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EVENT:

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... **John C. Risley**, who is Chairman of CS ManPar; George Armoyan, who is President ...

This enables our captain to go to sea with laptops and GCS **tracking** ...

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EVENT: CLEARWATER SEAFOODS INCOME FUND –
WEBCAST

TIME: 10H30 E.T.

REFERENCE: CNW GROUP - HALIFAX

LENGTH: APPROXIMATELY 32 MINUTES

DATE: MAY 11, 2005

PURDY CRAWFORD (Chairman of the Trustees, Clearwater Seafoods Income Fund): The meeting will come to order. It gives me great pleasure to welcome you to the Third Annual Meeting of the Unitholders of Clearwater Seafood Income Fund. My name is Purdy Crawford and I am the Chairman of the Trustees of Clearwater Seafood Income Fund. With the consent of the meeting, I will act as Chairman of this meeting and I will ask Tyrone Cotie to act as Secretary of the meeting and Shirley Yuen and Roxanne Parsaud of Computershare Investor Services, our transfer agent, to act as Scrutineers. In order that we may have a complete record of those present, I would ask anyone who has not yet given his or her name to the Scrutineer to please do so at the conclusion of the meeting. Before proceeding with the formal business of the meeting, I would like to introduce certain people associated with Clearwater that are here today. First I would like to introduce my fellow trustees. On my immediately right James Gogan who is President of High Street Investment and former CEO of Empire Company Limited. Stand up Mr. Gogan. Tom Traves, who is President and Vice Chancellor of Dalhousie University, Tom. Trustees of the Income Fund are also Directors of CS ManPar, the managing partner of

the underlying seafood business. This time, I would also like to introduce the other directors of CS ManPar, **John C. Risley**, who is Chairman of CS ManPar; George Armoyan, who is President and Chief Executive Officer of Clarke Inc., George. One of the other Directors, Hugh Smith, is unable to be here today. Hugh is Vice President of the Municipal Group of Companies. Finally, I would like to introduce to you the Officers of CS Manpower, Colin MacDonald, the Chief Executive Officer and of course is the director of CS ManPar also, Robert Wight, Vice President, Finance and Chief Financial Officer. I also want to introduce our partners in the St. Anthony who are very good partners and we are delighted they are in attendance to this meeting, Cheri Reardon and Wayne Noel, would they please stand up. Thank you for coming to Toronto for this meeting. Later in the meeting you will hear a report from management on the business. I would like to start with the necessary formalities. The notice calling the meeting was mailed to all Trustees, unitholders, and to the auditors of the Fund. Additional copies of the notice, as well as the annual report and proxy circular, are available at this meeting. The Secretary has filed with me a copy of the proof of mailing of the notice and I would direct that a copy of the notice and proof of mailing be annexed to the minutes of the meeting. The scrutineers have informed me that a quorum is present. In fact 100 percent of the Class B unitholders are represented and 45.4 percent of the Class A unitholders are represented in their preliminary report. So a quorum is present and as due notice of the meeting has been given I declare the meeting is properly constituted for the transaction of business. The annual financial statements of Clearwater, as of December 31, 2004, and for the year that ended together with the reports thereon of the trustees and auditors of the Fund were mailed to all registered unitholders as a part of the annual report of the Fund. Additional copies are available for anyone wishing one. The annual report will be tabled at this time. Any unitholder or proxy for a unitholder is entitled to raise questions or speak on any matter coming before the meeting. I would prefer however, that questions arising from the annual report and the financial statement be dealt with later when the unitholders are given the opportunity to deal with broad questions about the business after the presentation by our CEO and by our Chief Financial Officer. Based upon the information provided by the scrutineers, it is appropriate to proceed by way of ballot, unless somebody demands a poll in which case we will have a poll. Now, in order to proceed with the election of trustees and I would invite a motion.

DAVID KAVANAGH:

Mr. Chairman, I nominate Purdy Crawford, James W. Gogan, and Thomas D. Traves as trustees of Clearwater Seafoods Income Fund to hold office until the next annual meeting of unitholders or until their successors are elected or appointed.

PURDY CRAWFORD: Thank you. Do I have a seconder?

JEFF ELLIOTT: I second the nominations.

PURDY CRAWFORD: Thanks Jeff. Are there any further nominations? If there are no further nominations, the Chairman will -- if there are, there are. I declare the nominations closed. Will someone move and someone second a motion for the election of these persons as Trustee?

DAVID KAVANAGH: BE IT RESOLVED THAT: Purdy Crawford, James W. Gogan, and Thomas D. Traves are hereby elected as trustees of Clearwater Seafoods Income Fund to hold office until the next annual meeting of unitholders or until their successors are elected or appointed.

PURDY CRAWFORD: Thanks David. And Jeff will you second that motion?

JEFF ELLIOTT: I second the motion

PURDY CRAWFORD: Thank you. All those in favor of the motion please signify by raising your hand. Contrary. The motion is carried. The next item is the appointment of auditors and to give authority to the trustees to fix the auditors' remuneration. Will someone move and someone second a motion appointing the auditors for the current year and authorizing the trustees to fix their remuneration?

Tyrone Cotie :Mr. Chairman, I make the following motion:

BE IT RESOLVED THAT:

KPMG LLP is hereby re-appointed auditor of the Clearwater Seafoods Income Fund to hold office until the next annual meeting of unitholders at such remuneration as may be fixed by the trustees; the trustees are hereby authorized to fix such remuneration and the Chairman of the meeting is hereby authorized to cast a single ballot in favour of this resolution.

PURDY CRAWFORD: Thank you Tyrone. Do I have the seconder?

BOB VAUX: Mr. Chairman I second the motion

PURDY CRAWFORD: Thank you, Bob. All those in favour please signify by raising your hand. Contrary. The motion is carried and KPMG are elected as auditors. This sort of terminates the formal part of the meeting and I declare that the formal portion of the meeting is now terminated. Colin MacDonald, the CEO, will make a presentation on Clearwater. Colin will present an overview of Clearwater and Bob Wight will speak to the financial results. Following these presentations I would welcome questions and comments. Colin.

COLIN E. MACDONALD (Chief Executive Officer, Clearwater Seafoods Income Fund): Thanks very much Purdy. Good morning ladies and gentlemen and thank you very much for attending our Third Annual General Meeting. I would like to start off by thanking you for taking the time to be here today, for taking an active interest in Clearwater's operations and our opportunities for the future. 2004 was a very challenging year. The weakening US dollar had a significant impact on our results. However, we made progress in growing our volumes and increasing our prices. In addition, we have made continued investments in our scallop, lobster, and clam businesses which bode well for the future. Before I get into today's presentation I would like to provide you with a brief outline of what I will speak to. I will speak to some high-level industry trends. For those of you who are newer to the company, I will then take you to a high-level overview of our operation. Next, I will speak to our corporate strategy and how we plan to address our challenges and harness the opportunities for sustainable long-term growth to our investment and resource management. Bob Wight, our CFO, will then provide an overview of our results and financial position and finally I will conclude my presentation by giving an outlook for 2005 and beyond and then open the floor up for questions. In today's health conscious world seafood is a huge and aggressively growing international industry. Seafood is in fact the

world's fastest growing protein in a protein-focused world. The annual human consumption of seafood exceeds 95 million metric tons. China at 33 percent, Japan at 9 percent, and the United States at 6 percent are the largest consumers of the world's seafood supply. The Food and Agricultural Organization of the United Nations estimates that the global human consumption of fish products will grow by 2 percent a year until 2030. As China becomes even larger economic power house in Asia, seafood consumption will continue to grow substantially. In North America, the baby boom generation looks to help in fitness and they are turning to seafood. Only 15 percent of the world's seafood supply comes from shellfish. This limited supply of shellfish provides us with the unique opportunity in the market place and allows us to maximize margins by bringing premium products; premium priced high quality products to the market. As we move further into 2005, we will continue to increase our competitive advantages as we leverage our experience and expertise in the seafood industry to identify opportunities that add value to our products as well as to our customers and our unitholder. Through our production of high quality products, which creates value for our customers, we are well positioned to capture a growing portion of the expanding market and demand for seafood. Clearwater was established in 1976 as a small lobster retail store on the Bedford Highway, in Halifax, Nova Scotia. Today we are proud to say we are recognized internationally as a leader in the global seafood industry for our market development, our species mix, our quality products, our innovative adoption of technology, and for the employment of accountable and responsible fishing management practices. Sustainability and quantum ownership are the key to Clearwater's success. We are the largest holder of off-shore rights to harvest each of our species in Canada, making us the largest publicly traded shellfish company in North America. The theme of this year's annual report is 'innovation driving value.' This reflects Clearwater's fundamental commitment to invest in an innovative new technology. This in turn strengthens our competitive position in the industry. We are consistently developing new products and product-formats to create increased value for our customers. In addition, these investments and innovations provide us with the ability to increase efficiency, generate higher yields, reduce costs, and thereby increasing our overall margin. As can be seen from these charts Clearwater harvest and process a diverse number of species for many markets around the world. This global focus coupled with the quota ownership in various species has provided us with the defensible position in the industry and mitigate the

risk of over concentration in one particular species or economy. We believe the most effective long-term protection against continuing weakness in the US dollar is the vigorous execution of our established growth strategy, our cost reduction program, and expanding our market. The success of this strategy rests on innovation, diversity, and resource management. Clearwater has always been an innovator of leading edge harvesting and processing technology. Since 1999 we have invested more than \$250 million in our plants and vessels. From the development of our unique lobster holding system, the dry-land pound in the early 1980s, to the launch of our factory freezer vessels, our investment and innovation have put us at the leading edge of the global market place while driving organic growth and allowing us to harvest previously un-exploited species and create all together new products for the market. Next to our people who are the true seed of our innovative spirit, one of the most important asset remains our unmatched access to the species that we harvest through our quota ownership. We own quota on a scale that makes it possible for us to invest in innovative harvesting and advance processing technology and in distribution systems to guarantee our customers a stable supply of quality shellfish. We have more than 1,100 customers in the diversity of market and truly are a global company. We have offices, sales offices in China, the US, and the UK, along with distribution facilities in England, Belgium, and the US. A significant percentage of our customers have been buying from Clearwater for over 10 years which speaks to the success of the relationships we have built with them. The diversity of our product offered and the market positioning creates the natural hedge against downturns in any one species of market, while enabling us to capitalize on the growing demand for premium seafood. Clearwater is committed to the sustainability of our resources. Our scale of quota ownership has also made it possible for us to invest in, develop, and implement intelligent resource management programs, such as our **ocean** mapping technology. This enables our captain to go to sea with laptops and GCS **tracking** technology too selectively and responsibly harvest our quota. Sustainability is an absolute fundamental commitment for Clearwater. This understanding of the need for sustainability has helped us to maintain a leadership position in our industry for nearly 3 decades. Our aggressive investment strategy in new technology and innovation demands we operate in a manner to ensure sustainable harvesting through a responsible resource management. We have been proactive in protecting our key resources through our investment in science and by actively co-managing these

resources in partnership with the Department of Fisheries and Oceans. Clear evidence of our responsible harvesting practices is the stable of growing tax levels we have enjoyed across our products in the regions we harvest. We continue to see great opportunity in our clam resource. In 2004 and 2005, we have embarked on a three-part growth strategy. We have been reorganizing our sales efforts in both the US and Japan. We have been focusing on our on-shore based processing to improve efficiency and reduce cost. We have invested in new harvesting and processing technology aboard our vessels to reduce harvest cost, increased yields, get more from less, and produce new species and new product formats for our market. Although I am disappointed with the contribution from our clam business in the first quarter of 2005, as we experienced higher refit costs and also slower than planned sales growth, we believe that 2005 is a transition year for this business as we move to position it for a long-term growth. Of course the most significant impact in this business will be the arrival in mid 2006 of our new factory freezer trawler. This new vessel will enable us to grow the contribution from our clam business by allowing us to decrease cost to harvesting in a far more efficient manner and increasing our harvest volume. The construction of the vessel is progressing as you can see from the diagram in the upper right hand corner and we will continue to update you regularly as construction progresses. Our scallops business has been the primary growth driver of our business. We added to our position in this resource in May 2003 to the purchase of additional quota. In addition, we have increased our returns by harvesting a greater portion of our scallops in a frozen-at-sea format. This has provided us a significant premium in the market, well above the traditional frozen on land scallop. It has also provided several great new customer relationships while strengthening our historic customer relationship. During the second quarter of 2005 we will take delivery of two recently converted factory freezer scallop vessels. The investment in these vessels completes our vision to convert the majority of our scallop fleet to factory vessels. These vessels provide an incremental contribution by enabling us to produce higher quality frozen-at-sea scallops that sell for a premium in the market. In addition, the vessels enable us to increase the efficiency of our harvesting operations by reducing the number of vessels employed, thus lowering our future costs. These vessels will begin fishing in the second quarter and therefore the results for that quarter may be slower than management originally expected. But we expect to see the positive impact more fully in the third and fourth quarter. Late in the third quarter of 2004,

Clearwater began production of an exciting new premium quality raw lobster product. This product is being targeted at the high-end food service and retail markets. I am pleased to say that the sales of our new premium quality raw lobster product are on target to reach 3 percent of sales in 2005. In addition in late 2004, Clearwater introduced new technology that allows us to better sort and grade our live lobsters. This technology combined with the technology used of our new raw lobster product has allowed Clearwater to purchase and store lobsters on a more selective basis and utilize our lobsters more efficiently. These two new technologies have had the positive impact of increasing overall margins in our lobster business. I am now going to ask our CFO, Bob Wight, to come up and comment on the results for Fiscal 2004 as well as for the first quarter of 2005. Bob?

ROBERT D. WIGHT (Vice-President, Finance and CFO, Clearwater Seafoods Income Fund): Thanks Colin. 2004 was a challenging year. Weakening US dollar has had a significant impact on our results. Annual sales were \$345 million, down 1.2 percent from sales levels we achieved in 2003. Although we experienced growth in most volumes in 2004, with the exception of live lobster and cod, as well as growth in prices, we did not keep pace with the negative impact of continued weakening of the US dollar. The weaker US dollar, after taking into account hedging, has had the effect of reducing our sales revenue by an estimated \$15 million in 2003 and a further \$10 million in 2004. In addition, net earnings will reduce by \$2 million of higher interest costs, 2 million higher administration and selling expenses, and \$1.9 million higher tax provisions in 2004. These reductions were only partially offset by higher other income. That said we made some progress in growing our volumes and increasing our prices during the year. In addition, we made significant investments in our scallop, lobster, and clam businesses which bode well for 2005 and future years, as Colin mentioned. Turning to the first quarter results, there are a few areas I would like to highlight. First quarter is our slowest quarter. It has the lowest sales levels and the lowest profit margins at the percentage of sales, due to lower overhead absorption and winter weather making poor fishing conditions. Our earnings for the first quarter of 2005 increased by \$4.6 million from 2004 largely due to foreign exchange; however in addition to the higher exchange income, we incurred lower income taxes and lower administration in selling expenses in the quarter. These positive factors were partially offset by higher interest costs and a lower gross profit amount. There are two factors that

contribute to the lower gross profit. During the quarter we had five vessels on planned refit, which impacted our harvesting capabilities, reduced our sales volumes, and increased our overall costs. In particular vessel refit expense exceeded the plan by about \$2 million in the quarter. In addition the weaker US dollar had the effect of reducing sales dollars and margins by an estimated \$1 million in the quarter, after taking into account hedging. Despite these challenges, gross profit margins remained stable at 24 percent versus 23.7 percent in 2004, reflecting the strength of the lobster business in stronger markets, in particular for scallops and frozen-at-sea shrimp. Colin spoke earlier of some of our initiatives particularly in scallop, clam, and lobster business, which will involve increasing prices, growing our volumes, and reducing our costs. All of which will provide for growth in our earnings and our cash flows over the mid - to longer-term. As previously announced in January of this year, management and the board determined that due to the weakening of the US dollar at a rate exceeding our current growth in the business, it would be prudent and in the best interest of unitholders to reduce our monthly cash distributions. As a result, distributions on the Class A and on the unsubordinated Class B Units were reduced to an annualized rate of \$0.84 per unit and we suspended distributions on our subordinated Class B Units. The distributable cash generated in the first quarter of 2005 was inline with our expectations and as a result, we expect to deliver the \$0.84 per unit to the unsubordinated unitholders in 2005. It is Clearwater's objective to have a payout ratio over time of 85 percent while paying distributions to all our unitholders. Before turning the stage back to Colin, I would like to touch on our capital expenditures and our leverage. We are just now taking delivery of the first of two additional frozen-at-sea scallop vessels that will double our scallop frozen-at-sea harvesting capacity. These vessels were started last summer and will cost about \$19 million in total. We started construction of our new clam vessel in early 2005. Due to the timing of payments on this new vessel, as well as additional amounts invested in our new scallop vessels, we expect to spend up to \$40 million on capital expenditures in 2005. The clam vessel will be our only significant unfinished capital project ongoing by the end of this month. As Colin mentioned earlier the vessel is on plan and on budget. As a result of these capital expenditures we expect our debt levels to continue to increase over the next year or so. We recognize that this will result in higher leverage in the short-term but are targeting to reduce our leverage over time. In particular leverage will be positively impacted as our earnings levels grow over the next few years as we start to realize

returns on these investments we are making in the new vessels. I will turn the microphone back to Colin and he will touch and comment on our overall. Thank you.

COLIN E. MACDONALD: Thanks very much Bob. Our two new scallop frozen-at-sea scallop vessels will arrive later than originally expected and, as a result will not have a material effect on the second quarter's result. As a result, we believe the second quarter may be slower than we originally expected. However, the transition of these vessels will be completed in time for the third quarter at which time we expect results to be higher. Overall the business continues to perform well and the market for our products has been generally strong. Our new raw lobster product is on track to achieve our target of 3 percent of 2005 sales. We will complete our refit program in the second quarter and we will have completed complete fish -- sorry we will a complete fishing fleet operating in the third quarter. The longer-term prospects for our business are positive with further growth anticipated from our investments in our clam, our lobster, and the prospects of further efficiencies from our scallop fleet. We anticipate that over the long term, this strategy will unable us to mitigate any further negative impact from the weakening US dollar. The distributable cash generated in the first quarter was inline with management's expectations and as a result Clearwater expects to deliver annualized distributions of \$0.84 per unit to the unsubordinated unitholders in 2005. In summary, Clearwater's principle assets include our unparalleled access to a wide range of premium shellfish through our quota ownership. Our state of the art modern vessels and our modern at sea and on land processing facility and our dedicated and experienced employees who are fundamental to Clearwater's continued success in industry leadership. As the dominant harvester in each of our core species we will continue to pursue acquisitions of complementary businesses and joint venture opportunities. We are confident that we have the people, the infrastructure, and the customer relationships required to achieve our performances objectives. We believe all of this provides a solid base for a long-term stability and growth. I thank you for your attention. I will now be pleased to take any questions that you might have.

UNIDENTIFIED SPEAKER: Hello. Can you comment on whether the crab protests in Newfoundland have had or will have any affect on Clearwater?

COLIN E. MACDONALD: We have been issued a crab license in Newfoundland and our own delayed crab license at our at St. Anthony's plant. It was not a budgeted or anticipated to be issued this year, so we did not calculate it in our results. So the simple answer is it will not have an impact from what management had expected. It will have an impact from the perspective if the crab fishermen do not go fishing and we do not get to utilize that license or process crab this year at Newfoundland. But again it would be surplus to the original forecast of management.

UNIDENTIFIED SPEAKER: Inaudible

COLIN E. MACDONALD: Thank you. Yes the question was do we see China making inroads into shellfish processing as they have done in groundfish or other significant barriers to entry that would prevent this from happening? Groundfish is, the effect they have had on groundfish especially on our company, is based on the fact that we do not have ownership of the groundfish resource, the quota. The cod that they processed that has hampered our business in reprocessing cod has come out of the North Sea or out of the Alaskan water. With shellfish, we actually own the quota and as a consequence, if there is processing in China; it will be controlled by us with our shellfish species. And we are in fact doing some processing of shellfish in China at the moment for our Japanese market and I would anticipate that you will see some continued growth in that, in that processing. But again the economic benefits will flow back to Canada or back to Clearwater as a consequence of ownership of the resource that we are taking there. So yes and yes. If there is no further questions, I will take this opportunity to thank you for your ongoing interest in Clearwater and I will turn the meeting back over to Purdy.

PURDY CRAWFORD: Thank you, Colin. All I have to do now is to terminate the meeting. I declare the meeting terminated. I would like to invite you to stay and take part in the reception where you will have a chance to speak with the Trustees, Directors, and Officers of Clearwater. Thank you for coming.
