

## Proposed Binding Commitments by FPI

General: FPI's starting proposal was presented to Government for information purposes on the premise that it was consistent with the FPI Act. FPI indicated that this proposal was beneficial for the company and the province, but no other binding commitments were advanced by FPI at this stage. Government's assessment was that legal uncertainty existed on whether the income trust proposal was consistent with the *FPI Act*. Therefore, recourse to the House of Assembly was deemed to be necessary, but only if FPI would make binding commitments to safeguard the interests of communities and workers and to secure the long term health of the company on the Province. Government entered into discussions with FPI to obtain a package of commitments. This table contains FPI's package of commitments.

Category	Initial Binding Commitments	FPI Binding Commitments as a Result of Government Requests
Controls over OCI US	None	Will not relinquish control to appoint board without permission of Minister
	None	Will obtain perpetual commitment from Sanford and Clearwater not to own Trust units greater than 15%, and best effort to obtain same from Icelandic. Restriction will also include the General Partnership and the Limited Partnership.
	None	7 year marketing agreement with OCI US can only be terminated by FPI; can be extended at sole discretion of FPI for further 7 years; and FPI can initiate new market development.
Restrictions on Distribution to Shareholders	None	No distribution of Trust proceeds to shareholders at closing, or any future issues of Trust units. No distribution of Trust proceeds to significant shareholders through related party transactions without prior consent of Minister. After two years at a maximum of \$0.50 per share, the dividend policy will be consistent with historic dividend policy. Extraordinary dividends are defined and permitted, but must not be based on future sales of trust interest.
New Investments	None	Will reduce senior debt by \$30 million and maintain improved financial health (capital structure) thereafter)
	None	\$8 million in secondary seafood production capacity (50% from interest free loan from government) – on Burin Peninsula subject to FFAW negotiations – within 2 years.
	None	Harbour Breton - Transfer plant and equipment to Town (subject to removal of one redfish line); provide \$3 million subject to dropping claim regarding “notice”.
	None	Fortune - FPI and provincial government will cooperate regarding support for FPI's Fortune workers.
	None	\$4 million in IT within three years plus a five year services agreement with OCI US.
	None	\$1 million over two years in R&D subject to match from a government
	None	Will commit to maintaining operations in FPI communities for five years as long as resource is available and “economic viability” is maintained. Economic viability is defined and can be arbitrated.
	None	Will not transfer quota for Harbour Breton.

Groundfish	None	Will harvest and process all quotas in NL, and will bind successors.(subject to fair treatment and limited right to trade/lease quotas)
Breach of Agreement	None	After dialogue, mediation and arbitration, a breach of an undertaking will result in all groundfish quotas reverting to the Province, with an immediate 10 year lease-back of then utilized quotas to continue operations. Any growth in quotas would be accessible to FPI for employment of then existing workers, at a price up to market value. Beyond that commitment, Province has full discretion to allocate.
Legislative Amendments		Concurrence that Assembly will consider only an amendment to allow income trust and to remove privative clause on a go-forward basis.
		Concurrence that if the House of Assembly passes future legislation which unilaterally alters the terms of this agreement, or causes FPI to breach the agreement, then the agreement is voided.
Other Issues: Marketing of Seafood		FPI will continue its marketing service and the province will give consideration to loan guarantee program.