CLEARWATER SEAFOODS INCOME FUND

Consolidated Balance Sheets

(In thousands of Canadian dollars)

	March 29, 2008 (unaudited)	December 31, 2007
Assets		
Current Assets		
Distributions and interest receivable from Clearwater Seafoods Limited Partnership	$ 831	$ 3,795
Investment in Clearwater Seafoods Limited Partnership (note 3)	334,771	348,125
	$ 335,602	$ 351,920
Liabilities and Unitholders' Equity		
Current Liabilities		
Distributions and interest payable	$ 764	$ 3,733
Convertible debentures (note 4)	87,698	87,624
Future income taxes	29,300	29,300
Unitholders' Equity		
Trust units (note 5)	283,839	288,913
Contributed surplus (note 5)	8,949	6,211
Deficit	(74,948)	(63,861)
	217,840	231,263
	$ 335,602	$ 351,920

See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS INCOME FUND

Consolidated Statements of Earnings (Loss) and Deficit

(In thousands of Canadian dollars) (unaudited)	*13 weeks ended* March 29, 2008	*13 weeks ended* March 31, 2007
Equity in net (loss) earnings of Clearwater Seafoods Limited Partnership	$ (11,642)	$ 1,989
Interest income	1,597	991
Interest expense	(1,666)	(1,038)
Net earnings (loss)	$ (11,711)	$ 1,942
Deficit beginning of period as previously stated	(63,861)	(24,091)
Application of new inventory standard (note 2 (a))	2,868	-
Deficit beginning of period restated	(60,993)	(24,091)
Reduction in investment in Clearwater (note 3)	(2,244)	-
Distributions declared	-	(4,411)
Adjustment for cancellation of convertible debentures	-	17
Deficit end of period	$ (74,948)	$ (26,543)
Basic and diluted net earnings (loss) per trust unit	$ (0.42)	$ 0.07

See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS INCOME FUND

Consolidated Statements of Comprehensive Income (Loss)
(In thousands of Canadian dollars)

(In thousands of Canadian dollars) (unaudited)	*13 weeks ended* March 29, 2008	*13 weeks ended* March 31, 2007
Net earnings (loss)	$ (11,711)	$ 1,942
Other comprehensive income, net of tax unrealized gains and losses on translating financial statements of self-sustaining foreign operations	2	103
Comprehensive income (loss)	$ (11,709)	$ 2,045

See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS INCOME FUND

Consolidated Statements of Cash Flows
(In thousands of dollars)

(In thousands of Canadian dollars) (unaudited)	*13 weeks ended* March 29, 2008	*13 weeks ended* March 31, 2007
Cash flows (used in) from operating activities		
Net earnings (loss)	$ (11,711)	$ 1,942
Items not involving cash		
Equity in net earnings of Clearwater Seafoods Limited Partnership, net of cash distributions received of $1,412 (2007 - $ 4,411)	13,054	2,167
Other	69	47
	1,412	4,156
Cash flows (used in) from financing activities		
Repurchase of convertible debentures	-	(991)
Repurchase of Class A units	(2,337)	245
Issuance of convertible debentures	-	43,500
Distributions to unitholders	(1,412)	(4,411)
	(3,749)	38,343
Cash flows (used in) from investing activities		
Redemption of Class A units	2,337	-
Redemption of Class C units	-	1,001
Purchase of Clearwater Class D units	-	(43,500)
	2,337	(42,499)
Increase (decrease) in cash	-	-
Cash - beginning of period	-	-
Cash - end of period	$ -	$ -

See accompanying notes to consolidated financial statements

(Tabular amounts expressed in thousands of dollars)
(Unaudited)

1. BASIS OF PRESENTATION

Clearwater Seafoods Income Fund (the "Fund") is a limited purpose, open-ended trust established under the laws of the Province of Ontario. The Fund was created to acquire and indirectly hold the securities of Clearwater Seafoods Limited Partnership ("Clearwater").

The unaudited interim period consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The preparation of financial data is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements except as described in 2 (a). These unaudited interim period consolidated financial statements do not contain all the disclosures required in annual audited financial statements by GAAP, and accordingly should be read together with the audited annual consolidated financial statements and the accompanying notes included in the Fund's 2007 Annual Report.

These consolidated financial statements consolidate the accounts of the Fund and its subsidiary, Clearwater Seafoods Holdings Trust ("CSHT") CSHT owns 54.27% (December 31, 2007 – 54.71%) of the units of Clearwater. However, as the Fund does not have the right to nominate the majority of the board of directors, it does not consolidate the results of Clearwater's operations but rather accounts for the investment using the equity method. Under this method, the cost of the investment is increased by the Fund's proportionate share of Clearwater's earnings and reduced by any distributions paid to the Fund by Clearwater and amortization of the purchase price discrepancy. Due to the limited amount of information that this provides on the underlying operations of Clearwater, the financial statements of Clearwater are also enclosed.

2. CHANGES IN ACCOUNTING POLICIES

a) Inventories

Effective January 1, 2008, Clearwater adopted section 3031 "Inventories" that establishes more extensive guidance on the determination of cost, requires impairment testing and expands the disclosure requirements to increase transparency. The adoption of this standard impacted the costs that are included in inventory for Clearwater, as a portion of plant overhead, administration and depreciation costs are included in inventory. The Fund's share of this was $2,868,000, which resulted in an increase to the investment in Clearwater Seafoods Limited Partnership and a decrease in deficit.

b) Capital Disclosures

Effective January 1, 2008, Clearwater adopted section 1535, "Capital Disclosures" that establishes standards for the disclosure of information on the Partnership's capital and how it is managed. The enhanced disclosure enables users to evaluate the Partnership's objectives, policies and processes for managing capital. Disclosures required by this standard are included in Note 7. The adoption of this standard did not have any affect on the financial position or performance of the Fund.

c) Financial Instruments

Effective January 1, 2008, Clearwater adopted section 3862 "Financial Instruments – Disclosures" and 3863 "Financial Instruments – Presentation", which replace Section 3861 Financial Instruments – Disclosure. This section requires Clearwater to provide disclosure of quantitative and qualitative information in the financial statements that enable users to evaluate the significance of financial instruments for Clearwater's financial position and performance and the nature and extent of risks arising from financial instruments to which Clearwater is exposed to during the period at the balance sheet date and management's objectives, policies and procedures for managing such risks. Disclosures required by this standard are included in note 3 of the Partnership statements. The adoption of 3862 and 3863 did not have an impact on Clearwater's financial results or position.

3. INVESTMENT IN CLEARWATER SEAFOODS LIMITED PARTNERSHIP

The investment in Clearwater Seafoods Limited Partnership consists of the following:

	March 29, 2008	December 31, 2007
Investment in Class A Partnership units, at cost	$ 281,587	$ 286,661
Investment in Class C Partnership units	45,000	45,000
Investment in Class D Partnership units	44,389	44,389
Add: Cumulative equity in net earnings	85,317	93,597
Less: Cumulative distributions received	(121,522)	(121,522)
	$ 334,771	$ 348,125

The majority of Clearwater's underlying assets consist of licences that enable Clearwater to harvest various species of seafood. These licences have indefinite lives, are not amortized and are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The Fund analyzes the carrying value of its investment in Clearwater as if it had consolidated Clearwater with the Fund. This assessment of the investment in Clearwater may not reflect the current market value of the business as it includes various long-term assumptions related to Clearwater's operations.

Included in equity in net earnings for the quarter is an expense of $45,000 (2007 an expense of $54,000) for amortization of purchase price discrepancies recognized by the Fund in accounting for its investment in Clearwater using the equity method.

During 2008, Clearwater repurchased 500,000 Class A Units from the Fund for $2,336,500. The difference between the Fund's carrying value for these units and the proceeds received from Clearwater in the amount of $2,244,000 was included as an adjustment to equity. This was included as an equity adjustment because it was a related party transaction and was not a culmination of the earnings process.

Details of the allocation of the excess of the Fund's cost over the historical cost of the assets recorded by Clearwater are as follows:

	March 29, 2008	December 31, 2007
Intangible assets		
Licences – indefinite lives	178,583	181,796
Customer relationships and other	417	440
Goodwill	13,437	13,678
Long-term liabilities	333	370
Cumulative foreign currency translation account	(4,721)	(4,807)
	$ 188,049	$ 191,477

4. CONVERTIBLE DEBENTURES

In June 2004, the Fund completed an offering for $50 million of 7% convertible unsecured subordinated debentures, which are due December 31, 2010. The convertible debentures are convertible at any time up to maturity at the option of the holder into trust units of the Fund at a conversion price of $12.25 per trust unit. The debentures pay interest semi-annually in arrears on June 30 and December 31, commencing December 31, 2004. The debentures are not redeemable before December 31, 2007. On and after December 31, 2007, but before December 31, 2008, the debentures may be redeemed at the option of the Fund provided that the market price of the trust units is not less than 125% of the conversion price. On and after December 31, 2008, the debentures may be redeemed at the option of the Fund at a price equal to their principal amount plus accrued interest. Subject to regulatory approval, the Fund may satisfy its obligation to repay the principal amount of the debentures on redemption or at maturity, in whole or in part, by delivering that number of trust units equal to the amount due divided by 95% of the market price of the trust units at that time, plus accrued interest in cash. The convertible debentures are classified in accordance with their component parts: the value ascribed to the holder's option to convert to units has been classified as equity and the remaining portion of the convertible debenture has been classified as debt.

The Fund filed a normal course issuer bid by which it can acquire up to $5 million principal amount of convertible debentures in the 12-month period ending August 2007 that was subsequently renewed for expiry in August 2008. Any repurchase at the Fund level has and will be accompanied by a similar repurchase of Class C Partnership units by Clearwater. The principal outstanding as at March 29, 2008 and December 31, 2007 was $45 million.

In 2007, the Fund completed an offering for $48.0 million of 7.25% convertible unsecured subordinated debentures, which are due March 31, 2014. The convertible debentures are convertible at any time up to maturity at the option of the holder into trust units of the Fund at a conversion price of $5.90 per trust unit. The debentures pay interest semi-annually in arrears on March 31 and September 30, commencing September 30, 2007. The debentures are not redeemable before March 31, 2010. On and after March 31, 2010, but before March 31, 2012, the debentures may be redeemed at the option of the Fund provided that the market price of the trust units is not less than 125% of the conversion price. On and after March 31, 2012, the debentures may be redeemed at the option of the Fund at a price equal to their principal amount plus accrued interest. Subject to regulatory approval, the Fund may satisfy its obligation to repay the principal amount of the debentures on redemption or at maturity, in whole or in part, by delivering that number of trust units equal to the amount due divided by 95% of the market price of the trust units at that time, plus accrued interest in cash. The convertible debentures are classified in accordance with their component parts: the value ascribed to the holders' option to convert to units has been classified as equity and the remaining portion of the convertible debenture has been classified as debt. The principal outstanding as at March 29, 2008 and December 31, 2007 was $44 million.

The estimated fair value of the Fund's convertible debentures at March 29, 2008 was $75,655,700 based on the quoted market value of the debentures Clr.db and Clr.db.a on the Toronto Stock Exchange.

5. TRUST UNITS AND SPECIAL TRUST UNITS

The Declaration of Trust provides that an unlimited number of units and an unlimited number of Special Trust Units may be issued. Each unit is transferable and represents an equal undivided beneficial interest in any distributions of the Fund and in the net assets of the Fund in the event of termination or winding up of the Fund. All units have equal rights and privileges. Each unit entitles the holder thereof to participate equally in the distributions and to one vote at all meetings of unitholders for each whole unit held. The issued units are not subject to future calls or assessments. Units are redeemable at any time at the option of the holder at amounts related to market price at the time, subject to a maximum of $50,000 in aggregate cash redemptions by the Fund in any particular month. This limitation may be waived at the discretion of the Trustees of the Fund. Redemption in excess of this amount, assuming no waiving of the limitation, shall be paid by way of a distribution in specie of assets of the Fund, namely notes of Clearwater Seafoods Holdings Trust.

The Special Trust Units have been issued solely to provide voting rights to Clearwater Class B units ("CSLP Exchangeable Units"). Special Trust Units were issued in conjunction with the

CSLP Exchangeable Units and cannot be transferred separately from them. Special Trust Units entitle the holders thereof to the number of votes at any meeting of unitholders of the Fund equal to the number of units which may be obtained upon exchange of the CSLP Exchangeable Units to which they relate and do not otherwise entitle the holder to any rights with respect to the Fund's property or income.

	Units	Special Trust Units	Total $ (in 000's)
Balance December 31, 2007	28,245,695	23,381,217	$ 286,661
Equity component of Convertible Debentures			2,252
			288,913
Cancellation of Class A units	(500,000)		(5,074)
Balance March 29, 2008	27,745,695	23,381,217	$ 283,839

As at March 29, 2008 there were in total 51,126,912 units outstanding (51,626,912 - December 31, 2007).

On January 24, 2007, the Fund received approval for a normal course issuer bid which enables it to purchase, from time to time, up to 2.5 million outstanding trust units (the "Units"), which amount represents less than 10% of the public float.

During the first quarter of 2008, the Fund purchased and cancelled 500,000 units at a cost of $2,336,500. The difference between the purchase price of these units and the underlying carrying value, being $2,738,000, has been credited to contributed surplus. During 2007, the Fund purchased and cancelled 1,162,100 units at a cost of $5,583,000. The difference between the purchase price of these units and the underlying carrying value, being $6,211,000, credited to contributed surplus.

6. GUARANTEES

The Fund guarantees Clearwater's term credit facility (see note 4(g) to Clearwater's financial statements). The guarantee is limited to the value of the convertible debentures and the value of the units held in Clearwater. As of March 29, 2008 and December 31, 2007 there were no balances outstanding on the term credit facility.

7. CAPITAL MANAGEMENT

The Fund's capital structure includes a combination of equity and convertible debentures. The Fund's objective when managing its capital structure is to obtain the lowest cost of capital available while maintaining flexibility and reducing refinancing risk as appropriate.

The Fund lowers its cost of capital through the use of leverage, in particular lower cost debt. The Fund maintains some flexibility in its capital structure as the amount of capital available to Clearwater can be impacted by known and unknown risks, uncertainties, and other factors outside management's control including, but not limited to, total allowable catch levels, selling prices, weather, exchange rates, fuel and other input costs as well as capital expenditures and distributions paid. The Fund maintains flexibility in its capital structure by regularly reviewing forecasts of future results and making any required changes on a timely basis. These changes can include repaying debt early or repurchasing units, issuing new debt or equity, extending the term of existing debt and if required, limiting distributions paid. Refinancing risk is reduced by staggering the maturities of debt instruments and a policy whereby maturing debt agreements are revisited and updated or replaced as required well in advance of maturity dates.

The Fund's total capital structure is as follows:

	March 29, 2008	December 31, 2007
Equity – Partnership units (see note 5)	$ 283,839	$ 288,913
Convertible debentures	87,698	87,624
Contributed surplus	8,949	6,211
Deficit	(74,948)	(63,861)
	$ 305,538	$ 321,661

8. SEASONALITY

Due to the seasonal nature of Clearwater's business, earnings are typically higher in the second half of the calendar year than the first half of the year.

9. STRATEGIC REVIEW

The Fund announced on November 13, 2007 that the Trustees have initiated a process for identifying and considering strategic alternatives available to maximize unit holder value. The strategic review is in response to Clearwater's weak financial performance in 2007, the ongoing challenges facing the Fund in maintaining distributions and the Canadian government's legislation to tax income trusts. The Fund has engaged BMO Nesbitt Burns to act as their financial advisor for the strategic review process. While a range of alternatives may be considered, there can be no assurance that the review process will result in a decision regarding any transaction or that it will be completed in any specific time frame. In addition, this process may result in a transaction that results in a lower value than the current carrying value of the Fund's investment in Clearwater.

CLEARWATER SEAFOODS LIMITED PARTNERSHIP

Consolidated Balance Sheets
(In thousands of Canadian dollars)

	March 29, 2008 *(unaudited)*	December 31, 2007
Assets		
Current Assets		
Cash	$ 55,616	$ 70,878
Accounts receivable	42,102	48,861
Inventories	51,465	52,152
Derivative financial instruments (notes 2(c) and 3(a))	-	2,303
Prepaids and other	6,751	6,643
	155,934	180,837
Other long-term assets	8,364	8,694
Property, plant and equipment	113,019	103,547
Licences	116,918	106,930
Goodwill	10,378	10,378
	$ 404,613	$ 410,386
Liabilities and Unitholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 30,554	$ 30,264
Derivative financial instruments (notes 2(c) and 3(a))	36,021	14,261
Distributions payable	-	2,581
Income taxes payable	1,174	1,204
Current portion of long-term debt (note 4)	59,330	58,779
	127,079	107,089
Long-term debt (note 4)	161,351	168,785
Future income taxes	5,336	5,623
Due to joint venture partner	2,393	2,166
Minority interest	2,535	2,389
Unitholders' Equity		
Partnership units (note 5)	164,770	167,698
Deficit	(49,992)	(33,909)
Contributed surplus	1,816	1,224
Accumulated other comprehensive loss	(10,675)	(10,679)
	105,919	124,334
	$ 404,613	$ 410,386

See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS LIMITED PARTNERSHIP

Consolidated Statements of (Loss) Earnings and Deficit

(In thousands of dollars) (unaudited)	13 weeks ended March 29, 2008	13 weeks ended March 31, 2007
Sales	$ 57,114	$ 59,095
Cost of goods sold (includes $2,218 of depreciation expense; 2007 nil – see note 2(a))	50,828	47,285
Gross profit	6,286	11,810
Administration and selling	6,089	10,343
Gain on disposal of assets	(471)	(78)
Other income (note 6)	(1,328)	(1,246)
Insurance claims	-	(3,552)
Foreign exchange and derivative contracts (note 3(a))	17,290	(3,951)
Bank interest and charges	130	219
Interest on long-term debt	4,458	2,938
Depreciation and amortization	538	2,963
	26,706	7,636
(Loss) earnings before the undernoted	(20,420)	4,174
Income taxes (recovery)	803	(516)
(Loss) earnings before minority interest	(21,223)	4,690
Minority interest	146	1,022
Net (loss) earnings	$ (21,369)	$ 3,668
Deficit at beginning of period as previously reported	(33,909)	(22,831)
Application of new inventory accounting policy (note 2(a))	5,286	-
Deficit at beginning of period restated	(28,623)	(22,831)
Distributions declared during the period	-	(7,918)
Adjustment for cancellation of Class C Units (note 5)	-	17
Deficit at end of period	$ (49,992)	$ (27,064)
Basic and diluted net (loss) earnings per unit	$ (0.42)	$ 0.07

See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS LIMITED PARTNERSHIP

Consolidated Statements of Comprehensive (Loss) Income and Accumulated Other Comprehensive (Loss) Income

(In thousands of dollars) (unaudited)	13 weeks ended March 29, 2008	13 weeks ended March 31, 2007
Comprehensive Income		
Net (loss) earnings	$ (21,369)	$ 3,668
Other comprehensive income (loss), net of tax unrealized gains and losses on translating financial statements of self-sustaining foreign operation	4	185
Comprehensive (loss) income	$ (21,365)	$ 3,853
Accumulated other comprehensive (loss) income		
Balance beginning of period	$ (10,679)	$ 12,321
Unrealized gain on translation of self sustaining foreign operation	4	185
Balance end of period	$ (10,675)	$ 12,506

See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS LIMITED PARTNERSHIP

Consolidated Statements of Cash Flows

(In thousands of dollars) (unaudited)	13 weeks ended March 29, 2008	13 weeks ended March 31, 2007
Cash flows from (used in) operating activities		
Net (loss) earnings	$ (21,369)	$ 3,668
Items not involving cash:		
Depreciation and amortization	2,756	2,962
Unrealized foreign exchange (gain) loss on long-term debt	(6,595)	2,841
Unrealized inflation and interest on long-term debt	743	795
Future income tax expense (recovery)	287	(1,173)
Minority interest	146	1,022
Unrealized loss (gain) on foreign exchange on currency option contracts	16,874	(10,984)
Unrealized loss (gain) on currency and interest swap contracts	6,132	(3,018)
Loss on disposal and other, net	(141)	270
	(1,167)	(3,617)
Change in non-cash operating working capital	12,785	14,996
	11,618	11,379
Cash flows from (used in) financing activities		
Proceeds from issuance of long-term debt	-	41,357
Reduction of long-term debt and swap contracts	(59)	(992)
Purchase of convertible debentures	-	(963)
Purchase of units	(2,337)	(246)
Distributions to minority partners	-	(1,429)
Distributions to unitholders	(2,581)	(7,918)
Other	(152)	(116)
	(5,129)	29,693
Cash flows from (used in) investing activities		
Increase in other long-term assets	(348)	(371)
Purchase of property, plant, equipment, licences and other	(21,945)	(7,265)
Proceeds on disposal of property, plant, equipment, licences and other	542	364
	(21,751)	(7,272)
(Decrease) increase in cash	(15,262)	33,800
Cash - beginning of period	70,878	10,850
Cash - end of period	$ 55,616	$ 44,650

Supplementary cash flow information		
Interest paid	$ 4,306	$ 1,913
Income taxes (recovered) paid	$ (53)	$ 1,247

See accompanying notes to consolidated financial statements

(Tabular amounts expressed in thousands of Canadian dollars)

1. BASIS OF PRESENTATION

Clearwater Seafoods Limited Partnership ("Clearwater") is a limited partnership that acquired the seafood business of Clearwater Fine Foods Incorporated ("CFFI") on July 30, 2002.

The unaudited interim period consolidated financial statements have been prepared by Clearwater in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The preparation of financial data is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements except as disclosed in note 2 below. These unaudited interim period consolidated financial statements do not contain all the disclosures required in annual audited financial statements by Canadian GAAP, and accordingly should be read together with the audited annual consolidated financial statements and the accompanying notes included in the Clearwater Seafoods Income Fund's (the "Fund") 2007 Annual Report.

As CFFI maintains the right to nominate the majority of the board of directors both before and after the acquisition of its seafood business by Clearwater the acquisition was accounted for using the book values of the assets and liabilities as recorded by CFFI.

Due to the seasonal nature of the business, gross profit is typically higher in the second half of the calendar year than the first half of the year.

2. CHANGES IN ACCOUNTING POLICIES

a) Inventories

Effective January 1, 2008, Clearwater adopted section 3031 "Inventories" that establishes more extensive guidance on the determination of cost, requires impairment testing and expands the disclosure requirements to increase transparency. The adoption of this standard impacted the costs that are included in inventory, as a portion of plant overhead, administration and depreciation costs are included in inventory. As a result, the gross profit has been impacted as the administration and depreciation costs that are now included in inventory are expensed as part of the cost of goods sold as opposed to other costs that are listed after the determination of gross profit.

Clearwater has applied the new standard retrospectively without restatement, which resulted in an increase to inventories and a decrease in deficit of $5,286,000 at January 1, 2008.

Inventories, which consist primarily of finished goods, are stated at the lower of cost and net realizable value. Cost includes the cost of materials plus direct labor applied to the product and the applicable share of manufacturing overheads, administration and depreciation and is determined on a first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

During the first quarter of 2008, $45,513,000 amount of inventories was recognized as cost of sales. There was $208,000 of write-downs recorded in the first quarter of 2008.

The following table illustrates the impact of the new standard for the first quarter of 2008.

	Amount prior to application of new standard	*Adjustment for new standard*	*Amount per financial statements*
Cost of goods sold	*$ 44,883*	*$ 5,945*	*$ 50,828*
Gross profit	*12,231*	*(5,945)*	*6,286*
Administration and selling	*8,693*	*(2,604)*	*6,089*
Depreciation and Amortization	*2,756*	*(2,218)*	*538*
Net loss	*$ (20,246)*	*$ (1,123)*	*$ (21,369)*

b) Capital Disclosures

Effective January 1, 2008, Clearwater adopted section 1535, "Capital Disclosures" that establishes guidelines for the disclosure of information on the Partnership's capital and how it is managed. The enhanced disclosure enables users to evaluate the Partnership's objectives, policies and processes for managing capital. Disclosures required by this standard are included in Note 9.

c) Financial Instruments

Effective January 1, 2008, Clearwater adopted section 3862 "Financial Instruments – Disclosures" and 3863 "Financial Instruments – Presentation", which replace Section 3861 Financial Instruments – Disclosure. This section requires Clearwater to provide disclosure of quantitative and qualitative information in the financial statements that enable users to evaluate the significance of financial instruments for Clearwater's financial position and performance and the nature and extent of risks arising from financial instruments to which Clearwater is exposed to during the period and balance sheet date and management's objectives, policies and procedures for managing such risks. Disclosures required by this standard are included in note 3. The adoption of 3862 and 3863 did not have an impact on Clearwater's financial results or position.

3. FINANCIAL INSTRUMENTS AND DERIVATIVE CONTRACTS

In the normal course of operations, Clearwater is exposed to foreign exchange, interest rate, credit and liquidity risks

a) Foreign currency exchange rate risk

In excess of 80% of Clearwater's sales are in United States dollars and other currencies, whereas the majority of expenses and any cash distributions are in Canadian dollars. As a result, fluctuations may have a material impact on Clearwater's financial results and the amount of cash available for distribution to unitholders.

Risks associated with foreign exchange are partially mitigated by the fact that Clearwater operates internationally, which reduces the impact of any country-specific economic risks on its business.

Excluding derivative financial instruments, at March 31, 2008 Clearwater's balance sheet exposure to foreign currency was as follows (as converted to Canadian dollars):

Cash	$ 2,430
Accounts receivable	31,784
Accounts payable and accrued liabilities	14,028
Long-term debt	60,810
Net balance sheet exposure	(40,264)

The major components of this net exposure by currency are as follows (in home currency '000's):

	GBP	USD	Yen	Euros	ISK
Cash	93	325	1,262	363	-
Accounts receivable	1,669	10,417	270,265	7,549	-
Accounts payable and accrued liabilities	272	1,570	4,854	744	-
Long-term debt	-	20,000	-	-	2,862,442
Net balance sheet exposure	1,490	(10,828)	266,673	7,168	(2,862,442)

The above items are included in the balance sheet at their carrying value which is materially equal to fair value.

A 10% increase in the exchange rates relative to the Canadian dollar (i.e. increase is when GBP moves from 2.04 to 2.24) would result in the following increase (decrease) to net earnings and net equity (in thousands):

- GBP 304
- USD (1,106)
- Yen 275
- Euros 1,163
- ISK (3,727)

Clearwater's exposure to foreign currency derivative contracts at March 31, 2008 was as follows:

At March 29, 2008 and December 31, 2007, Clearwater had outstanding forward contracts as follows (as converted to Canadian dollars at contracted rates):

Currency	Notional Amount (in 000's)	Average Exchange Rate	Maturity	Fair Value Asset (Liability)
United States dollar				
March 29, 2008	Sell forwards 77,000	1.018	2008	(245)
	Buy forwards 10,000	1.001	2008	170
December 31, 2007	Sell forwards 50,000	1.009	2008	1,262
Euro				
March 29, 2008	Sell forwards 33,500	1.485	2008	(4,006)
December 31, 2007	Sell forwards 33,675	1.438	2008	(355)
	Buy forwards 15,000	1.432	2008	237
Yen				
March 29, 2008	Sell forwards 2,078,989	0.009	2008	(2,074)
December 31, 2007	Sell forwards 1,000,000	0.009	2008	243

In reviewing the sensitivity of exchange rate fluctuations to the above contracts, it is important to note the contracts are anticipated to be settled at the contracted rates. However, a 10% increase in the exchange rates relative to the Canadian dollar at March 29, 2008 would result in the following decrease to net earnings and net equity.

- USD 6,844
- Euros 5,433
- Yen 2,142

The above foreign exchange contracts are included in the balance sheet at their fair value as shown above.

At March 29, 2008 and December 31, 2007, Clearwater had written the following foreign currency option and expandable forward contracts, all of which are sell contracts unless otherwise indicated (as converted to Canadian dollars at contracted rates):

Currency	Notional Amount	Exchange Range	Maturity	Fair value asset (liability)
United States dollar				
March 29, 2008	Option 140,000	0.942 – 1.128	2008	(6,898)
	Expandables 18,000 – 66,000	1.017	2008	(945)
	Reverse knock outs 21,000	1.173	2008	(66)
	Option 30,000	1.003 – 1.025	2009	(1,340)
December 31, 2007	Option 100,000	0.942 – 1.056	2008	(2,704)
	Buy option 60,000	1.013 – 1.185	2008	(7,318)
	Expandables 22,000-74,000	1.009 – 1.106	2008	(187)
	Reverse knock outs 41,000	1.183	2008	(64)
Japanese Yen				
March 29, 2008	Option 6,000,000	0.008 – 0.009	2008	(10,318)
	Option 1,000,000	0.009	2009	(1,256)
December 31, 2007	Option 6,000,000	0.008 – 0.009	2008	(3,545)
Euro				
March 29, 2008	Option 15,000	1.448 – 1.544	2008	(1,425)
	Option 8,000	1.480	2009	(1,116)
December 31, 2007	Option 31,000	1.448 – 1.550	2008	(227)

To supplement its strategy to manage its exposure to foreign exchange Clearwater enters into various derivative instruments including options. Options include the selling of a call or put on a specific currency relative to another currency at a predetermined price in the future. These options can have added features which have the impact of changing the risk profile of the option including adding in a "knock in" feature which provides insurance against the option becoming exercisable unless a certain price threshold is reached; "expandables" where the amount of the currency sold forward is multiplied by a predetermined factor if the call is exercised; and "reverse knock outs", where the seller uses a series of puts and calls related to a currency price range which provides the seller the ability to limit his downside exposure.

In reviewing the sensitivity of exchange rate fluctuations to the above contracts it is important to note a number of items impact the value and option contracts and to be called they need to be considered out of the money and have reached applicable knock-in levels. However, a 10% increase in the exchange rates relative to the Canadian dollar at March 29, 2008 would result in the following decrease to net earnings and net equity.

- USD 21,349
- Yen 7,211
- Euros 3,730

If Clearwater had settled both the forward and option contracts prior to maturity, at March 29, 2008, it would have made a net payment of $29,519,000. For the contracts outstanding at December 31, 2007, if they had been settled it would have led to a net payment of $12,658,000. The liability or asset recorded is included in derivative financial instruments, and the resulting loss or gain is included in income.

The above foreign exchange contracts are included in the balance sheet at their fair value as shown above.

Summary of net liability position for derivative contracts

	2008	2007
Forward, option and expandable contracts	$ 29,519	$ 12,658
Commodity contracts	-	(12)
Interest rate contracts	879	216
Icelandic bond contracts	5,623	(904)
Net liability position	$ 36,021	$ 11,958
Portion disclosed as derivative financial instrument asset	$ -	$ 2,303
Portion disclosed as derivative financial instrument liability	36,021	14,261
Net liability position	$ 36,021	$ 11,958

Foreign exchange and derivative contract loss (gain)

	13 weeks ended March 29, 2008	13 weeks ended March 31, 2007
Realized loss		
Foreign exchange and derivative loss	$1,884	$ 7,291
Other realized gain	(1,005)	(81)
	879	7,210
Unrealized loss (gain)		
Balance sheet translation	(6,595)	2,841
Mark-to-market on exchange derivative contracts	16,874	(10,984)
Mark-to-market on interest and currency swaps	6,132	(3,018)
	16,411	(11,161)
Total loss (gain)	$ 17,290	$ (3,951)

`

b) Credit risk

Clearwater is exposed to credit risk in the event of non-performance by counter parties to its derivative financial instruments, but does not anticipate non-performance by any of the counter parties as Clearwater only deals with highly rated financial institutions.

Clearwater has significant accounts receivable from customers operating in Canada, United States, Europe and Asia. A significant portion of Clearwater's customers from a value of sales perspective have been transacting with Clearwater in excess of five years and losses have occurred infrequently. Clearwater has a policy of utilizing a combination of credit reporting agencies, credit insurance, letters of credit and secured forms of payment to mitigate customer specific credit risk and country specific credit risk. As a result, Clearwater does not have any significant concentration of credit risk.

c) Interest rate risk

The majority of Clearwater's debt has fixed interest rates with the exception of its ISK debt. A 10% change in the interest rate on the ISK debt would result in additional annual interest expense of approximately ISK 24,600,000 or Canadian $300,000.

As indicated in the note entitled "Long-Term Debt", Clearwater uses cross currency and interest rate swaps to economically hedge its exposures to changes in foreign currencies and interest rates. The terms of the swap agreements related to the Icelandic bonds also economically hedge the changes in the Icelandic Consumer Price Index ("CPI"). These agreements do not qualify for hedge accounting. Although Clearwater has no intention of settling these contracts prior to maturity, at March 29, 2008, if it settled these contracts it would have made a net payment of $6,502,000 (December 31, 2007 - received a net payment of $688,000). The liability is included in derivative financial instruments and the resulting non-cash loss is included in income. See note 4(d) for additional information relating to the swaps.

d) Liquidity risk

Please refer to note 9 for information on how Clearwater addresses liquidity risk.

In addition please see section (a) and (b) of this note for disclosure on maturities of financial instruments.

The following table provides detail on the maturities of items not previously disclosed in section (a) and (b) of this note:

Payments due by year	Long term debt	Contractual obligations Operating leases	Other obligations	Total
< December 31, 2008	59,330	2,397	-	61,727
2009	1,160	2,755	-	3,915
2010	87,585	2,252	-	89,837
2011	896	2,148	-	3,044
2012	868	2,129	-	2,997
> 2012 years	70,842	1,993	2,393	75,228
Total	220,681	13,674	2,393	236,748

Further details on these obligations are disclosed in the notes to the annual consolidated financial statements. Amounts in years less than 1 and 3 are high as non-amortizing term credit facilities are scheduled for renegotiation. Interest payable on long-term debt obligations can be determined by reviewing the debt balances and maturities as disclosed in note 4.

4. LONG-TERM DEBT

	March 29, 2008	December 31, 2007
Notes payable (a)		
Canadian dollars	$62,627	$ 62,573
United States dollars	20,316	19,697
Class C Partnership Units (b)	43,338	43,201
Class D Partnership Units (c)	41,054	40,951
Bond payable (d)	43,328	51,392
Marine mortgage, due in 2017 (e)	5,239	4,911
Term loan, due in 2091 (f)	3,500	3,500
Other loans	1,279	1,339
	220,681	227,564
Less current portion	59,330	58,779
	$161,351	$ 168,785

a) Notes payable, senior secured notes issued in four series:

- $43,000,000 principle Canadian Series A Notes issued in 2003, bearing interest at 6.4% payable semi-annually, maturing December 8, 2008.
- $15,000,000 principle U.S. Series B Notes issued in 2003, bearing interest at 5.65% payable semi-annually, maturing December 8, 2008.
- $20,000,000 principle Canadian Series C Notes issued in 2003, bearing interest at 7.23% payable semi-annually, maturing December 8, 2013.
- $5,000,000 principle U.S. Series D Notes issued in 2005, bearing interest at 6.12% payable semi-annually, maturing December 8, 2013.

The notes are secured by mortgages and charges on all of the present and future property and assets of Clearwater and certain of its wholly owned subsidiaries, the interests of the Fund in Clearwater Seafoods Holdings Trust ("CSHT") and all the issued shares of CS ManPar Inc., the general partner of Clearwater. The security arrangement is guaranteed by an inter-creditor agreement with the banking syndicate members participating in the term credit facility disclosed in section (g) of this note.

b) In June 2004, 4,081,633 Class C units were issued concurrently with the issue by the Fund of $50 million of Convertible Debentures and are held by the Fund through CSHT. The Class C units are redeemable and retractable at a price of $12.25 per unit and are due December 31, 2010. These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the Convertible Debentures of the Fund and in a manner that ensures that the distributions on the Class C units will be able to fund the ongoing interest payments on the Convertible Debentures. The Class C units are classified in accordance with their component parts: the value ascribed to the holders' option to convert to Class A units has been classified as equity and the remaining portion of the units has been classified as debt. Interest on the debt is calculated by applying an effective interest rate of approximately 8.56% to the outstanding debt component. The difference between actual cash payments, which will approximate 7.02%, and interest expense is added to the debt component of the units.

The Fund filed a normal course issuer bid by which it can acquire up to $5 million principal amount of the convertible debentures in the 12-month period ending August 2007 that was subsequently renewed for expiry in August 2008. Any repurchase at the Fund level has and will be accompanied by a similar repurchase of Class C Partnership units by Clearwater. During the year ended December 31, 2007, $2 million of the Class C units were repurchased and cancelled with the proceeds used in the Fund to repurchase and cancel the equivalent amount of the convertible debenture. The principal outstanding as at March 29, 2008 was $45 million.

c) In 2007, 8,142,712 Class D units were issued concurrently with the issue by the Fund of $48.0 million of Convertible Debentures and are held by the Fund through CSHT. The Class D units are redeemable and retractable at a price of $5.90 per unit and are due on March 31, 2014. These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the Convertible Debentures of the Fund and in a manner that ensures that the distributions on the Class D units will be able to fund the ongoing interest payments on the Convertible Debentures. The Class D units are classified in accordance with their component parts: the value ascribed to the holders' option to convert to Class A units has been classified as equity and the remaining portion of the units has been classified as debt. Interest on the debt is calculated by applying an effective interest rate of approximately 8.81% to the outstanding debt component. The difference between actual cash payments, which will approximate 7.27%, and interest expense is added to the debt component of the units.

On June 2, 2007, $1,000 of the convertible debentures was converted into 169 Class A units at a price of $5.90 per unit.

The Fund filed a normal course issuer bid by which it can acquire up to $4.8 million principal amount of the convertible debentures in the 12-month period ending August 2008. Any repurchase at the Fund level has and will be accompanied by a similar repurchase of Class D Partnership units by Clearwater. In 2007, approximately $3.7 million of Class D Partnership units were repurchased and cancelled with the proceeds used by the Fund to repurchase and cancel an equivalent amount. The principal outstanding as at March 29, 2008 of the convertible debentures was $44.4 million.

d) Senior unsecured bond in the amount of 2,460,000,000 ISK due September 27, 2010 at a fixed rate of 6.7% accrued annually and paid at maturity. Both the bond and the interest are adjusted for changes in the Icelandic Consumer Price Index ("CPI"). Clearwater has entered into a number of swap agreements to economically fix the currency and CPI exposure associated with the debt. There are also interest rate swap agreements in place.

Clearwater has no intention to unwind the above contracts, however the agreements do not qualify for hedge accounting and therefore the gains and losses related to the fair value of these hedges are taken into income during the period.

The swap agreements have effectively resulted in the following:

- $25,000,000 Canadian dollar liability with an effective interest rate of 8.40%
- $5,000,000 U.S. dollar liability with an effective interest rate of 6.61%
- $4,707,502 U.S. dollar liability with an effective interest rate of 8.51%
- 3,000,000 Pound Sterling liability with an effective interest rate of 9.87%
- 2,500,000 Euro liability with an effective interest rate of 8.25%

Interest expense on the bond is recorded using the effective interest rate method that takes into account estimated future Icelandic inflation rates. The cumulative interest accrued is $5.7 million year to date (December 2007 – $6.1 million). As previously noted interest exposure on this bond has been economically hedged and the cash payment on the related swaps was $1.0 million (March 31 2007 - $1.0 million).

	March 29, 2008	December 31, 2007
Principal	$ 31,612	$ 38,174
Accrued interest	5,657	6,101
Accrued CPI	6,059	7,117
	$ 43,328	$ 51,392

e) Marine mortgage payable in the principal amount of CDN $4,032,000 (December 31, 2007 - $4,032,000), DKK 16,480,000 (December 31, 2007 - DKK 16,480,000) and YEN 277,826,000 (December 31, 2007 - 277,826,000) bearing interest at UNIBOR plus 1% payable semi-annually, 50% of which represents Clearwater's proportionate share. Principal payments are required annually with CDN $776,000, DKK 2,087,000 and YEN 29,767,000 due in 2008-2012, CDN $152,000 due in 2013, DKK 2,087,000 and YEN 29,767,000 due in 2013-2014, DKK 1,871,000 due in 2015, YEN 29,767,000 due in 2015-2016 and YEN 9,923,000 due in 2017, 50% of which represents Clearwater's proportionate share. The loan matures in 2017 and is secured by a first mortgage over the related vessel and covenants concerning certain fishing licences.

f) Term loan, payable in 2091. In connection with this loan Clearwater makes a royalty payment of $275,000 per annum in lieu of interest.

g) Clearwater has a revolving term debt facility of $60 million from a syndicate of banks (which was not drawn upon at March 29, 2008 or December 31, 2007). The facility, which matures and is renewable in May 2009 is part of a master netting agreement that was in a cash position of $50.5 million as at March 29, 2008.

Clearwater's debt facilities contain various non-financial and financial covenants. They include, but are not limited to, leverage ratios and fixed charge ratios (which exclude most significant non-cash items and non-recurring items from earnings) that can limit distributions paid and the amount of allowable debt outstanding. During the first quarter of 2008, Clearwater's lending agreement was amended resulting in additional conditions on the amount of distributions that can be declared in 2008. In addition, payments related to these debt facilities take priority over payments on securities held in Clearwater by the Fund.

Principal repayments required in each of the next five years are approximately as follows:

2008	59,330
2009	1,160
2010	87,585
2011	896
2012	868

5. PARTNERSHIP UNITS

Clearwater is authorized to issue an unlimited number of Class A limited partnership units, an unlimited number of Class B general partnership units, issuable in series, an unlimited number of Class C limited partnership units, an unlimited number of Class D limited partnership units and an unlimited number of Class Y general partnership units, issuable in series. Each unit (other than the Class Y units) entitles the holder thereof to one vote, except in certain situations as described pursuant to the Limited Partnership Agreement governing Clearwater. Each issued Class B unit is accompanied by a Special Trust Unit issued by the Fund entitling the holder to receive notice of, to attend and to vote at meetings of unitholders of the Fund.

In June 2004, 4,081,633 Class C units in the amount of $50 million were issued concurrently with the issue by the Fund of $50 million of Convertible Debentures and are held by the Fund through CSHT. The Class C units are non-voting, redeemable and retractable at a price of $12.25 per unit. These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the Convertible Debentures of the Fund and in a manner that ensures the distributions on the Class C units will be able to fund the ongoing interest payments on the Convertible Debentures. The Class C units are classified in accordance with their component parts: the value ascribed to the holders' option to convert to Class A units has been classified as equity and the remaining portion of the units has been classified as debt.

In 2007, 8,142,712 Class D units were issued concurrently with the issue by the Fund of $48.0 million of Convertible Debentures and are held by the Fund through CSHT. The Class D units are non-voting redeemable and retractable at a price of $5.90 per unit. These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the Convertible Debentures of the Fund and in a manner that ensures that the distributions on the Class D units will be able to fund the ongoing interest payments on the Convertible Debentures. The Class D units are classified in accordance with their component parts: the value ascribed to the holders' option to convert to Class A units has been classified as equity and the remaining portion of the units has been classified as debt.

On January 24, 2007, the Fund received approval for a normal course issuer bid which will enable it to purchase, from time to time, up to 2.5 million outstanding trust units (the "Units"), which amount represents less than 10% of the public float. Any such purchases of Units would be made during the 12-month period commencing on January 24, 2007 and in accordance with the requirements of the TSX. The Units will be purchased by the Fund for cancellation and will be accompanied by a similar repurchase of units by Clearwater. During 2007, the Fund purchased and cancelled 1,162,000 Class A units at a cost of $5.6 million. During the first quarter of 2008, the Fund purchased and cancelled 500,000 Class A units at a cost of $2.3 million. The total units purchased under this plan since January 24, 2007 is 1,662,000.

	Class A Units	Class B Units	$ (in 000's)
Balance December 31, 2004, no change to December 31, 2006	29,407,626	23,381,217	$ 172,251
Equity component of Class C Units			828
Balance December 31, 2006			$ 173,079
Cancellation of Class A Units	(1,162,100)	-	(6,807)
Issuance of Class A Units	169	-	1
Subtotal	28,245,695	23,381,217	166,273
Equity component of Class D Units			1,579
Cancellation of $2 million Class C Units			(35)
Cancellation of $3.7 million Class D Units			(119)
Balance December 31, 2007			$ 167,698
Cancellation of $0.5 million Class A Units	(500,000)	-	(2,928)
Balance March 29, 2008	27,745,695	23,381,217	$ 164,770

As at March 29, 2008 there were in total 51,126,912 units outstanding (51,626,912 - December 31, 2007).

Distributions paid for the three-month period ended March 29, 2008 were $nil (2007 – $7,918). All of the Partnership's distributions are at the discretion of the Trustees and are subject to certain conditions imposed by lending agreements.

As CFFI controlled Clearwater's seafood business both before and after the initial public offering, the acquisition of the seafood business by Clearwater was accounted for using the book values of the assets and liabilities as recorded by CFFI. The excess of the capital contributions of $267,728,000 over book values of the assets of $180,533,000, being $87,195,000, was debited to partnership units.

6. OTHER INCOME

	13 weeks ended March 29, 2008	13 weeks ended March 31, 2007
Investment income	$ 704	$ 232
Quota rental and royalties	99	337
Export rebate	80	296
Other	445	381
	$ 1,328	$ 1,246

7. SEGMENTED INFORMATION

a) General information

Clearwater operates primarily within one industry that being the harvesting, procurement, processing and sale of seafood with no separately reportable business segments. The products are sold primarily to customers in the United States, Europe, Asia, and Canada.

b) Net sales to customers by product category

	13 weeks ended March 29, 2008	13 weeks ended March 31, 2007
Scallops	$24,365	$ 20,876
Lobster	13,888	15,872
Clams	11,498	9,717
Coldwater shrimp	4,941	9,653
Crab	797	872
Groundfish and other	1,625	2,251
Hedging program	-	(146)
	$57,114	$ 59,095

c) Geographic information

	13 weeks ended March 29, 2008	13 weeks ended March 31, 2007
Sales		
United States	$17,211	$ 20,873
Europe		
France	9,030	5,298
Denmark	248	2,861
UK	5,236	5,076
Other	5,127	5,161
Asia		
Japan	6,052	4,947
Other	5,411	5,576
Canada	8,640	9,002
Other, including hedging program	159	301
	$ 57,114	$ 59,095

	March 29, 2008	March 31, 2007
Property, plant, equipment, licences and goodwill		
Canada	$ 221,993	$ 254,867
Argentina	17,550	17,944
Other	772	901
	$ 240,315	$ 273,712

8. RELATED PARTY TRANSACTIONS

Clearwater had the following transactions and balances with CFFI, the controlling shareholder of Clearwater, during the first quarter of 2008 and 2007.

	13 weeks ended March 29, 2008	13 weeks ended March 31, 2007
Transactions		
Charged by CFFI for rent and other services, net of rent and IT services charged to CFFI	107	65
Balances		
Distribution and other receivable (payable) to CFFI	16	(1,214)

In addition Clearwater was charged approximately $26,300 for vehicle leases in 2008 (2007 - $31,500) and nil for other services in 2008 (2007 - $18,300) by companies controlled by a relative of an officer of Clearwater.

These transactions are in the normal course of operations and have been recorded at the exchange amount agreed to between the parties

During the first quarter of 2008, Clearwater sold equipment to one of our minority shareholder's. The equipment was sold at a market price of $467,000.

9. CAPITAL MANAGEMENT

Clearwater's objectives when managing capital are as follows:

- To maintain financial flexibility to preserve access to capital markets and meet its financial obligations
- To have sufficient capital to maintain its capital program
- To meet requirements of lending facilities

Clearwater's capital structure includes a combination of equity and various classes of long-term debt. Clearwater's objective when managing its capital structure is to obtain the lowest cost of capital available, while maintaining flexibility and reducing exchange and refinancing risk as appropriate.

Capital is managed by monitoring key metrics such as cash generation, capital expenditures, distribution payments, which in turn impact ratios such as leverage.

Management believes that the significant cash balances currently being carried and the available credit lines provided by its bank syndicate will be sufficient to meet Clearwater's cash requirements. We use leverage, in particular senior revolving and term debt, to lower our cost of capital. The amount of senior debt available to Clearwater is a function of earnings that can be impacted by known and unknown risks, uncertainties, and other factors outside management's control including, but not limited to, total allowable catch levels, selling prices, weather, exchange rates, fuel and other input costs. We maintain flexibility in our capital structure by regularly reviewing forecasts of future results and making any required changes on a timely basis. These changes can include early repayment of debt, repurchasing units, issuing new debt or equity, extending the term of existing debt, selling assets to repay debt and if required, limiting distributions paid. Refinancing risk is reduced by staggering the maturities of debt instruments and a policy whereby maturing debt agreements are revisited and updated or replaced as required in advance of maturity dates.

In 2008, $59.3 million of term notes are due (see note 4 (a) to the financial statements), resulting in that debt classified as current. Management intends to refinance the debt during the next two quarters with such refinancing happening as part of the strategic review currently being conducted or as a stand-alone refinancing.

Clearwater also has other debt, and as a result its total capital structure is as follows as March 29, 2008 and December 31, 2007:

In (000's)	March 29 2008	December 31 2007
a. Equity – Partnership units	$ 164,770	$ 167,698
b. Convertible debt, Class C units, due in 2010	43,338	43,201
c. Convertible debt, Class D units, due in 2014	41,054	40,951
d. Non-amortizing debt		
Term notes due in 2008	58,154	57,641
Term notes due in 2013	24,789	24,629
Bond payable, due in 2010	43,328	51,392
Term loan, due in 2091	3,500	3,500
	129,771	137,162
Amortizing debt		
Marine mortgage	5,239	4,911
Other loans	1,279	1,339
	6,518	6,250
Deficit	(49,992)	(33,909)
	$ 335,459	$ 361,353

Equity consists of Class A Limited Partnership units, Class B General Partnership units and an equity portion of Class C Partnership units and Class D Partnership units. Both Class A and Class B units are equally eligible for any distributions that are declared by Clearwater. The Class B Partnership units were issued concurrent with Special Trust Units that were issued by the Fund solely to provide voting rights to Clearwater Class B Partnership units held by CFFI.

The details of the debt are disclosed in note 4.

Clearwater is in compliance with all of the non-financial and financial covenants associated with its debt facilities. These covenants include, but are not limited to, leverage ratios against earnings (excluding most significant non-cash items and non-recurring items from earnings) and fixed charge ratios that can limit the amount of distributions paid. During the first quarter of 2008, the terms of the lending agreement were amended resulting in additional conditions on the amount of distributions that can be declared in 2008. In addition, the debt related to these facilities takes priority over the securities in Clearwater held by the Fund. When considering leverage, it has remained consistent when compared to December 31, 2007 and the increase in earnings is offset by higher calculated debt levels. Clearwater will continue to monitor and manage debt levels based on business needs and opportunities.