, of which, as of the date of this Agreement, 27,745,695 Fund Units and 23,381,217 Special Fund Units were issued and outstanding as fully paid and non-assessable.
- (l) **Outstanding Convertible Debentures.** As of the date of this Agreement, the Fund has outstanding \$45,00,000 principal amount of 7% convertible unsecured subordinated debentures due December 31, 2010, and \$44,389,000 principal amount of 7.25% convertible unsecured subordinated debentures due March 31, 2014.
- (m) **Physical Condition of Assets.** The buildings, plants, structures, vehicles, vessels, equipment, technology and communications hardware and other tangible personal property (including any erections, improvements, appurtenances and fixtures (including fixed machinery and fixed equipment)) which form part of the Business are structurally sound, in good operating condition and repair having regard to their use and age and are adequate and suitable for the uses to which they are being put. None of such buildings, plants, structures, vehicles, vessels, equipment or other property are in need of maintenance or repairs except for routine maintenance and repairs in the ordinary course that are not material in nature or cost, and other than as set out in the Public Record none of the Fund or any of its Subsidiaries has authorized any material write down to their assets, on a consolidated basis.
- (n) **Listing.** The issued and outstanding Fund Units and the issued and outstanding Debentures are listed and posted for trading on the Exchange and no securities commission, stock exchange or comparable authority has issued any order preventing or suspending the trading of securities of the Fund generally and the Fund is not aware of any investigation, order, inquiry or proceeding which has been commenced or which is pending, contemplated or threatened by any such authority.
- (o) **Reporting Issuer.** The Fund is a "reporting issuer" (or the equivalent thereof) in each province and territory of Canada where such a concept exists and is not included in the list of defaulting reporting issuers (if any) maintained by the Securities Regulatory Authorities.

- (p) **Mutual Fund Trust.** The Fund qualifies as a “mutual fund trust” pursuant to subsection 132(6) of the Tax Act and the analogous provisions of any applicable provincial tax legislation.
- (q) **Third Party Rights.** Other than pursuant to the Debenture Trust Indenture, no person has any written or oral agreement, option, understanding or commitment, or any right or privilege capable of becoming such, under which the Clearwater Entities is, or may become, obligated to issue any of its securities or for the purchase of any security (including debt) of a Clearwater Entity or any material property or assets used in the Business.
- (r) **Compliance with Applicable Law.** Each of the Clearwater Entities is and has carried out its business and affairs in compliance with all Applicable Law and any Authorization, except for failures to comply which would not reasonably be expected to have a Material Adverse Effect and each of the Clearwater Entities has all Authorizations which are required to own its properties and assets and to operate its business where they are currently being operated, other than any the absence of which would not have a Material Adverse Effect.
- (s) **Public Disclosure Record.** The disclosure contained in the Public Record of the Fund (including, without limiting the generality of the foregoing, financial statements of the Fund and any of the Clearwater Entities) comply in all material respects with the Securities Laws, and did not, at the date of the filing thereof, contain a misrepresentation. The Fund has not filed any confidential material change report with any Securities Regulatory Authority which remains confidential as of the date of this Agreement. There has been no change in a material fact or material change in any of the information contained in the Public Record, except for change in material facts or material changes that are disclosed in and subsequently form part of the Public Record. The Fund is not otherwise in default of any material requirement under the applicable Securities Laws.
- (t) **Brokers.** No broker, investment banker, financial advisor or other Person is entitled to any broker’s, finder’s, financial advisor’s or other similar fee or commission in connection with the Transaction based upon arrangements made by or on behalf of the Fund, other than BMO Nesbitt Burns or as otherwise disclosed to the Purchaser.
- (u) **Valuation.** The Board has obtained orally (and disclosed to the Purchaser) a formal valuation of the Fund Units prepared by an independent valuator as required pursuant to MI 61-101, and has also received an oral opinion from such valuator to the effect, based upon and subject to the matters set forth therein, as of the date thereof, that the consideration to be received by the Minority Unitholders pursuant to the Transaction is fair to the Minority Unitholders from a financial point of view, and such valuation and such opinion has not been withdrawn or modified at the date of the Agreement.
- (v) **Support of the Transaction.** The Board, after consultation with its financial and outside legal advisors and based upon the recommendation of the Special Committee, has unanimously determined that the consideration per Trust Unit offered pursuant to the Transaction is fair, to the Minority Unitholders from a financial point of view, and that

the Transaction is in the best interests of the Minority Unitholders has unanimously approved this Agreement and has unanimously resolved to support and to recommend that the Minority Unitholders provide the Unitholder Approval and such determinations, approvals and resolutions have not been withdrawn or modified at the date of this Agreement.

- (w) **Labour Matters.** Except as set forth in Section 3.1 of the Disclosure Letter, there are no strikes or any other labour disputes against any Fund or any of its Subsidiaries pending or, to the knowledge of Fund, threatened in writing which could reasonably be expected to have a Material Adverse Effect. Hours worked by and payment made to employees of Fund and its Subsidiaries have not been in violation of any Applicable Law dealing with such matters which could reasonably be expected to have a Material Adverse Effect. All payments due from Fund and its Subsidiaries on account of employee health and welfare insurance which could reasonably be expected to have a Material Adverse Effect if not paid have been paid or accrued as a liability on the books of the Fund and its Subsidiaries, as relevant.
- (x) **No Default.** No default or event of default exists under any of, or would result from the incurring of indebtedness under, the Debt Financing Commitment Letters. None of the Clearwater Entities is in default under or with respect to any Contract applicable to it in any respect which, individually or together with all such defaults, could reasonably be expected to have a Material Adverse Effect, or that would, if such default had occurred after the drawdown of the financings contemplated in connection with the transactions contemplated in the Debt Financing Commitment Letters, create an event of default.
- (y) **Tax Returns and Taxes.** The Fund and each of its Subsidiaries has filed all tax returns and tax reports required by law to have been filed by it and has paid all taxes and governmental charges thereby shown to be owing, except (i) any such taxes or charges which are being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books or (ii) any such tax returns and tax reports, the non-filing of which, and any such taxes or charges, the non-payment of, in each case, which could not be reasonably likely to have a Material Adverse Effect.
- (z) **Environmental Compliance.**
 - (i) Each Property operated or used by the any Clearwater Entity is in compliance with all Environmental Laws applicable to it, except where non-compliance could not reasonably be expected to have a Material Adverse Effect.
 - (ii) There are no commenced or, to the knowledge of the Fund, threatened (in writing):
 - (A) claims, complaints or notices received by any Clearwater Entity from a Governmental Authority with respect to any alleged material violation of any Environmental Law by any Clearwater Entity; or

(B) complaints from, notices to, or investigations of any Clearwater Entity by a Governmental Authority regarding potential material liability of any Clearwater Entity under any Environmental Law

(except where an adverse outcome thereof could not reasonably be expected to have a Material Adverse Effect).

(iii) There are no releases of any pollutant or contaminant or hazardous or toxic chemical, material or substance within the meaning of the Environmental Laws by any Clearwater Entity at, on or under any Property which would constitute a breach of any Environmental Law applicable to it to the extent such release could reasonably be expected to have a Material Adverse Effect.

(iv) Each Clearwater Entity has been issued and is in compliance with all Authorizations required under any Environmental Laws to own its properties and assets and to carry on its businesses, except where the non-issuance or non-compliance could not reasonably be expected to have a Material Adverse Effect.

(aa) **Assets Insured.** There has been no default or failure by the party or parties insured under the provisions of any insurance policies maintained by any Clearwater Entity which would prevent the recovery by the party or parties insured thereunder of the full amount of any material insured loss. The named insured under all insurance policies maintained by any Clearwater Entity are not in default under any of the provisions contained in any of their insurance policies, except for defaults which could not reasonably be expected to have a Material Adverse Effect.

(bb) **Intellectual Property.** Each Clearwater Entity owns or is licensed or otherwise has the right to use all Intellectual Property that is used in the operation of their businesses without conflict with the rights of any other Person (other than any Intellectual Property the absence of which or any such conflict with respect to which would not have a Material Adverse Effect). None of the Clearwater Entities has received any notice of any claim of infringement or similar claim or proceeding relating to any of the Intellectual Property which if determined against such Person could reasonably be expected to have a Material Adverse Effect and, to the knowledge of the Fund, no present or former employee of any Clearwater Entity and no other Person owns or claims to own or has or claims to have any interest, direct or indirect, in whole or in part, in any of the Intellectual Property of any Clearwater Entity that could reasonably be expected to have a Material Adverse Effect.

SCHEDULE "E"
REPRESENTATIONS OF THE PURCHASER

- (a) **Existence.** The Purchaser is a limited partnership established and existing under the laws of the Province of Ontario and has the power and authority to enter into and perform its obligations under this Agreement.
- (b) **Authorization.** The execution and delivery of and performance by the Purchaser of this Agreement and the consummation of the transactions contemplated by them have been duly authorized by all necessary action of the part of the Purchaser.
- (c) **No Contravention.** Subject to receipt of the Required Consents, neither the execution and delivery by the Purchaser of this Agreement, nor the consummation of the transactions contemplated hereby will result in: (i) a violation or breach of the constating documents of the Purchaser, (ii) a breach or violation of any Applicable Law, or (iii) a breach of any Contract or Authorization to which the Purchaser is a party or by which it or any of its assets is bound.
- (d) **Required Consents.** Except for the Required Consents, no consent, approval or Authorization of, or declaration or filing with, or notice to, any Governmental Authority is required by the Purchaser in connection with the execution and delivery of this Agreement by the Purchaser or the consummation of the Transaction Steps.
- (e) **Execution and Binding Obligation.** This Agreement has been duly executed and delivered by the Purchaser and constitutes a legal, valid and binding agreement of the Purchaser, enforceable against it in accordance with its terms subject only to any limitation under Applicable Law relating to (i) bankruptcy, winding-up insolvency, arrangement, fraudulent preference and conveyance, assignment and preference and other similar laws of general application affecting creditors' rights, and (ii) the discretion that a court may exercise in the granting of equitable remedies such as specific performance and injunction.
- (f) **Sufficient Funds.** The Purchaser has made adequate arrangements to ensure that the required funds will be available to enable the Purchaser to perform its obligations under this Agreement and for the Purchaser and the Clearwater Entities to complete the Transaction Steps on the Closing Date. The Purchaser has disclosed to the Fund complete and accurate copies of the Debt Financing Commitment Letters, which remain in full force and effect as of the date hereof. As of the date of this Agreement: (i) none of the Debt Financing Commitment Letters have been amended or modified in a manner adverse to the Purchaser or the Clearwater Entities; and (ii) the commitments contained in the Debt Financing Commitment Letters have not been withdrawn or rescinded in any respect. Each of the Debt Financing Commitment Letters, in the form so delivered, is in full force and effect as of the date of this Agreement and is a legal, valid and binding obligation of each of the Clearwater Entities who is a party thereto and, to the knowledge of the Purchaser, the other parties thereto. As of the date of this Agreement, the Purchaser has no reason to believe that it or the Clearwater Entities will be unable to satisfy on a timely basis any term or condition of closing to be satisfied by it contained in the Debt Financing Commitment Letters. Any and all commitment fees incurred in

connection with the Debt Financing Commitment Letters have been paid to the extent required to be paid prior to the date hereof. The Debt Financing Commitment Letters, when funded, will provide the Purchaser and the Clearwater Entities with financing at Closing which, together with the Purchaser's own equity, will be sufficient to consummate the Transaction upon the terms contemplated by this Agreement and to pay all related fees and expenses associated therewith.

The Transfer Agent for the Units is:

Computershare Investor Services Inc.

By Registered Mail, Hand or by Courier:

100 University Avenue, 9th Floor

Toronto, Ontario

M5J 2Y1

Attention: Corporate Actions

Toll Free: 1-800-564-6253

E-mail: corporateactions@computershare.com

The Debenture Trustee for the Debentures is:

Computershare Trust Company of Canada

By Registered Mail, Hand or by Courier:

100 University Avenue, 9th Floor

Toronto, Ontario

M5J 2Y1

Attention: Corporate Actions

Toll Free: 1-800-564-6253

E-mail: corporateactions@computershare.com