

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

In re	:	Chapter 15
ARCTIC GLACIER INTERNATIONAL INC.,	:	Case No. 12-10605 (KG)
<i>et al.</i> , ¹	:	(Joint Administration Pending)
Debtors in a Foreign Proceeding.	:	

**DECLARATION OF PHILIP J. REYNOLDS
IN SUPPORT OF VERIFIED PETITION OF
ALVAREZ & MARSAL CANADA INC., AS FOREIGN
REPRESENTATIVE OF ARCTIC GLACIER INC. AND
CERTAIN OF ITS AFFILIATES, FOR (I) RECOGNITION OF
FOREIGN MAIN PROCEEDING AND (II) CERTAIN RELATED RELIEF**

I, Philip J. Reynolds, declare as follows:

1. I am a Vice President with Alvarez & Marsal Canada Inc., the court-appointed monitor and authorized foreign representative (“A&M” or the “Monitor”) for Arctic Glacier International Inc., its ultimate parent company Arctic Glacier Income Fund, and certain of its direct and indirect subsidiaries (collectively, the “Debtors” or “Arctic Glacier”)² in a

¹ The last four digits of the United States Tax Identification Number or Canadian Business Number, as applicable, follow in parentheses: (i) Arctic Glacier California Inc. (7645); (ii) Arctic Glacier Grayling Inc. (0976); (iii) Arctic Glacier Inc. (4125); (iv) Arctic Glacier Income Fund (4736); (v) Arctic Glacier International Inc. (9353); (vi) Arctic Glacier Lansing Inc. (1769); (vii) Arctic Glacier Michigan Inc. (0975); (viii) Arctic Glacier Minnesota Inc. (2310); (ix) Arctic Glacier Nebraska Inc. (7790); (x) Arctic Glacier New York Inc. (2468); (xi) Arctic Glacier Newburgh Inc. (7431); (xii) Arctic Glacier Oregon, Inc. (4484); (xiii) Arctic Glacier Party Time Inc. (0977); (xiv) Arctic Glacier Pennsylvania Inc. (9475); (xv) Arctic Glacier Rochester Inc. (6989); (xvi) Arctic Glacier Services Inc. (6657); (xvii) Arctic Glacier Texas Inc. (3251); (xviii) Arctic Glacier Vernon Inc. (3211); (xix) Arctic Glacier Wisconsin Inc. (5835); (xx) Diamond Ice Cube Company Inc. (7146); (xxi) Diamond Newport Corporation (4811); (xxii) Glacier Ice Company, Inc. (4320); (xxiii) Ice Perfection Systems Inc. (7093); (xxiv) ICEsurance Inc. (0849); (xxv) Jack Frost Ice Service, Inc. (7210); (xxvi) Knowlton Enterprises Inc. (8701); (xxvii) Mountain Water Ice Company (2777); (xxviii) R&K Trucking, Inc. (6931); (xxix) Winkler Lucas Ice and Fuel Company (0049); (xxx) Wonderland Ice, Inc. (8662). The Debtors’ executive headquarters is located at 625 Henry Avenue, Winnipeg, Manitoba, R3A 0V1, Canada.

² As described more fully herein, Glacier Valley Ice Company L.P. (“Glacier L.P.”), an affiliate of the Debtors, is not an applicant in the Canadian Proceeding because partnerships are ineligible to be applicants under the CCAA. Insofar as the Canadian Court authorized a stay of proceedings against Glacier L.P., the

proceeding (the “Canadian Proceeding”) under Canada’s *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C 36, as amended (the “CCAA”) before the Court of Queen’s Bench Winnipeg Centre (the “Canadian Court”). I am fully authorized to act on behalf of the Monitor.

2. On February 22, 2012, the Canadian Court entered the Initial Order, a certified copy of which is attached hereto as Exhibit A (the “Initial Order”), commencing the Canadian Proceeding and, among other things, appointing A&M as the Monitor and the Foreign Representative and authorizing the filing of these chapter 15 cases (the “Chapter 15 Cases”). A true and correct copy of the Affidavit of Keith McMahon (the “McMahon Affidavit”) submitted to the Canadian Court in support of the Initial Order is attached hereto as Exhibit B. A true and correct copy of the Pre-Filing Report of the Proposed Monitor submitted by A&M to the Canadian Court in support of the Initial Order (the “Pre-Filing Report”) is attached hereto as Exhibit C. The Pre-Filing Report was filed to provide the Canadian Court with details on A&M’s qualifications to serve as Monitor and, based on A&M’s work for the Debtors leading up to the commencement of the Canadian Proceeding, information relating to the Debtors’ business, pre-filing activities, proposed postpetition financing and proposed Initial Order, among other things.

3. I submit this Declaration in support of: (A) the official form chapter 15 petitions of the Debtors; (B) the Verified Petition of Alvarez & Marsal Canada Inc., as Foreign Representative of Arctic Glacier Inc. and Certain of Its Affiliates, for (I) Recognition of Foreign Main Proceeding, and (II) Certain Related Relief (the “Verified Petition”); (C) the Application of Alvarez & Marsal Canada Inc., as Foreign Representative of Arctic Glacier Inc. and Certain of

(continued...)

Monitor hereby seeks recognition and enforcement of such stay as to Glacier L.P.’s assets located within the territorial jurisdiction of the United States.

Its Affiliates, for an Order Granting Certain Provisional Relief (the “Provisional Relief Motion”); (D) the motion seeking joint administration of these Chapter 15 Cases (the “Motion for Joint Administration”); and (E) the motion to establish certain notice procedures with respect to the above pleadings (the “Notice Procedures Motion”).

4. A&M has been engaged by the Debtors since November 2011. As a result of A&M’s work with the Debtors leading up to the commencement of the Canadian Proceeding, I have become familiar with Arctic Glacier’s history, day-to-day operations, assets, financial condition, business affairs and books and records. Except as otherwise indicated, all facts set forth in this Declaration are based upon: (a) my personal knowledge; (b) my review of relevant documents; (c) information supplied to me by other employees of A&M, the officers, directors and employees of Arctic Glacier or other professionals retained by Arctic Glacier or the Monitor, including, with respect to matters of United States bankruptcy law, information provided to me by U.S. counsel; or (d) my opinion based upon my experience and knowledge of Arctic Glacier’s operations and financial condition. I am an individual over the age of eighteen and, if I were called upon to testify, I could and would testify competently to the facts set forth herein.

BACKGROUND

A. Arctic Glacier’s Business and Operations

5. Arctic Glacier manufactures and distributes premium quality packaged ice products to more than 75,000 retail locations in Canada and the United States from 39 production plants and 47 distribution facilities across six provinces in Canada and 23 states in the United States (the “Business”). The Debtors are the largest producer of packaged ice in Canada and the second largest producer in the United States, with combined production capacity in both countries of 11,266 tons of ice per day and refrigerated storage capacity of 65,467 pallets of finished product, each holding approximately one ton of packaged product.

6. Since Arctic Glacier was founded in 1996, its business has grown significantly, both organically and through an acquisition strategy in the highly fragmented ice production and distribution industry. To date, Arctic Glacier has acquired 79 packaged ice businesses in Canada and the United States at a cost of almost US\$470 million. In 2010, Arctic Glacier had aggregate sales of US\$233.5 million and earnings before interest, taxes, depreciation and amortization (“EBITDA”) of US\$48.9 million.

7. Packaged ice products, which represent approximately 94% of Arctic Glacier’s sales, are marketed primarily under the “Arctic Glacier® Premium Ice” brand. Ancillary products such as bottled water and dry ice, among others, represent approximately 6% of sales. The majority of Arctic Glacier’s sales are to resellers, such as supermarkets, mass merchants, convenience stores and gasoline outlets. Arctic Glacier’s customer base is well diversified, and includes large national and regional chains. It is generally not economical to transport product beyond 100 miles or a 2-hour driving radius, so multiple facilities are required to service larger regional markets. For a vast majority of its customers, Arctic Glacier is the sole supplier of packaged ice at any given store location.

8. Weather has a significant impact on consumer demand, and the Business is highly seasonal, with approximately 75% of sales generated between April and September each year.

9. Arctic Glacier presently employs approximately 900 full-time employees. During the peak summer months, employee levels typically increase to approximately 2,200 regular and seasonal employees.

B. Arctic Glacier’s Corporate Structure

10. Arctic Glacier Income Fund (“AGIF”) is the Debtors’ ultimate parent company and is an unincorporated, open-ended mutual fund trust under Canadian law, having its

head office at 625 Henry Avenue, Winnipeg, Manitoba. The settlement and administration of AGIF is presently governed by the Second Amended and Restated Declaration of Trust dated as of December 6, 2004. AGIF trust units (“Units” held by “Unitholders”) are listed and publicly traded on the Canadian National Stock Exchange (CNSX) under the stock symbol “AG.-UN.” There are presently 350,318,387 Units issued and outstanding.

11. AGIF owns all of the issued and outstanding capital stock of Arctic Glacier Inc. (“Arctic Glacier Canada”), an Alberta corporation also having its head office at 625 Henry Avenue, Winnipeg, Manitoba. Arctic Glacier Canada owns and operates the Debtors’ packaged ice manufacturing and distribution business in Canada, which includes production or distribution centers in all of Canada’s provinces except the Maritime Provinces.

12. In addition, Arctic Glacier Canada owns all of the issued and outstanding stock of Arctic Glacier International Inc. (“Arctic Glacier U.S.”), a Delaware corporation that is the direct or indirect holding company parent for each of Arctic Glacier’s twenty-eight (28) U.S. operating subsidiaries the “Arctic Glacier U.S. Group”).

13. Arctic Glacier functions as an integrated North American business and each of the Debtors, including the Arctic Glacier U.S. Group, are centrally managed from the Arctic Glacier headquarters in Winnipeg, Manitoba. All key senior management are located in Winnipeg, including the Chief Executive Officer, the Chief Financial Officer, the Executive Vice-President for Operations, the Vice-President for Sales and Marketing, and the Vice-President for Acquisitions and Integration.

14. As described in additional detail in the McMahon Affidavit, all key corporate functions are managed and performed in Winnipeg, including treasury, corporate finance and accounting, strategic decision making, communications and investor relations,

human resources, payroll, information technology, new business development initiatives, identification and completion of acquisition opportunities and transactions, pricing and equipment acquisition. All key documents, including leases, the Secured Indebtedness that funds the business, insurance and other key corporate documents, are negotiated, arranged and maintained in Canada. Corporate books and records are maintained in the Winnipeg office.

C. The Debtors' Capital Structure

15. Arctic Glacier Canada and Arctic Glacier U.S. are borrowers under a revolving credit facility governed by the Fourth Amended and Restated Loan Agreement, dated February 10, 2010 (as amended and restated, the "First Lien Credit Agreement," with amounts owing thereunder from time to time referred to herein as the "First Lien Debt"). AGIF and each of the direct and indirect subsidiaries of Arctic Glacier U.S. are guarantors of the First Lien Debt. Obligations under the First Lien Credit Agreement are secured by first priority liens on substantially all of the Debtors' real and personal property assets in both the United States and Canada.

16. In addition, Arctic Glacier Canada and Arctic Glacier U.S. are borrowers under certain term loans pursuant to an agreement, dated February 10, 2010 (as amended and restated, the "Second Lien Credit Agreement," with amounts owing thereunder from time to time referred to herein as the "Second Lien Debt"). Pursuant to the Second Lien Credit Agreement, two term loans were provided: one to Arctic Glacier Canada in the principal amount of C\$50 million and the other to Arctic Glacier U.S. in the principal amount of approximately US\$138.4 million. AGIF and each of the direct and indirect subsidiaries of Arctic Glacier U.S. are guarantors of the Second Lien Debt. Obligations under the Second Lien Credit Agreement are also secured by first priority liens on substantially all of the Debtors' real and personal property

assets in both the United States and Canada, subject to the liens granted in respect of the First Lien Credit Agreement.

17. CPPIB Credit Investments Inc. ("CPPIB") and West Face Capital and related entities (collectively "WF" and collectively with CPPIB and including their predecessors in title, the "Prepetition Secured Lenders") are the lenders under the Second Lien Credit Agreement, and they obtained the rights and security of the lenders under the First Lien Credit Agreement pursuant to an Assignment and Assumption Agreement, dated December 14, 2011.

18. As of the date hereof, the Debtors are indebted to the Prepetition Secured Lenders for advances and accommodations under (a) the First Lien Credit Agreement in the total amount of US\$23,162,298 and C\$7,032,219 and (b) the Second Lien Credit Agreement in the total amount of US\$162,059,039 and C\$58,921,394 as set out in the demand delivered by the Prepetition Secured Lenders on February 21, 2012.

D. Events Leading to Cross Border Filings

19. Since mid-2008, the Debtors' financial performance has suffered from a variety of factors including: (a) substantial, extraordinary costs and the negative effects related to certain U.S. antitrust investigations and charges and related significant civil actions in the U.S. and Canada; (b) increased financing costs due to rising levels of relatively expensive debt; and (c) unfavorable weather in the second fiscal quarter of 2011. These factors, which are described in more detail in the McMahon Affidavit, have resulted in deteriorating earnings.

20. Since 2008, Arctic Glacier has been the subject of certain U.S. antitrust investigations and charges, and certain significant civil actions in the U.S. and Canada arising from the same or similar allegations, the most critical of which have been settled or (with respect to certain state attorney general investigations) have been dormant for some time. Arctic Glacier has incurred approximately C\$42 million in costs related to these matters, including C\$23.5

million in settlement expenses since March 2008, which has had a very significant negative impact on Arctic Glacier's financial performance.

21. The settled investigations include one by the Antitrust Division of the U.S. Department of Justice (Southern District of Ohio) (the "DOJ"). On October 13, 2009, Arctic Glacier U.S. and the DOJ entered into an agreement by which Arctic Glacier U.S. pleaded guilty to one charge of market allocation in southeast Michigan, agreeing to pay a US\$9 million fine in installments over five (5) years, thereby settling all charges. This plea agreement was accepted by the U.S. District Court on February 11, 2010, and its terms have been reflected in a probation agreement. To date, Arctic Glacier has paid two installments toward the fine: US\$ 1 million on each of March 5, 2010 and March 3, 2011. The next installment of US\$1.5 million is due March 3, 2012.

22. Following the announcement of the DOJ's investigation, a number of civil lawsuits (the "U.S. Civil Class Actions") were filed by and on behalf of direct and indirect purchasers of Arctic Glacier products, alleging violations of U.S. federal antitrust laws. The U.S. Civil Class Actions were transferred and consolidated for pre-trial proceedings in the U.S. District Court for the Eastern District of Michigan (the "District Court"). On March 30, 2011, without admitting liability, the Arctic Glacier defendants, AGIF, Arctic Glacier Canada. and Arctic Glacier U.S., reached an agreement to settle the direct purchaser class actions by payment of US\$12.5 million, which agreement was subsequently approved by the District Court. The first settlement payment installment in the amount of US\$2.5 million was paid August 4, 2011. Final payment of US\$10 million is due on April 2, 2012. Actions by indirect purchasers are still pending, though Arctic Glacier has succeeded in dismissing certain of their state law claims.

23. In the summer of 2011, the Debtors breached certain financial covenants, including covenants governing the maximum leverage ratio, the interest coverage ratio, the fixed charge coverage ratio and minimum EBITDA levels (collectively, the “Covenant Defaults”), under both the First Lien Credit Agreement and the Second Lien Credit Agreement.

24. At the request of the Debtors, the Covenant Defaults were temporarily waived by the former lenders under the First Lien Credit Agreement (the “Former First Lien Lenders”) and the Prepetition Secured Lenders. In September, 2010, Arctic Glacier retained TD Securities Inc. as its financial advisor to conduct a broad process seeking a refinancing or sale of the Business that would permit Arctic Glacier (a) to repay the Secured Indebtedness and the Convertible Debentures (as defined below) and (b) recapitalize the Business so that it could compete effectively across North America.

25. On July 31, 2011, Arctic Glacier was required to either repay in cash or repay by way of conversion into Units, holders of 6.50% extendible convertible unsecured subordinated debentures (the “Convertible Debentures”). Arctic Glacier was unable to refinance the Convertible Debentures and exercised its right as at July 31, 2011 to convert \$90.4 million of convertible debenture debt into new Units. The result was that Arctic Glacier’s balance sheet was significantly improved, but Units held by Unitholders prior to the conversion were diluted by approximately 90%.

26. The temporary waivers by the Former First Lien Lenders and the Prepetition Secured Lenders expired in early September 2011, and Notices of Default were issued by both the Former First Lien Lenders and the Prepetition Secured Lenders. The Former First Lien Lenders also capped the availability of operating credits under the First Lien Credit Agreement.

27. Pursuant to an intercreditor agreement, the issuance of the Notice of Default by the Former First Lien Lenders initiated a block of all payments on the Second Lien Debt. This payment block was subsequently removed on December 14, 2011 when the Prepetition Secured Lenders purchased the First Lien Debt. However, since the date of the Notice of Default, Arctic Glacier has not made any payments on account of the Second Lien Debt.

28. Beginning in May 2011, Arctic Glacier was also engaged in intensive negotiations with one party that had proposed a transaction that would involve a refinancing of Arctic Glacier's business (the "Strategic Transaction"). Talks regarding the Strategic Transaction ultimately collapsed in October 2011, however, when certain Unit holders, who collectively held approximately 16% of AGIF's Units, declined to support the Strategic Transaction.

29. Arctic Glacier has concluded, in consultation with its professionals and with the cooperation of the Prepetition Secured Lenders, to undertake a marketing process for the going concern sale or refinancing of its business under the supervision of the Canadian Court and with the benefit of monitoring in accordance with the CCAA.

E. The Canadian Proceeding and the DIP Facility

30. The Canadian Court entered the Initial Order commencing the Canadian Proceeding on February 22, 2012. The Initial Order appointed Alvarez & Marsal Canada Inc. as the Foreign Representative and Monitor in the Canadian Proceeding and approved the Sale and Investor Solicitation Process (the "SISP"), a copy of which is attached as Schedule B to the Initial Order, for the marketing of a going concern sale or refinancing of the Business. The SISP will involve: (a) an initial 35-day Phase 1 period during which potential, qualified bidders will be provided a confidential information memorandum and access to an online data room, and the

Debtors' financial advisor will solicit non-binding letters of intent, followed by a five-day period of consideration of the letters of intent by the Monitor in consultation with Arctic Glacier; and (b) assuming there is a reasonable prospect for one or more "Qualified Bids" (as such term is defined in the SISP), an additional 45-day Phase 2 period (which may be extended to a maximum of 60 days) during which further due diligence is permitted to obtain final "Qualified Bids" and the "Successful Bid" ultimately is chosen and recommended to the Canadian Court for approval. The SISP's duration is estimated to be 160 days or less. The SISP process is summarized in greater detail in the Pre-Filing Report, which is attached hereto as Exhibit C.

31. The Initial Order also authorized the Debtors to enter into the DIP Facility pursuant to the terms of a Commitment Letter dated February 21, 2012 (the "Commitment Letter") between Arctic Glacier Canada and Arctic Glacier U.S. as Borrowers, and AGIF and any existing or subsequently organized or acquired subsidiary of AGIF as Guarantors and the Debtors' Prepetition Secured Lenders (the "DIP Lenders"). A copy of the Commitment Letter is attached as Exhibit Q to the McMahon Affidavit, which is attached as Exhibit B hereto. The Initial Order authorizes the Debtors to borrow up to an aggregate maximum amount of US\$24 million and C\$26 million under the DIP Facility for working capital requirements, other general corporate purposes and capital expenditures. The Initial Order also grants the DIP Lenders a charge on all property of the Debtors, which has priority as set forth in the Initial Order.

32. In addition, the Initial Order granted stay protection to Glacier L.P., which was not eligible to file for CCAA protection as it is a partnership, but is wholly owned by two of the Debtors.

33. The Monitor, in its capacity as duly authorized Foreign Representative, is now commencing these Chapter 15 Cases to seek the assistance of this Court in recognizing and

giving effect in the United States to the orders of the Canadian Court entered in the Canadian Proceeding.

REQUEST FOR FINAL RECOGNITION

34. The Monitor has filed, concurrently herewith, the Verified Petition, which seeks final relief in aid of the Canadian Proceeding and recognition and enforcement in full of the Initial Order in the United States. As set forth in the Verified Petition, this Court should recognize the CCAA Proceeding as a “foreign main proceeding,” as defined in section 1502(4) of title 11 of the United States Code (the “Bankruptcy Code”). First, these Chapter 15 Cases have been commenced by a duly authorized foreign representative. In addition, the Bankruptcy Code provides for recognition of a foreign proceeding as a “foreign main proceeding” if such foreign proceeding is a “foreign proceeding” pending in the country where the debtor has its “center of its main interests.” See 11 U.S.C. § 1517(b)(1).

35. A&M is an entity that has been authorized by the Canadian Court to monitor the business and financial affairs of the Debtors with the powers and obligations set out in the CCAA and the Initial Order. The Initial Order, among other things (a) appointed the Monitor as Foreign Representative and directs the Monitor to commence these Chapter 15 Cases, and (b) requested that all courts make such orders and provide assistance to the Monitor as may be necessary and desirable to give effect to the Initial Order. See (Initial Order ¶¶ 40, 72-73.) It is my understanding that for these reasons, A&M satisfies the definition of a “foreign representative” as that term is defined in section 101(24) of the Bankruptcy Code.

36. The Canadian Proceeding is a “foreign proceeding” as it is a collective judicial proceeding authorized and supervised by the Canadian Court under the CCAA and pursuant to the Initial Order. It is my understanding that for these reasons, the Canadian Proceeding qualifies as a “foreign proceeding” as that term is defined in section 101(23) of the

Bankruptcy Code. In compliance with section 1515(b) of the Bankruptcy Code, a certified copy of the Initial Order, which commenced the Canadian Proceeding, is attached hereto as Exhibit A.

37. The Debtors' "center of main interest" is clearly in Winnipeg, Manitoba. As set forth more explicitly below, all of the Debtors' principal corporate, management, banking, and strategic functions are undertaken in Canada, and the Canadian and United States operations are entirely integrated.

38. Arctic Glacier functions as an integrated North American business and each of the Debtors, including the Arctic Glacier U.S. Group, are centrally managed from the Arctic Glacier headquarters in Winnipeg, Manitoba. More specifically:

- (a) The location of the corporate head offices for all of the Debtors, including the Arctic Glacier U.S. Group, is in Winnipeg;
- (b) The Debtors, including the Arctic Glacier U.S. Group, function as an integrated North American business and all key strategic and operating decisions for the corporate group, including in respect to the operations of the Arctic Glacier U.S. Group, are made at the Debtors' main office in Winnipeg;
- (c) Virtually all key senior management are located in Winnipeg, including the Chief Executive Officer, the Chief Financial Officer, the Executive Vice-President for Operations, the Vice-President for Sales and Marketing, and the Vice-President for Acquisitions and Integration;
- (d) All key and strategic corporate functions are performed in Winnipeg, including treasury, corporate finance and accounting, communications and investor relations, human resources, information technology, identification and completion of acquisition opportunities and transactions and new business development;
- (e) All books, records and key documents (including leases, insurance and other key corporate documents) are negotiated and maintained in Canada;
- (f) Payroll functions and accounts receivable and accounts payable for all the Debtors are managed from Winnipeg;
- (g) The Prepetition Secured Lenders representing almost all of Arctic Glacier's funded corporate debt are based in Canada, and all of the Arctic

Glacier companies are borrowers or guarantors of the advances and accommodations under the First and Second Lien Credit Agreements.

- (h) AGIF and Arctic Glacier Canada are registered in Canada, where all of their assets, operations and employees are located;
- (i) Arctic Glacier's only public securities, the Units, are traded on the Canadian National Stock Exchange and all of Arctic Glacier's public company reporting and investor relations are directed from Winnipeg;
- (j) Arctic Glacier's primary banking, lending, cash management, audit and legal relationships are all with firms located in Canada; and
- (k) The majority of the directors and officers of Arctic Glacier are Canadian residents, including the directors, chairman of the board, and chairman of the special committee, and board meetings are typically held in Canada.

39. Based on these facts, it is my understanding that the Debtors' center of main interest is in Canada and the Canadian Proceeding is therefore a foreign main proceeding as that term is defined in section 1517(b)(1) of the Bankruptcy Code.

40. In compliance with section 1515(c) of the Bankruptcy Code, my counsel has advised me regarding the definition of "foreign proceeding" in the Bankruptcy Code and, to the best of my knowledge, the Canadian Proceeding is the only "foreign proceeding," as such term is defined in 11 U.S.C. § 101(23), pending with respect to the Debtors.

REQUEST FOR PROVISIONAL RELIEF

A. Motion for Joint Administration

41. Joint administration is warranted in these Chapter 15 Cases. The Debtors are affiliated entities with closely related financial affairs and business operations, and joint administration will ease the administrative burden on the parties. The Monitor anticipates that the various notices, applications, motions, other pleadings, hearings and orders in these cases will affect each of the Debtors. The failure to administer these Chapter 15 Cases jointly would

result in duplicative pleadings and service. Such duplication would impose unnecessary expenses on all parties.

42. Joint administration will permit this Court to use a single docket for the jointly administered cases and combine notices to creditors and other parties in interest. Joint administration will protect parties in interest by ensuring that they will be apprised of all matters. Accordingly, I believe entry of an order granting the relief requested in the Motion for Joint Administration is in the best interest of the Debtors and all parties in interest.

B. Motion for Provisional Relief

43. The Monitor has also filed, concurrently herewith, the Provisional Relief Motion seeking: (a) enforcement of the Initial Order in the United States on an interim basis, including authorizing the Debtors to obtain credit under the DIP Facility and granting the Lenders the DIP Charge (as such terms are defined in the Initial Order); (b) affirmation of the DIP Lenders' protection under section 364(e) of the Bankruptcy Code for borrowings prior to the recognition hearing; (c) the application of sections 362 and 365(e) of the Bankruptcy Code to these Chapter 15 Cases and (d) the application of sections 362 and 365(e) of the Bankruptcy Code to Glacier L.P. pending a hearing on the Verified Petition. As set forth in more detail in the Provisional Relief Motion, the Monitor is seeking the provisional relief because it is necessary to avoid irreparable harm.

44. As set forth in the Provisional Relief Motion, Arctic Glacier and Glacier L.P. have material assets and a large number of creditors in the United States. Accordingly, it is my belief that, unless the protections of section 362 of the Bankruptcy Code are immediately applied in these Chapter 15 Cases, some of these creditors may seek to commence enforcement or other actions in U.S. jurisdictions of their choosing, which could disrupt Arctic Glacier's U.S. operations and the marketing process for its Business. I believe that the threat of such disruption

as well as the legal cost of defending potentially numerous enforcement actions in multiple jurisdictions, may have a severe and adverse impact on Arctic Glacier and its stakeholders.

45. In addition, Arctic Glacier has numerous critical contracts with U.S. counterparties, including franchise agreements, supply agreements and leases. Many of these contracts contain termination provisions, including *ipso facto* provisions that will be triggered by the commencement of the Canadian Proceeding. It is my belief that, unless the protections of section 365(e) of the Bankruptcy Code are applied in these chapter 15 cases, counterparties to critical contracts may well seek to terminate those contracts to the detriment of Arctic Glacier's U.S. operations and the success of the Canadian Proceeding.

46. The DIP Lenders have agreed to provide the DIP Facility according to the terms outlined in the Commitment Letter. In addition, the fact that the DIP Facility will be provided by the Debtors' Prepetition Secured Lenders, who are familiar with the Business, should result in efficiencies in communications and reporting during the Canadian Proceedings and these Chapter 15 Cases. In light of the quantum of the Prepetition Lenders' pre-filing debt and their position in the Debtors' capital structure, the Monitor believes that the terms of the Commitment Letter are reasonable under the circumstances.

47. Moreover, it is my belief that the Debtors require immediate access to a portion of the DIP Facility to fund working capital requirements, capital expenditures, other general corporate purposes and the costs of administering their bankruptcy cases until a final hearing can be held on the Verified Petition. If the interim and final requested relief is not granted, the Debtors will be unable to secure goods, pay employees and maintain the operation of their business. Arctic Glacier has prepared projections, with the assistance of A&M, which I have reviewed and believe to be reasonable, that provide the projected cash flow of Arctic

Glacier on a weekly basis following entry of the Initial Order. Those projections disclose that Arctic Glacier expects to run out of cash to continue operations no later than two (2) weeks from the date hereof unless additional, immediate funding is provided via the DIP Facility.

48. The DIP Lenders have conditioned interim availability of a portion of the DIP Facility on this Court's approval of the Provisional Relief Motion, including the approval of the protections granted to the DIP Lenders in the Initial Order, and may not make the financing available if they are not also granted provisional protections under section 364(e) of the Bankruptcy Code while recognition is under consideration.

49. The DIP Lenders have also conditioned final availability under the DIP Facility on the approval in full of the Initial Order and its protections granted to the DIP Lenders, as well as the grant of protections under section 364(e) of the Bankruptcy Code. The Debtors require access to the DIP Facility to fund working capital requirements, capital expenditures, other general corporate purposes and the costs of administering the Canadian Proceeding and these Chapter 15 Cases. In sum, the DIP Facility will preserve and maintain the going concern value of the Debtors' estates, which, in turn, is integral to maximizing recoveries for the Debtors' stakeholders. Accordingly, I believe that cause exists to grant the protections available under section 364(e) of the Bankruptcy Code to the DIP Lenders.

50. As to the scope of protections requested under section 362 and 365(e) of the Bankruptcy Code, Glacier L.P. is a California limited partnership wholly owned by its general partner, Debtor Mountain Water Ice Company, and its limited partner, Debtor Arctic Glacier California Inc, each of which is an applicant in the Canadian Proceeding and a Debtor in these Chapter 15 Cases. As a partnership, Glacier L.P. is ineligible to be an applicant under the

CCAA. Failure to enjoin creditor collection efforts against Glacier L.P. could result in the dissipation of Glacier L.P.'s assets and significantly disrupt the Debtors' California operations.

51. The Debtors could face immediate and irreparable harm if the commencement or continuation of actions against Glacier L.P. and its assets were not enjoined. Failure to enjoin creditor collection efforts against, and termination of contracts of, Glacier L.P. could result in the dissipation of Glacier L.P.'s assets and significantly disrupt the Debtors' California operations. Glacier L.P. is an operating company that is integral to the Debtors' California operations and leases two facilities in California that generated approximately US\$10 million in revenues during 2011. Furthermore, Glacier L.P. is a guarantor of the Debtors' First Lien and Second Lien Debt and a guarantor under the DIP Facility. For these reasons, the Canadian Court in its Initial Order extended stay protection to Glacier L.P. In addition, the Canadian Court directed the Monitor to seek recognition and assistance of this court through these Chapter 15 Cases. Accordingly, the Foreign Representative seeks, and submits that adequate cause exists for, the extension of the protections afforded by section 362 and 365(e) of the Bankruptcy Code for the benefit of Glacier L.P.

52. I believe that the entry of an order granting provisional relief will not harm Arctic Glacier's creditors. The provisional relief will be in place for only a short time, and affected parties would be able to seek relief, if necessary, either in this Court or in the Canadian Court. Moreover, the provisional relief will facilitate Arctic Glacier's preservation of its business as a going concern. Accordingly, I believe that the balance of harms weighs in favor of granting the provisional relief.

C. Notice Procedures Motion

53. The relief sought in the Notice Procedures Motion is warranted in these Chapter 15 Cases. The Debtors have thousands of creditors, potential creditors, and other parties

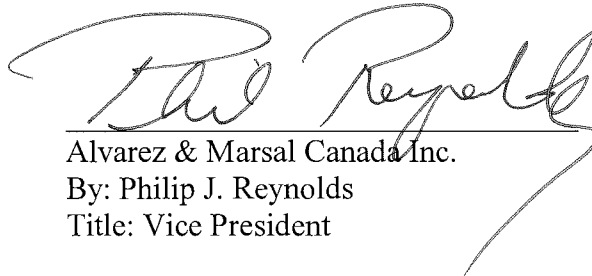
in interest, all of which will need to be provided with notice of, among other things, the filing of these Chapter 15 Cases, the order on the Provisional Relief Motion, the deadline to object to recognition of these Chapter 15 Cases, and the hearing date for recognition of these Chapter 15 Cases. I believe the notice procedures set forth in the Notice Procedures Motion represent a cost-effective method for the Monitor to effectively handle service in these Chapter 15 Cases. Accordingly, I believe entry of an order granting the relief requested in the Notice Procedures Motion is in the best interest of the Debtors and all parties in interest.

CONCLUSION

Based on the foregoing, I believe that the relief requested in the Debtors' ancillary Chapter 15 Cases is well-justified, necessary under the circumstances, in the best interests of the Debtors and their creditors and should be granted in full.

I certify pursuant to 28 U.S.C. § 1746 under penalty of perjury under the laws of the United States that the foregoing is true and correct to the best of my knowledge, information and belief.

Dated: Wilmington, Delaware
February 22, 2012



Alvarez & Marsal Canada Inc.
By: Philip J. Reynolds
Title: Vice President

EXHIBIT A

The Initial Order

THE QUEEN'S BENCH
Winnipeg Centre

IN THE MATTER OF THE *COMPANIES' CREDITORS*
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PROPOSED PLAN OF COMPROMISE OR
ARRANGEMENT WITH RESPECT TO ARCTIC GLACIER INCOME
FUND, ARCTIC GLACIER INC. AND ARCTIC GLACIER
INTERNATIONAL INC. and the ADDITIONAL APPLICANTS LISTED ON
SCHEDULE "A" HERETO"

(collectively, the "Applicants")

APPLICATION UNDER THE *COMPANIES' CREDITORS*
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED

INITIAL ORDER

DATE OF HEARING: WEDNESDAY, FEBRUARY 22, 2012 AT 11 A.M.
BEFORE THE HONOURABLE MADAM JUSTICE SPIVAK

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Doc#10669822v14

File No. 10671373

THE QUEEN'S BENCH
Winnipeg Centre

THE HONOURABLE MADAM)	WEDNESDAY, THE 22nd
)	
JUSTICE SPIVAK)	DAY OF FEBRUARY, 2012

IN THE MATTER OF THE *COMPANIES' CREDITORS*
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PROPOSED PLAN OF
COMPROMISE OR ARRANGEMENT WITH RESPECT
TO ARCTIC GLACIER INCOME FUND, ARCTIC
GLACIER INC. AND ARCTIC GLACIER
INTERNATIONAL INC. and the ADDITIONAL
APPLICANTS LISTED ON SCHEDULE "A" HERETO

(collectively, the "**Applicants**")

APPLICATION UNDER THE *COMPANIES' CREDITORS*
ARRANGEMENT ACT, R.S.C., c. C-36, AS AMENDED

INITIAL ORDER

THIS APPLICATION, made by the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") was heard this day at the Law Courts Building at 408 York Avenue, in The City of Winnipeg, in the Province of Manitoba.

ON READING the affidavit of Keith McMahon sworn February 21, 2012 and the Exhibits thereto (the "**McMahon Affidavit**"), and on being advised that CPPIB Credit Investments Inc., or any successor thereto (the "**Agent**"), as the Administrative Agent on behalf of the secured lenders to the Applicants (the "**Secured Lenders**") consents to the relief requested in this Application, and on being advised that notice of this Application

was given to Coliseum Capital Management LLC (New York) and Talamod Asset Management, LLC, in their capacity as registered holders of units of Arctic Glacier Income Fund, and on hearing the submissions of counsel for the Applicants, Alvarez & Marsal Canada Inc. and counsel for the Secured Lenders, no one appearing for any other party although duly served as appears from the affidavit of service, and on reading the consent of Alvarez & Marsal Canada Inc. to act as the Monitor.

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Application and the supporting materials is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. THIS COURT ORDERS AND DECLARES that the Applicant Arctic Glacier Income Fund ("**AGIF**") is an income trust to which the CCAA applies and the Applicants Arctic Glacier Inc. ("**AGI**") and Arctic Glacier International Inc. ("**AGII**") and those entities listed on Schedule "A" (the "**Additional Applicants**"), are debtor companies to which the CCAA applies (the Applicants (which term includes the Additional Applicants) and Glacier Valley Ice Company, L.P. ("**Glacier LP**") are collectively referred to herein as the "**Arctic Glacier Parties**").

PLAN OF ARRANGEMENT

3. THIS COURT ORDERS that the Arctic Glacier Parties shall have the authority to file and may, subject to further order of this Court, file with this Court one or more plans of compromise or arrangement (hereinafter referred to collectively as the "**Plan**").

POSSESSION OF PROPERTY AND OPERATIONS

4. THIS COURT ORDERS that the Arctic Glacier Parties shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of this Court, each of the Arctic Glacier Parties

shall continue to carry on business in a manner consistent with the preservation of their respective businesses (the "**Business**") and Property. The Arctic Glacier Parties are hereby authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "**Assistants**") currently retained or employed by them, with liberty to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. THIS COURT ORDERS that the Arctic Glacier Parties shall be entitled to continue to utilize the central cash management system currently in place as described in the McMahon Affidavit or replace it with another substantially similar central cash management system (the "**Cash Management System**") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Arctic Glacier Parties of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Arctic Glacier Parties, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

6. THIS COURT ORDERS that, subject to the terms of and availability under the Commitment Letter and the Definitive Documents (each as defined herein), the Arctic Glacier Parties shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

- (a) all outstanding and future fees and expenses of members of the board of trustees and any wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the date of this Order, in each case incurred

in the ordinary course of business and consistent with existing compensation policies and arrangements; and

- (b) the fees and disbursements of any Assistants retained or employed by the Arctic Glacier Parties, trustees of AGIF, or directors and officers of the Arctic Glacier Parties in respect of these proceedings, at their standard rates and charges.

7. THIS COURT ORDERS that, except as otherwise provided to the contrary herein and subject to the terms of and availability under the Commitment Letter and the Definitive Documents, the Arctic Glacier Parties shall be entitled but not required to pay all reasonable expenses incurred by the Arctic Glacier Parties in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including existing directors and officers insurance in respect of the Arctic Glacier Parties' trustees, directors and officers, any reasonable renewals or substitutions thereof and run off coverage in respect thereto), maintenance and security services;
- (b) payment for goods or services actually supplied to an Arctic Glacier Party prior to the date of this Order with the consent of the Monitor; and
- (c) payment for goods or services actually supplied to an Arctic Glacier Party following the date of this Order.

8. THIS COURT ORDERS that the Arctic Glacier Parties shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts

in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;

- (b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by an Arctic Glacier Party in connection with the sale of goods and services by the Arctic Glacier Parties, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and
- (c) any amount payable to the Crown in right of Canada, or of any Province thereof or any political subdivision thereof or any other taxation authority (including taxation authorities in the United States) in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Arctic Glacier Parties.

9. THIS COURT ORDERS that until a real property lease is disclaimed or resiliated in accordance with the CCAA, the Arctic Glacier Parties shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Arctic Glacier Party and the landlord from time to time ("**Rent**"), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears) or in accordance with the relevant lease, in the discretion of the Arctic Glacier Party. On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

10. THIS COURT ORDERS that, except as specifically permitted herein or required by the Commitment Letter or Definitive Documents, each of the Arctic Glacier Parties is hereby directed, until further Order of this Court: (a) to make no payments of principal,

interest thereon or otherwise on account of amounts owing by such Arctic Glacier Party to any of its creditors as of this date, except in respect of interest, costs and expenses payable under the First Lien Debt (as defined in the McMahon Affidavit) and the TD Obligations (as defined in the McMahon Affidavit); (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

11. THIS COURT ORDERS that each of the Arctic Glacier Parties shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the Commitment Letter or Definitive Documents, have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of their business or operations and dispose of redundant or non-material assets not exceeding \$500,000 in any one transaction or \$2 million in the aggregate, and complete any transactions provided for in the Commitment Letter or Definitive Documents, including the sale of the land and building located in Huntington, NY, permitted by the terms of the Commitment Letter or Definitive Documents, without reference to the foregoing dollar limits;
- (b) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate on such terms as may be agreed upon between the applicable employer and such employee or, failing such agreement, to deal with the consequences thereof in accordance with applicable law;
- (c) in accordance with paragraphs 12 and 13, vacate, abandon or quit any leased premises and/or repudiate any real property lease and any ancillary agreements relating to any leased premises, on not less than seven (7) days' notice in writing to the relevant landlord on such terms as may be agreed upon between the relevant Arctic Glacier Party and such landlord or, failing such agreement, to deal with the consequences thereof in the Plan or otherwise;

- (d) repudiate such of its arrangements or agreements of any nature whatsoever, whether oral or written, as the Arctic Glacier Parties deem appropriate on such terms as may be agreed upon between the relevant Arctic Glacier Party and such counter-parties or, failing such agreement, to deal with the consequences thereof in the Plan or otherwise; and
- (e) in accordance with the SISP (as hereinafter defined), pursue all avenues of (i) refinancing and recapitalization and (ii) all purchase offers for material parts of its Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing or recapitalization or any sale (except as permitted by subparagraph (a) of this section),

all of the foregoing to permit the Arctic Glacier Parties to proceed with an orderly restructuring of the Business (the “**Restructuring**”).

12. THIS COURT ORDERS that an Arctic Glacier Party shall provide each of the relevant landlords with notice of the Arctic Glacier Party’s intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes an Arctic Glacier Party’s entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Arctic Glacier Party, or by further Order of this Court upon application by the Arctic Glacier Party on at least two (2) days notice to such landlord and any such secured creditors. If an Arctic Glacier Party disclaims or resiliates the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer or resiliation of the lease shall be without prejudice to the Arctic Glacier Party’s claim to the fixtures in dispute.

13. THIS COURT ORDERS that if a notice of disclaimer or resiliation is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the

effective time of the disclaimer or resiliation, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Arctic Glacier Parties and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer or resiliation, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Arctic Glacier Parties in respect of such lease or leased premises and such landlord shall be entitled to notify the Arctic Glacier Parties of the basis on which it is taking possession and to gain possession of and re-lease such leased premises to any third party or parties on such terms as such landlord considers advisable, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

INTER-COMPANY BALANCES CHARGE

14. THIS COURT ORDERS that, subject to the terms of the Commitment Letter and the Definitive Documents:

- (a) (i) AGI and AGIF (collectively "**Arctic Canada**") are authorized to make loans, advances or transfers of funds to AGII, the Additional Applicants and Glacier LP (collectively "**Arctic U.S.**") from time to time in accordance with the Cash Management System; and (ii) Arctic U.S. is hereby authorized to repay funds previously advanced to Arctic U.S. by Arctic Canada from time to time in accordance with the Cash Management System; and,
- (b) (i) Arctic U.S. is hereby authorized to make loans, advances or transfers of funds to Arctic Canada from time to time in accordance with the Cash Management System; and (ii) Arctic Canada is hereby authorized to repay funds previously advanced to Arctic Canada by Arctic U.S. from time to time in accordance with the Cash Management System.

15. THIS COURT ORDERS that Arctic Canada shall be entitled to the benefits of, and is hereby granted, a charge (the "**Canada Inter-Company Charge**") on the Property of Arctic U.S. in an amount equal to but not exceeding the aggregate amounts actually

outstanding at any given time based on advances made by Arctic Canada to Arctic U.S. pursuant to the authorization granted under sub-paragraph 14(a) herein from and after the date of this Order.

16. THIS COURT ORDERS that Arctic U.S. shall be entitled to the benefits of, and is hereby granted, a charge (the **"U.S. Inter-Company Charge"**) on the Property of Arctic Canada in an amount equal to but not exceeding the aggregate amounts actually outstanding at any given time based on advances made by Arctic U.S. to Arctic Canada pursuant to the authorization granted under sub-paragraph 14(b) herein from and after the date of this Order. The Canada Inter-Company Charge and the U.S. Inter-Company Charge are referred to herein collectively as the **"Inter-Company Balances Charge"**. The Inter-Company Balances Charge shall have the priority set out in paragraph 57 hereof.

KEY EMPLOYEE RETENTION PLAN

17. THIS COURT ORDERS that the Key Employee Retention Plan, approved by the members of the board of trustees of AGIF on February 16, 2012 (the **"KERP"**), as attached as a confidential exhibit to the McMahon Affidavit, between AGI and certain key employees listed therein (the **"Key Employees"**) be and is hereby approved and given full force and effect in accordance with its terms, and AGI is hereby directed to make the payments provided for thereunder, when due.

18. THIS COURT ORDERS the Key Employees shall be entitled to the benefit of and are hereby granted a charge (the **"KERP Charge"**) on the Property, as security for all amounts now or hereafter owing to the Key Employees pursuant to the KERP to a total amount of C\$2,600,000. The KERP Charge shall have the priority set out in paragraph 57 hereof.

MARKETING OF INVESTMENT OPPORTUNITY

19. THIS COURT ORDERS AND DIRECTS the Arctic Glacier Parties to immediately commence a Sale and Investor Solicitation Process attached hereto as Schedule "B" to this Order (the **"SISP"**) for the purpose of offering the opportunity for

potential investors to purchase or invest in the business and operations of the Arctic Glacier Parties as a going concern or to sponsor a Plan.

20. THIS COURT ORDERS that the SISP is hereby approved and the Arctic Glacier Parties, the Monitor, the Financial Advisor and the CPS (both as defined below) are hereby authorized and directed to perform each of their obligations thereunder.

21. THIS COURT ORDERS that the engagement of TD Securities Inc. as financial advisor to the Arctic Glacier Parties (the "**Financial Advisor**") pursuant to an engagement letter dated September 16, 2010 between the Financial Advisor and AGIF, as amended and extended (collectively the "**Engagement Letter**") attached as Confidential Exhibit 2 to the McMahon Affidavit, is hereby approved. AGIF is authorized, *nunc pro tunc*, to enter into the Engagement Letter and is directed to carry out and perform its obligations thereunder (including payment of amounts due to be paid pursuant to the terms of the Engagement Letter) and the Engagement Letter shall be binding upon AGIF.

22. THIS COURT ORDERS that all claims of the Financial Advisor pursuant to the Engagement Letter are not claims that may be compromised pursuant to the Plan, and shall be treated as unaffected in any Plan, any proposal under the *Bankruptcy and Insolvency Act* (the "**BIA**") or any other restructuring and no such Plan, proposal or restructuring shall be approved that does not provide for the payment of all amounts due to the Financial Advisor pursuant to the terms of the Engagement Letter.

23. THIS COURT ORDERS that a charge (the "**Financial Advisor Charge**") is hereby granted to the Financial Advisor in the maximum amount of US\$2,000,000 over the Property, which charge shall be security for all amounts due to be paid to the Financial Advisor pursuant to the terms of the Engagement Letter, but shall not secure any indemnity or any fees or expenses incurred by the Financial Advisor in connection with any right of indemnity included in the Engagement Letter. The Financial Advisor Charge shall have the priority set out in paragraph 57 hereof.

24. THIS COURT ORDERS that the Financial Advisor, its affiliates, partners, directors, employees, agents and controlling persons shall have no liability with respect to

any and all losses, claims, damages or liabilities, of any nature or kind, to any person in connection with or as a result of either its engagement by the Arctic Glacier Parties as Financial Advisor or any matter referred to in the Engagement Letter except to the extent such losses, claims, damages or liabilities result from the gross negligence or wilful misconduct of the Financial Advisor in performing its obligations under the Engagement Letter.

APPOINTMENT OF CHIEF PROCESS SUPERVISOR

25. THIS COURT ORDERS that 7088418 Canada Inc. o/a Grandview Advisors is hereby appointed as the Chief Process Supervisor (the "CPS") of the Arctic Glacier Parties pursuant to the terms of the CPS Engagement Letter (as defined below). The CPS is responsible for overseeing and directing the SISP for the benefit of all parties affected by these proceedings, reporting to the Court concerning the SISP and otherwise performing the functions set out in the CPS Engagement Letter. The CPS shall not be or be deemed to be a trustee, director, officer or employee of any of the Arctic Glacier Parties and shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder and under the CPS Engagement Letter, be deemed to have taken possession or control of the Property, or any part thereof, or managed the Business.

26. THIS COURT ORDERS that the terms of the CPS' engagement shall be those set out in the engagement letter between the CPS and AGI attached to the McMahon Affidavit as Exhibit "A" (the "**CPS Engagement Letter**") and the CPS Engagement Letter shall be binding upon AGI. The CPS Engagement Letter shall not be amended without prior approval of this Court.

27. THIS COURT ORDERS that the CPS is hereby authorized to file periodic reports concerning the SISP, shall make recommendations to the Arctic Glacier Parties as it may consider appropriate and work together with the Arctic Glacier Parties, the Financial Advisor and the Monitor to facilitate the SISP. Subject to paragraph 43(d) hereof, the Agent may consult with the CPS. The CPS may apply to the Court for directions as it

considers appropriate in the conduct of its duties hereunder. The CPS is hereby authorized to retain counsel.

28. THIS COURT ORDERS that the fees, expenses and any other amount payable to the CPS under and pursuant to the CPS Engagement Letter are secured by the Administration Charge (as defined below) and that any claims of the CPS under the CPS Engagement Letter are not claims that may be compromised pursuant to the Plan, and shall be treated as unaffected in any Plan, any proposal under the BIA or any other restructuring and no such Plan, proposal or restructuring shall be approved that does not provide for the payment of all amounts due to the Chief Process Supervisor pursuant to the terms of the CPS Engagement Letter.

29. THIS COURT ORDERS that the CPS shall have no liability with respect to any and all losses, claims, damages or liabilities, of any nature or kind, to any person in connection with or as a result of either its appointment as CPS or any matter referred to in the CPS Engagement Letter except to the extent such losses, claims, damages or liabilities result from the gross negligence or wilful misconduct of the CPS in performing its obligations under the CPS Engagement Letter or this Order. In particular, the CPS shall incur no liability, whether statutory or otherwise, as a trustee, director or officer of the Arctic Glacier Parties.

NO PROCEEDINGS AGAINST THE ARCTIC GLACIER PARTIES OR THE PROPERTY

30. THIS COURT ORDERS that until and including March 23, 2012, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of any of the Arctic Glacier Parties or the Monitor, or affecting the Business or the Property, except with the written consent of the Arctic Glacier Parties and the Monitor, or with leave of this Court, and any and all such Proceedings currently under way against or in respect of the Arctic Glacier Parties or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

31. THIS COURT ORDERS that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of the Arctic Glacier Parties or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Arctic Glacier Parties and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Arctic Glacier Parties to carry on any business which they are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

32. THIS COURT ORDERS that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Arctic Glacier Parties, except with the written consent of the Arctic Glacier Parties and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

33. THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements with the Arctic Glacier Parties or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or the Arctic Glacier Parties, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Arctic Glacier Parties, and that each of the Arctic Glacier Parties shall be entitled to the continued use of its current premises, telephone numbers, facsimile

numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Arctic Glacier Parties in accordance with normal payment practices of the Arctic Glacier Parties or such other practices as may be agreed upon by the supplier or service provider and each of the Arctic Glacier Parties and the Monitor, or as may be ordered by this Court.

CRITICAL SUPPLIERS

34. THIS COURT ORDERS AND DECLARES that each of the entities listed in Schedule "C" hereto is a critical supplier to AGI as contemplated by Section 11.4 of the CCAA (each, a "**Critical Supplier**").

35. THIS COURT ORDERS that each Critical Supplier shall continue to supply AGI with goods and/or services on terms and conditions that are consistent with existing arrangements and past practices. No Critical Supplier may require the payment of a deposit or the posting of any security in connection with the supply of goods and/or services to AGI after the date of this Order.

36. THIS COURT ORDERS that each Critical Supplier shall be entitled to the benefit of and is hereby granted a charge (together, the "**Critical Supplier Charge**") on the Property of AGI in an amount equal to the value of the goods and services supplied by such Critical Supplier and received by AGI after the date of this Order less all amounts paid to such Critical Supplier in respect of such goods and services. The Critical Supplier Charge shall have the priority set out in paragraph 57 hereof.

NON-DEROGATION OF RIGHTS

37. THIS COURT ORDERS that, subject to paragraphs 34 to 36 above relating to Critical Suppliers, no Person other than a Critical Supplier shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person other than a Critical Supplier be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Arctic

Glacier Parties. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

38. THIS COURT ORDERS that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future trustees, directors or officers of the Arctic Glacier Parties with respect to any claim against such trustees, directors or officers that arose before the date hereof and that relates to any obligations of the Arctic Glacier Parties whereby such trustees, directors or officers are alleged under any law to be liable in their capacity as trustees, directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Arctic Glacier Parties, if one is filed, is sanctioned by this Court or is refused by the creditors of the Arctic Glacier Parties or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

39. THIS COURT ORDERS that the Arctic Glacier Parties shall indemnify their trustees, directors and officers against obligations and liabilities that they may incur as trustees, directors or officers of the Arctic Glacier Parties after the commencement of the within proceedings, except to the extent that, with respect to any trustee, officer or director, the obligation or liability was incurred as a result of the trustee's, the director's or the officer's gross negligence or wilful misconduct.

40. THIS COURT ORDERS that the trustees, directors and officers of the Arctic Glacier Parties shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of US\$2,700,000, as security for the indemnity provided in paragraph 39 of this Order. The Directors' Charge shall have the priority set out in paragraphs 57 herein.

41. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the trustees, directors and officers of

the Arctic Glacier Parties shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 39 of this Order.

APPOINTMENT OF MONITOR

42. THIS COURT ORDERS that Alvarez & Marsal Canada Inc. is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the Business and financial affairs of the Arctic Glacier Parties with the powers and obligations set out in the CCAA or set forth herein and that the Arctic Glacier Parties and their unit holders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Arctic Glacier Parties pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

43. THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Arctic Glacier Parties' receipts and disbursements;
- (b) perform its obligations under the SISP;
- (c) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, the SISP and such other matters as may be relevant to the proceedings herein;
- (d) assist the Arctic Glacier Parties, to the extent required by the Arctic Glacier Parties, in their dissemination to the Agent and its counsel of financial and other information, which may be used in these proceedings, including reporting on the basis specified in the Commitment Letter or Definitive Documents (each as defined below), and consult with the Agent as the Monitor deems advisable (subject to the restrictions set out herein), and for

greater certainty, the Monitor, the Financial Advisor, the CPS and the Arctic Glacier Parties shall not provide information to the Agent or the DIP Lenders concerning the SISP except in accordance with the SISP;

- (e) assist the Arctic Glacier Parties in the preparation of Cash Flow Projections (as defined below);
- (f) assist the CPS in the performance of its duties as set out in this Order and the CPS Engagement Letter;
- (g) advise the Arctic Glacier Parties in their preparation of the Arctic Glacier Parties' cash flow statements and reporting required by the Agent, which information shall be reviewed with the Monitor and delivered to the Agent and its counsel as specified in the Commitment Letter or Definitive Documents (each as defined herein);
- (h) advise the Arctic Glacier Parties in the development of the Plan and any amendments to the Plan;
- (i) assist the Arctic Glacier Parties, to the extent required by the Arctic Glacier Parties, with the holding and administering of creditors' meetings and other required stakeholder meetings, if any, for voting on the Plan;
- (j) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Arctic Glacier Parties, to the extent that is necessary to adequately assess the business and financial affairs of the Arctic Glacier Parties or to perform its duties arising under this Order;
- (k) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (l) perform such other duties as are required by this Order or by this Court from time to time.

44. THIS COURT ORDERS that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

45. THIS COURT ORDERS that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property or any property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, *The Environment Act* (Manitoba), *The Water Resources Conservation Act* (Manitoba), *The Contaminated Sites Remediation Act* (Manitoba), *The Dangerous Goods Handling and Transportation Act* (Manitoba), *The Public Health Act* (Manitoba) or *The Workplace Safety and Health Act* (Manitoba), regulations thereunder or any other similar, municipal, federal, provincial or state law of any jurisdiction where the Arctic Glacier Parties carry on business or have assets (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property or any other property within the meaning of any Environmental Legislation, unless it is actually in possession.

46. THIS COURT ORDERS that the Monitor shall provide any creditor of the Arctic Glacier Parties with information provided by the Arctic Glacier Parties in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Arctic Glacier Parties is confidential, the Monitor

shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Arctic Glacier Parties may agree.

47. THIS COURT ORDERS that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

48. THIS COURT ORDERS that the Monitor, counsel to the Monitor, counsel to the Agent, counsel to the trustees of AGIF, counsel to The Toronto-Dominion Bank ("TD"), counsel to the directors and officers of the Arctic Glacier Parties, and counsel to the Arctic Glacier Parties shall be paid their reasonable fees and disbursements, in each case at their standard rates or at the rates and charges agreed by the Arctic Glacier Parties, by the Arctic Glacier Parties as part of the costs of these proceedings. The Arctic Glacier Parties are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor, counsel for the Agent and counsel for the Arctic Glacier Parties on a weekly or a bi-weekly basis and, in addition, the Arctic Glacier Parties are hereby authorized to pay to the Monitor, counsel to the Monitor, and counsel to the Arctic Glacier Parties, retainers in the amounts of \$125,000, \$125,000 and \$350,000 , respectively, to be held by them as security for payment of their respective fees and disbursements outstanding from time to time. The Arctic Glacier Parties are hereby authorized and directed to pay the accounts of counsel for TD on a bi-weekly basis from the TD LC Security (as defined in the McMahon Affidavit).

49. THIS COURT ORDERS that at the request of the Arctic Glacier Parties, the Agent, any other party in interest or this Court, the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of this Court, but nothing herein shall fetter this Court's discretion to refer such matters to a Master of this Honourable Court.

50. THIS COURT ORDERS that the Monitor, counsel to the Monitor, the CPS, counsel to the trustees of AGIF, counsel to the directors and officers of the Arctic Glacier Parties, and counsel to the Arctic Glacier Parties shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of US\$2,000,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraph 57 hereof. The beneficiaries of the Administration Charge, at the request of the Monitor, shall be required to provide the Monitor with bi-weekly updates regarding the unpaid amounts owing to them that are secured by the Administration Charge.

DIP FINANCING

51. THIS COURT ORDERS that the Arctic Glacier Parties are hereby authorized and empowered to obtain and borrow under a credit facility (the "**DIP Loan**") from the Secured Lenders (the Secured Lenders in their capacity as lenders under the credit facility hereby authorized are called the "**DIP Lenders**") in order to finance the Arctic Glacier Parties' working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed a combined total of C\$26,000,000 and US\$24,000,000 unless permitted by further Order of this Court.

52. THIS COURT ORDERS that such credit facility shall be on the terms and subject to the conditions set forth in the commitment letter between the Arctic Glacier Parties and the Agent dated as of February 21, 2012 (the "**Commitment Letter**"), filed.

53. THIS COURT ORDERS that the Arctic Glacier Parties are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "**Definitive Documents**"), as are contemplated by the Commitment Letter or as may be reasonably required by the Agent pursuant to the terms thereof, and the Arctic Glacier Parties are hereby authorized and directed to pay and perform all of its indebtedness,

interest, fees, liabilities and obligations to the Agent under and pursuant to the Commitment Letter and the Definitive Documents for the benefit of the DIP Lenders as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

54. THIS COURT ORDERS that the DIP Lenders shall be entitled to the benefit of and are hereby granted a charge (the "**DIP Lenders' Charge**") on the Property, which DIP Lenders' Charge shall not secure an obligation that exists before this Order is made. The DIP Lenders' Charge shall have the priority set out in paragraphs 57 hereof.

55. THIS COURT ORDERS that, notwithstanding any other provision of this Order:

- (a) the Agent may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lenders' Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Commitment Letter, the Definitive Documents or the DIP Lenders' Charge, the Agent, upon 4 days' notice to the Arctic Glacier Parties and the Monitor, may exercise any and all of its rights and remedies against the Arctic Glacier Parties or the Property under or pursuant to the Commitment Letter, Definitive Documents and the DIP Lenders' Charge, including without limitation, to cease making advances to the Arctic Glacier Parties and set off and/or consolidate any amounts owing by the Agent to the Arctic Glacier Parties against the obligations of the Arctic Glacier Parties to the Agent under the Commitment Letter, the Definitive Documents, the Credit Agreements (as defined herein) or the DIP Lenders' Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Arctic Glacier Parties and for the appointment of a trustee in bankruptcy of the Arctic Glacier Parties; and

- (c) the foregoing rights and remedies of the Agent shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Arctic Glacier Parties or the Property.

56. THIS COURT ORDERS AND DECLARES that the claims of the DIP Lenders in relation to the DIP Loan are not claims that may be compromised pursuant to the Plan, and shall be treated as unaffected in any Plan, any proposal under the BIA or any other restructuring and no such Plan, proposal or restructuring shall be approved that does not provide for the payment of all amounts due to the DIP Lenders pursuant to the terms of the Commitment Letter and the Definitive Documents.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

57. THIS COURT ORDERS that the priorities of the Administration Charge, Financial Advisor Charge, Directors' Charge, DIP Lenders' Charge, KERP Charge, Critical Supplier Charge, and Inter-Company Balances Charge (collectively, the "Charges"), as among them, shall be as follows:

First – The Administration Charge (to the maximum amount of US\$2,000,000) and the Financial Advisor Charge (to the maximum amount of an additional US\$2,000,000) on a *pari passu* basis;

Second – The Directors' Charge (to the maximum amount of US\$2,700,000);

Third – The Critical Supplier Charge (to the maximum amount of C\$1,000,000, only as against the assets of AGI)

Fourth - The DIP Lenders' Charge (to the maximum amount of C\$28,600,000 plus US\$26,400,000);

Fifth – The KERP Charge (to the maximum amount of C\$2,600,000) and the Critical Supplier Charge (for any amounts above C\$1,000,000) on a *pari passu* basis (with the Critical Supplier Charge as against the assets of AGI only); and,

Sixth – The Inter-Company Balances Charge.

58. THIS COURT ORDERS that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

59. THIS COURT ORDERS that each of the Charges shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, “**Encumbrances**”) in favour of any Person, notwithstanding the order of perfection or attachment, except for (i) any validly perfected purchase money security interest in favour of a secured creditor, (ii) any statutory Encumbrance existing on the date of this Order in favour of any Person which is a “secured creditor”, as defined in the CCAA, in respect of any amounts under the Wage Earners’ Protection Program that are subject to a super priority claim under the BIA, including source deductions from wages, employer health tax, workers compensation, vacation pay and banked overtime for employees, or (iii) the TD LC Security, as defined in the McMahon Affidavit.

60. THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, the Arctic Glacier Parties shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges, unless the Arctic Glacier Parties also obtain the prior written consent of the Monitor, the Agent and the Chargees (as defined below) or further Order of this Court.

61. THIS COURT ORDERS that the Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the “**Chargees**”) shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any

federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "Agreement") which binds the Arctic Glacier Parties, and notwithstanding any provision to the contrary in any Agreement:

- (a) Neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Commitment Letter or the Definitive Documents shall create or be deemed to constitute a breach by any Arctic Glacier Party of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Arctic Glacier Parties entering into the Commitment Letter, the creation of the Charges or the execution, delivery or performance of the Definitive Documents; and
- (c) the payments made by the Arctic Glacier Parties pursuant to this Order and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

62. THIS COURT ORDERS that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Arctic Glacier Parties' interest in such real property.

DOCUMENTS TO BE SEALED

63. THIS COURT ORDERS that the KERP, the Financial Advisor Engagement and the DIP Fee Letter, which are attached as Confidential Exhibits 1, 2 and 3, respectively, to the McMahon Affidavit, shall be sealed, kept confidential and not form part of the public record, but rather shall be placed, separate and apart from all other contents of the Court file, in a sealed envelope attached to a notice that sets out the title of these

proceedings and a statement that the contents are subject to a sealing order and shall only be opened upon further Order of the Court.

SERVICE AND NOTICE

64. THIS COURT ORDERS that the Monitor shall (i) without delay, publish in the Globe and Mail, the Winnipeg Free Press and The Wall Street Journal (National Edition) a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send or cause to be sent, in the prescribed manner, a notice to every known creditor who has a claim against any Arctic Glacier Party of more than \$1000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

65. THIS COURT ORDERS that the Arctic Glacier Parties and the Monitor be at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery, facsimile or electronic transmission to the Arctic Glacier Parties' creditors or other interested parties at their respective addresses as last shown on the records of the Arctic Glacier Parties and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

66. THIS COURT ORDERS that counsel for the Arctic Glacier Parties shall prepare and keep current a service list ("**Service List**") containing the name and contact information (which may include the address, telephone number and facsimile number or email address) for service to: the Arctic Glacier Parties; the Monitor; and each creditor or other interested Person who has sent a request, in writing, to counsel for the Arctic Glacier Parties to be added to the Service List. The Service List shall indicate whether each Person on the Service List has elected to be served by email or facsimile, and failing such election the Service List shall indicate service by email. The Service List shall be

posted on the website of the Monitor at the address indicated in paragraph 67 herein. For greater certainty, creditors and other interested Persons who have received notice in accordance with paragraph 64(b) of this Order and/or have been served in accordance with paragraph 65 of this Order, and who do not send a request, in writing, to counsel for the Arctic Glacier Parties to be added to the Service List, shall not be required to be further served in these proceedings.

67. THIS COURT ORDERS that the Arctic Glacier Parties, the Monitor, and any party on the Service List may serve any court materials in these proceedings by facsimile or by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, and the Monitor may post a copy of any or all such materials on its website at www.alvarezandmarsal.com/arcticglacier. Service shall be deemed valid and sufficient if sent in this manner.

GENERAL

68. THIS COURT ORDERS that any of the Arctic Glacier Parties or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

69. THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Arctic Glacier Parties, the Business or the Property.

70. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Arctic Glacier Parties, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Arctic Glacier Parties and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the

Arctic Glacier Parties and the Monitor and their respective agents in carrying out the terms of this Order.

71. THIS COURT ORDERS that each of the Arctic Glacier Parties and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

72. THIS COURT ORDERS that the Monitor is hereby directed, as a foreign representative of the Arctic Glacier Parties, to apply to the United States Bankruptcy Court for relief pursuant to Chapter 15 of the *United States Bankruptcy Code*, 11 U.S.C. §§ 101-1330, as amended.

73. THIS COURT ORDERS that any interested party (including the Arctic Glacier Parties and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

74. THIS COURT ORDERS that this Order and all of its provisions are effective as of 12:01 a.m. Central Standard/Daylight Time on the date of this Order.

Enval

SCHEDULE "A" - Additional Applicants

Arctic Glacier California Inc.
Arctic Glacier Grayling Inc.
Arctic Glacier Lansing Inc.
Arctic Glacier Michigan Inc.
Arctic Glacier Minnesota Inc.
Arctic Glacier Nebraska Inc.
Arctic Glacier Newburgh Inc.
Arctic Glacier New York Inc.
Arctic Glacier Oregon Inc.
Arctic Glacier Party Time Inc.
Arctic Glacier Pennsylvania Inc.
Arctic Glacier Rochester Inc.
Arctic Glacier Services Inc.
Arctic Glacier Texas Inc.
Arctic Glacier Vernon Inc.
Arctic Glacier Wisconsin Inc.
Diamond Ice Cube Company Inc.
Diamond Newport Corporation
Glacier Ice Company, Inc.
Ice Perfection Systems Inc.
ICESurance Inc.
Jack Frost Ice Service, Inc.
Knowlton Enterprises, Inc.

Mountain Water Ice Company
R&K Trucking, Inc.
Winkler Lucas Ice and Fuel Company
Wonderland Ice, Inc.

SCHEDULE "B" - Sale and Investor Solicitation Process

Schedule "[•]"

Arctic Glacier Sale and Investor Solicitation Process

Introduction

On February •, 2012, Arctic Glacier Income Fund ("AGIF") and its subsidiaries listed on Appendix "A" hereto (sometimes referred to collectively as the "Applicants") obtained an initial order (the "Initial Order") under the *Companies' Creditors Arrangement Act* ("CCAA") from the Manitoba Court of Queen's Bench (the "Court"). As part of the Initial Order, the Court approved the Sale and Investor Solicitation Process set forth herein (the "SISP"). The purpose of the SISP is to seek Sale Proposals and Investment Proposals from Qualified Bidders and to implement one or a combination of them in respect of the Property and the Business.

This SISP describes, among other things: (a) the Property available for sale and the opportunity for an investment in the Business/Arctic, (b) the manner in which prospective bidders may gain access to or continue to have access to due diligence materials concerning the Property and the Business, (c) the manner in which bidders and bids become Qualified Bidders and Qualified Bids, respectively, (d) the evaluation of bids received, (e) the ultimate selection of a Successful Bidder, and (f) the process for obtaining such approvals (including the approval of the Court) as may be necessary or appropriate in respect of a Successful Bid.

Capitalized terms used in this SISP and not otherwise defined have the meanings given to them in paragraph 1 below.

Defined Terms

1. The following capitalized terms have the following meanings when used in this SISP:
 - (a) "Arctic" means AGIF and all of its subsidiaries.
 - (b) "Business" means the business of Arctic.
 - (c) "Business Day" means a day (other than Saturday or Sunday) on which banks are generally open for business in Toronto, Ontario and Winnipeg, Manitoba.
 - (d) "Claims and Interests" is defined in paragraph 6.
 - (e) "Confidential Information Memorandum" is defined in paragraph 3.
 - (f) "Credit Bid" shall mean any offer submitted by the Lenders in the form of a Sale Proposal or Investment Proposal, pursuant to which the consideration offered includes an exchange for, and in full and final satisfaction of, all or a portion (as determined by the Lenders, in their discretion) of their secured claims including their secured claims pursuant to the first and second lien credit facilities of Arctic and any other financing provided by the Lenders including debtor-in-possession financing. For the avoidance of doubt, the Lenders may submit a Credit Bid, offering as consideration an exchange of all or a portion of the Lender Claims for an ownership interest in the Business and may participate as a bidder in any auction authorized by any court.
 - (g) "CPS" is defined in paragraph 2.

- (h) "Deposit" is defined in paragraph 22.
- (i) "Final Bid" is defined in paragraph 21.
- (j) "Financial Advisor" means TD Securities Inc.
- (k) "Form of Investment Agreement" means the form of equity investment agreement to be developed by Arctic in consultation with the Monitor and the Financial Advisor and provided to Qualified Bidders that submitted a Qualified LOI for an Investment Proposal and have not been eliminated in accordance with paragraph 10, which agreement shall provide for the direct payment of net proceeds to the Lenders on account of the Lender Claims on completion of the transaction contemplated thereby.
- (l) "Form of Purchase Agreement" means the form of purchase and sale agreement to be developed by Arctic in consultation with the Monitor and the Financial Advisor and provided to Qualified Bidders that submitted a Qualified LOI for a Sale Proposal and have not been eliminated in accordance with paragraph 10, which agreement shall provide for the direct payment of net proceeds to the Lenders on account of the Lender Claims on completion of the transaction contemplated thereby.
- (m) "Investment Proposal" is defined in paragraph 14.
- (n) "Lender Claims" means the aggregate amount owing to the agent and the Lenders arising from or related to the first and second lien credit facilities of Arctic and any other financing provided by the Lenders (including debtor-in-possession financing), which shall include to the maximum extent permissible under applicable documentation and law, without limitation, all accrued and unpaid principal, interest, default interest, premiums and reasonable fees, costs, charges and expenses all as may be due and payable under the aforementioned credit facilities and/or other financing and any ancillary documents (which shall include the reasonable fees of any and all legal and financial advisors to the Lenders, including, without limitation, Torys LLP and Milbank, Tweed, Hadley & McCloy LLP).
- (o) "Lenders" mean CPPIB Credit Investments Inc., West Face Long Term Opportunities Limited Partnership, West Face Long Term Opportunities (USA) Limited Partnership, West Face Long Term Opportunities Master Fund L.P., West Face Long Term Opportunities Global Master L.P., and all of foregoing parties' assignees in respect of Lender Claims.
- (p) "LOI" is defined in paragraph 11.
- (q) "Monitor" means Alvarez & Marsal Canada Inc.
- (r) "NDA" means a non-disclosure agreement in form and substance satisfactory to the Monitor, the CPS, the Financial Advisor, and the Applicants, which will inure to the benefit of any purchaser of the Property or any investor in the Business or Arctic.
- (s) "Outside Date" means July 31, 2012, or such later date as may be agreed to by the Applicants, the Financial Advisor, the CPS, the Monitor and the Lenders.
- (t) "Phase 1" is defined in paragraph 11.
- (u) "Phase 1 Bid Deadline" is defined in paragraph 13.
- (v) "Phase 2" is defined in paragraph 18.

- (w) "Phase 2 Bid Deadline" is defined in paragraph 22.
 - (x) "Potential Bidder" is defined in paragraph 8.
 - (y) "Property" means all of property, assets and undertakings of Arctic or the relevant entities within Arctic (which may include, in the case of any such entity, the shares in the capital of any other entities within Arctic), as applicable in the context of any bid.
 - (z) "Qualified Bid" means: (i) a Credit Bid; or (ii) a third party offer or combination of third party offers, in the form of a Sale Proposal(s) or an Investment Proposal(s) or including elements of both, the aggregate purchase price or funds to be invested are in an amount sufficient to pay the Lender Claims in full in cash and which, in any case, meets the requirements of paragraph 22.
 - (aa) "Qualified Bidder" is defined in paragraph 9. For the avoidance of doubt, the Lenders are, collectively, a Qualified Bidder to make a Credit Bid.
 - (bb) "Qualified LOI" is defined in paragraph 14.
 - (cc) "Sale Proposal" is defined in paragraph 14.
 - (dd) "Selected Qualified Bid" is defined in paragraph 30.
 - (ee) "Special Committee" means a committee established by the Trustees of AGIF to supervise, among other things, the implementation of the SISP.
 - (ff) "Successful Bid" is defined in paragraph 30.
 - (gg) "Successful Bidder" is defined in paragraph 30.
-

Supervision of the SISP

2. The Monitor will supervise, in all respects, the SISP and any attendant sales or investments and, in particular, will supervise the Financial Advisor's performance under its engagement by Arctic in connection therewith. Arctic is required to assist and support the efforts of the Monitor, the Financial Advisor and the Chief Process Supervisor ("CPS") as provided for herein. In the event that there is disagreement or clarification required as to the interpretation or application of this SISP or the responsibilities of the Monitor, the Financial Advisor, the CPS or Arctic hereunder, the Court will have jurisdiction to hear such matter and provide advice and directions, upon application of the Monitor or Arctic. For the avoidance of doubt, with respect to the Monitor's role in regards to the SISP, the terms of the Initial Order concerning the Monitor's rights and duties in this CCAA proceeding shall govern.

Sale and Investment Opportunity

3. A confidential information memorandum (the "Confidential Information Memorandum") describing the opportunity to acquire all or a portion of the Property or invest in the Business/Arctic will be made available by the Financial Advisor to Qualified Bidders. One or more Qualified Bids for less than substantially all of the Property will not be precluded from consideration, either alone or in combination as a Qualified Bid, Final Bid or a Successful Bid.
4. A bid may, at the option of the Qualified Bidder, involve, among other things, one or more of the following: a restructuring, recapitalization or other form of reorganization of the business and affairs of Arctic as a going concern; a sale of the Property to the Qualified Bidder or to a newly

formed acquisition entity; or a plan of compromise or arrangement pursuant to the CCAA or any corporate or other applicable legislation.

"As Is, Where Is"

5. The sale of the Property or investment in the Business/Arctic will be on an "as is, where is" basis and without surviving representations or warranties of any kind, nature, or description by the Monitor, Arctic or any of their respective agents or estates, except to the extent set forth in the definitive sale or investment agreement executed with a Successful Bidder.

Free Of Any And All Claims And Interests

6. In the event of a sale of all or a portion of the Property, all of the rights, title and interests of Arctic in and to the Property to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests thereon and there against (collectively, the "Claims and Interests") pursuant to such court orders as may be desirable, except to the extent otherwise set forth in the definitive sale or investment agreement executed with a Successful Bidder.

Publication Notice

7. As soon as reasonably practicable after the granting of the Initial Order, but in any event no more than five (5) Business Days after the issuance of the Initial Order, the Monitor will cause a notice of the SISP (and such other relevant information which the Monitor, in consultation with the Financial Advisor and Arctic, considers appropriate) to be published in The Wall Street Journal (National Edition), The New York Times (New York City Edition) and The Globe and Mail (National Edition). On the same date, the Applicants will issue a press release setting out the notice and such other information, in form and substance satisfactory to the Monitor in consultation with the Financial Advisor and the Applicants, with Canada Newswire designating dissemination in Canada and major financial centres in the United States.

Participation Requirements

8. In order to participate in the SISP, each person (a "Potential Bidder") must deliver to the Financial Advisor at the address specified in Schedule "A" hereto (including by email or fax transmission):
 - (a) a letter setting forth the identity of the Potential Bidder, the contact information for such Potential Bidder and full disclosure of the principals of the Potential Bidder;
 - (b) to the extent that a Potential Bidder has already signed an NDA, the parties thereto may execute an addendum (in form and substance satisfactory to the Monitor, CPS, the Financial Advisor and the Applicants) providing that the Company shall be entitled to enforce the terms of such NDA; and
 - (c) an executed NDA which shall include provisions whereby the Potential Bidder agrees to accept and be bound by the provisions contained herein.
9. A Potential Bidder that has executed an NDA, and has delivered the documents and information described above, and that the Monitor, in its reasonable business judgement, in consultation with the Financial Advisor, the CPS and the Applicants, determines is likely, based on the availability of financing, experience and other considerations, to be able to consummate a Sale Proposal or an Investment Proposal on or before the Outside Date will be deemed a "Qualified Bidder," and will

be promptly notified of such determination by the Financial Advisor. For the avoidance of doubt, the Lenders collectively are a Qualified Bidder.

10. At anytime during Phase 1 or Phase 2, the Monitor may, in its reasonable business judgment and after consultation with the Financial Advisor, the CPS and Arctic, recommend to the Special Committee that a Qualified Bidder (other than the Lenders) be eliminated from the SISP. If the Special Committee accepts the Monitor's recommendation, such bidder will be eliminated from the SISP and will no longer be a "Qualified Bidder" for the purposes of this SISP. If the Special Committee does not accept the Monitor's recommendation, the Monitor will seek advice and directions of the Court.

SISP – Phase 1

Phase 1 Initial Timing

11. For a period of 35 days following the date of the Initial Order ("Phase 1"), the Financial Advisor (with the assistance of Arctic and the CPS, and under the supervision of the Monitor and in accordance with this SISP) will solicit non-binding indications of interest in the form of non-binding letters of intent ("LOIs") from prospective strategic or financial parties to acquire the Property or to invest in the Business/Arctic.

Due Diligence

12. The Financial Advisor will provide each Qualified Bidder with a copy of the Confidential Information Memorandum and access to an electronic data room of due diligence information. The Monitor, the Financial Advisor, the CPS and Arctic make no representation or warranty as to (i) the information contained in the Confidential Information Memorandum or the electronic data rooms, (ii) provided through the due diligence process in Phase 1 or Phase 2 or (iii) otherwise made available, ~~except to the extent expressly contemplated in any definitive sale or investment agreement with a Successful Bidder executed and delivered by Arctic.~~

Non-Binding Letters of Intent from Qualified Bidders

13. A Qualified Bidder that wishes to pursue a Sale Proposal or Investment Proposal (other than a Credit Bid) must deliver a LOI to the Financial Advisor at the address specified in Schedule "A" hereto (including by email or fax transmission), so as to be received by it not later than 5:00 PM (Central Time) on or before 35 days following the date of the Initial Order, unless such day is not a Business day, in which case, on the next Business Day] (the "Phase 1 Bid Deadline").
14. A LOI so submitted will be considered a qualified LOI (a "Qualified LOI") only if:
 - (a) the LOI is submitted on or before the Phase 1 Bid Deadline by a Qualified Bidder;
 - (b) it contains an indication of whether the Qualified Bidder is offering to:
 - (i) acquire all, substantially all or a portion of the Property (a "Sale Proposal"), or
 - (ii) make an investment in, or refinance the Business/Arctic (an "Investment Proposal");
 - (c) in the case of a Sale Proposal, it identifies or contains the following:
 - (i) the purchase price range in Canadian dollars (and U.S. dollar equivalent), including details of any liabilities to be assumed by the Qualified Bidder;

- (ii) the Property that is expected to be subject to the transaction and any of the Property expected to be excluded;
 - (iii) specific indication of the sources of capital for the Potential Bidder and preliminary evidence of the availability of such capital, or such other form of financial disclosure and credit-quality support or enhancement that will allow the Monitor, the Financial Advisor, the CPS and the Applicants and each of their respective advisors to make a reasonable business or professional judgment as to the Potential Bidder's financial or other capabilities to consummate the transaction;
 - (iv) the structure and financing of the transaction (including, but not limited to, the sources of financing of the purchase price, preliminary evidence of the availability of such financing, steps necessary and associated timing to obtain such financing and any related contingencies, as applicable);
 - (v) any anticipated corporate, unit holder, shareholder, internal or regulatory approvals required to close the transaction and the anticipated time frame and any anticipated impediments for obtaining such approvals;
 - (vi) specific statements concerning the treatment of employees and plans for the ongoing involvement and roles of Arctic employees;
 - (vii) additional due diligence required to be conducted during Phase 2, if any;
 - (viii) all conditions to closing that the Qualified Bidder may wish to impose; and
 - (ix) any other terms or conditions of the Sale Proposal which the Qualified Bidder believes are material to the transaction;
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(d) in the case of an Investment Proposal, it identifies the following:

- (i) a detailed description of the structure of the transaction including, the direct or indirect investment target (whether AGIF or another entity within Arctic);
- (ii) the aggregate amount of the equity and debt investment to be made in the Business/Arctic in Canadian dollars (and U.S. dollar equivalent) (including the sources of such capital, preliminary evidence of the availability of such capital and steps necessary and associated timing to obtain the capital and any related contingencies, as applicable);
- (iii) the underlying assumptions regarding the pro forma capital structure (including the form and amount of anticipated equity and/or debt levels, debt service fees, interest or dividend rates, amortization, voting rights or other protective provisions (as applicable), redemption, prepayment or repayment attributes and any other material attributes of the investment);
- (iv) equity, if any, to be allocated to the secured and unsecured creditors of Arctic;
- (v) specific indication of the sources of capital for the Potential Bidder and preliminary evidence of the availability of such capital, or such other form of financial disclosure and credit-quality support or enhancement that will allow the Monitor, the Financial Advisor, the CPS and the Applicants and each of their respective advisors to make a reasonable business or professional judgment as to

the Potential Bidder's financial or other capabilities to consummate the transaction

- (vi) the structure and financing of the transaction, including a sources and uses analysis;
 - (vii) any anticipated corporate, unitholder, shareholder, internal or regulatory approvals required to close the transaction, the anticipated time frame and any anticipated impediments for obtaining such approvals;
 - (viii) specific statements concerning the treatment of employees and plans for the ongoing involvement and roles of Arctic employees;
 - (ix) additional due diligence required to be conducted during Phase 2, if any;
 - (x) all conditions to closing that the Qualified Bidder may wish to impose; and
 - (xi) any other terms or conditions of the Investment Proposal which the Qualified Bidder believes are material to the transaction;
- (e) in the case of either a Sale Proposal or an Investment Proposal, it contains such other information as reasonably requested by the Monitor, in consultation with the Financial Advisor, the CPS and Arctic; and
- (f) the purchase price or funds to be invested, as assessed pursuant to paragraph 17 hereof, are in an amount that can reasonably be expected to be sufficient to pay the Lender Claims in full and in cash on completion of the transaction contemplated by the LOI.

15. ~~The Monitor, in consultation with the Financial Advisor, the CPS and Arctic, may waive compliance with any one or more of the requirements specified above, except the requirement contained in paragraph 14(f) of this SISP, and deem such non-compliant bids to be a Qualified LOI. For the avoidance of doubt, the completion of any Sale Proposal or Investment Proposal shall be subject to the approval of the Court and the requirement of approval of the Court may not be waived.~~

Assessment of Qualified LOIs and Continuation or Termination of SISP

16. Within 5 Business Days following the Phase 1 Bid Deadline, or such later date as may be determined by the Monitor, in consultation with the Financial Advisor, the CPS and the Lenders, the Monitor will, in consultation with the Financial Advisor, the CPS and the Applicants, assess the Qualified LOIs received during Phase 1, if any, and will determine whether there is a reasonable prospect of obtaining a Qualified Bid. For the purpose of such consultations and evaluations, the Financial Advisor and/or the Monitor may request clarification of the terms of Qualified LOIs.
17. In assessing the Qualified LOIs, the Monitor, following consultation with the Financial Advisor, the CPS and the Applicants, will consider, among other things, the following:
- (a) the form and amount of consideration being offered;
 - (b) the demonstrated financial capability of the Qualified Bidder to consummate the proposed transaction;
 - (c) the conditions to closing of the proposed transaction; and

- (d) the estimated time required to complete the proposed transaction and whether, in the Monitor's reasonable business judgment, it is reasonably likely to close on or before the Outside Date.
18. If a Qualified LOI is received and the Monitor, in consultation with the Financial Advisor, the CPS and Arctic, determines there is a reasonable prospect of obtaining a Qualified Bid (other than a Credit Bid), the Monitor will recommend to the Special Committee that the SISP shall continue for a further 45 days in accordance with these SISP Procedures ("Phase 2"). If the Special Committee accepts the Monitor's recommendation, the SISP shall continue for a further 45 days. If the Special Committee does not accept the Monitor's recommendation, the Monitor will seek advice and directions of the Court. At any time during Phase 2, the Monitor, in consultation with the Financial Advisor, the CPS and the Applicants may extend Phase 2 by an additional 15 days (provided that in no event shall Phase 2 be longer than 60 days total).
19. If the Monitor, after consultation with the Financial Advisor, the CPS and Arctic, determines that (a) no Qualified LOI has been received, (b) there is no reasonable prospect of a Qualified LOI resulting in a Qualified Bid and the SISP moving to Phase 2, and (c) the Lenders have not yet elected to make a Credit Bid by the Phase 1 Bid Deadline, the Financial Advisor shall provide copies of the LOIs received by the Phase 1 Bid Deadline to the Lenders. Within 5 Business Days after such receipt by the Lenders of such LOIs, the Lenders may, in their sole and absolute discretion, (a) designate one or more LOIs as a Qualified LOI and/or (b) elect to make a Credit Bid. If no Qualified LOI is received or designated by the Lenders, and the Lenders elect not to make a Credit Bid, any of the Lenders, the Monitor, or Arctic may apply to the Court for further advice and directions regarding the continuation or termination of the SISP.
20. If: (a) one or more Qualified LOIs is received; and (b) the Monitor, in its reasonable business judgment, in consultation with the Financial Advisor, the CPS and the Applicants, determines that another Qualified Bidder's LOI has a reasonable prospect of becoming a Qualified Bid, the Monitor may designate such LOI as a Qualified LOI.
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Phase 2

Due Diligence

21. During Phase 2, each Qualified Bidder with a Qualified LOI that is not eliminated from the SISP, and at the request of such Qualified Bidder, the legal and financial advisor(s) and/or lenders of such Qualified Bidder, provided that, in each case, such advisor or lender: (a) is reasonably acceptable to the Financial Advisor; and (b) has executed or is bound by an NDA, will be granted further access to such due diligence materials and information relating to the Property and the Business as the Financial Advisor, in its reasonable business judgment, in consultation with the Monitor, the CPS and the Applicants, determines, including, as appropriate, information or materials reasonably requested by Qualified Bidders, on-site presentation by senior management of Arctic, facility tours and access to further information in the electronic data room.

Final Bids from Qualified Bidders

22. A Qualified Bidder that is not eliminated from the SISP and that wishes to pursue a Sale Proposal or Investment Proposal, including a Credit Bid in the case of the Lenders, must deliver a final binding proposal (the "Final Bid"):
- (a) in the case of a Sale Proposal, a duly authorized and executed purchase agreement based on the Form of Purchase Agreement and accompanied by a mark-up of the Form of Purchase Agreement showing amendments and modifications made thereto, together with

all exhibits and schedules thereto, and such ancillary agreements as may be required by the bidder with all exhibits and schedules thereto;

- (b) in the case of an Investment Proposal, a duly authorized and executed investment agreement based on the Form of Investment Agreement and accompanied by a mark-up of the Form of Investment Agreement showing amendments and modifications made thereto, together with all exhibits and schedules thereto, and such ancillary agreements as may be required by the bidder with all exhibits and schedules thereto,

to the Financial Advisor at the address specified in Schedule "A" hereto (including by email or fax transmission) so as to be received by it not later than 5:00 pm (Central Time) on the date which is 45 days following the commencement of Phase 2, or such other date as determined by the Monitor, in consultation with the Financial Advisor, the CPS and the Applicants (provided that Phase 2 shall not be more than 60 days) unless in each case, such day is not a Business Day, in which case, on the next Business Day (the "Phase 2 Bid Deadline").

- 23. If the Lenders choose to submit a Credit Bid involving aggregate consideration in excess of the Lender Claims (other than in the form of assumed liabilities), such Credit Bid will only be a Qualified Bid if received on or prior to the Phase 2 Bid Deadline.

Qualified Bids

- 24. A Final Bid will be considered a Qualified Bid only if (a) it is submitted by a Qualified Bidder who submitted a Qualified LOI on or before the Phase 1 Bid Deadline or it is a Credit Bid, and (b) the Final Bid (for the avoidance of doubt, including a Credit Bid) complies with, among other things, the following requirements:
 - (a) it includes a letter stating that the bidder's offer is irrevocable until the earlier of (a) the approval by a court of competent jurisdiction of a Successful Bid and (b) 45 days following the Phase 2 Bid Deadline, provided that if such bidder is selected as the Successful Bidder, its offer will remain irrevocable until the closing of the transaction with such Successful Bidder;
 - (b) it includes (if not a Credit Bid) written evidence of a firm, irrevocable commitment for financing, or other evidence of ability to consummate the proposed transaction, that will allow the Monitor, in consultation with the Financial Advisor, the CPS and Arctic, to make a reasonable determination as to the Qualified Bidder's financial and other capabilities to consummate the transaction contemplated by its Final Bid;
 - (c) in respect of a Sale Proposal, the Property to be included and in the case of a Investment Proposal, any Property to be divested or disclaimed prior to closing;
 - (d) it includes full details of the proposed number of employees of the Applicants who will become employees of the bidder (in the case of a Sale Proposal) or shall remain as employees of the Applicants (in the case of an Investment Proposal) and, in each case, provisions setting out the terms and conditions of employment for continuing employees;
 - (e) details of any liabilities to be assumed by the Qualified Bidder;
 - (f) it is not conditional upon, among other things:
 - (i) the outcome of unperformed due diligence by the Qualified Bidder; or
 - (ii) obtaining financing;

- (g) it fully discloses the identity of each entity that will be sponsoring or participating in the bid, and the complete terms of such participation;
 - (h) it outlines any anticipated regulatory and other approvals required to close the transaction and the anticipated time frame and any anticipated impediments for obtaining such approvals;
 - (i) it identifies with particularity the contracts and leases the bidder wishes to assume and reject, contains full details of the bidder's proposal for the treatment of related cure costs (and provides adequate assurance of future performance thereunder); and it identifies with particularity any executory contract or unexpired lease the assumption and assignment of which is a condition to closing;
 - (j) it provides a timeline to closing with critical milestones;
 - (k) it includes evidence, in form and substance reasonably satisfactory to the Monitor and the Applicants, of authorization and approval from the bidder's board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the transaction contemplated by the bid;
 - (l) except in the case of a Credit Bid, it is accompanied by a refundable deposit (the "Deposit") in the form of a wire transfer (to a bank account specified by the Monitor), or such other form acceptable to the Monitor, payable to the order of the Monitor, in trust, in an amount equal to \$10 million, to be held and dealt with in accordance with the terms of this SISP;
 - (m) it contains other information reasonably requested by the Financial Advisor, in consultation with the Monitor, the CPS and Arctic;
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- (n) except in the case of a Credit Bid (unless otherwise specified herein), it is received by the Phase 2 Bid Deadline;
 - (o) except in the case of a Credit Bid, the purchase price or funds to be invested will be in an amount sufficient to pay the Lender Claims, as calculated on the closing of the transaction contemplated by the Final Bid, in full and in cash, and shall provide that no such closing shall occur unless such payment in full of the Lender Claims is made concurrently;
 - (p) the Monitor determines that in its reasonable business judgment that it is likely that the Qualified Bidder will be able to consummate a Sale Proposal or Investment Proposal on or before the Outside Date in a manner that complies with all requirements of the SISP, including, without limitation, payment in full of the Lender Claims;
 - (q) in the case of a Sale Proposal, it includes the following:
 - (i) an acknowledgement and representation that the bidder: (a) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the assets to be acquired and liabilities to be assumed in making its bid; and (b) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied (by operation of law or otherwise), regarding the assets to be acquired or liabilities to be assumed or the completeness of any information provided in connection therewith, except as expressly stated in the purchase and sale agreement; and

- (r) in the case of an Investment Proposal, it includes an acknowledgement and representation that the bidder: (a) has relied solely upon its own independent review, investigation and/or inspection of any documents in making its bid; and (b) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied (by operation of law or otherwise), regarding the business of the Applicants or the completeness of any information provided in connection therewith, except as expressly stated in the Investment Agreement;
25. The Monitor, in consultation with the Financial Advisor, the CPS and Arctic, may waive compliance with any one or more of the requirements specified herein, except the requirements contained in paragraphs 23(o) and 23(p) of this SISP, which may not be waived, and deem such non-compliant bids to be Qualified Bids.

Evaluation and Selection of Successful Bid

26. The Monitor, in consultation with the Financial Advisor, the CPS and Arctic, will review each Qualified Bid as set forth herein.
27. Evaluation criteria with respect to a Sale Proposal may include, but are not limited to items such as: (a) the purchase price and net value (including assumed liabilities and other obligations to be performed by the bidder); (b) the firm, irrevocable commitment for financing the transaction; (c) the claims likely to be created by such bid in relation to other bids; (d) the counterparties to the transaction; (e) the terms of transaction documents; (f) other factors affecting the speed, certainty and value of the transaction (including any regulatory approvals required to close the transaction; (g) planned treatment of stakeholders; (h) the assets included or excluded from the bid; (i) proposed treatment of the employees; (j) any transition services required from Applicants post-closing and any related restructuring costs; and (k) the likelihood and timing of consummating the transaction.
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28. Evaluation criteria with respect to an Investment Proposal may include, but are not limited to items such as: (a) the amount of equity and debt investment and the proposed sources and uses of such capital; (b) the firm, irrevocable commitment for financing the transaction; (c) the debt to equity structure post-closing; (d) the counterparties to the transaction; (e) the terms of the transaction documents; (f) other factors affecting the speed, certainty and value of the transaction (including any regulatory approvals required to close the transaction); (g) planned treatment of stakeholders; and (h) the likelihood and timing of consummating the transaction.
29. If one or more Qualified Bids is received, the Monitor, exercising its reasonable business judgment and following consultation with the Financial Advisor, the CPS and Arctic, will recommend to the Special Committee that the most favourable Qualified Bid be selected and that the Financial Advisor, the Monitor, Arctic and their advisors shall negotiate and settle the terms of a definitive agreement in respect of that Qualified Bid, all of which will be conditional upon Court approval. If the Special Committee does not accept such recommendation, the Monitor will seek advice and directions from the Court.
30. Once a definitive agreement has been negotiated and settled in respect of the Qualified Bid as selected by the Special Committee in accordance with the provisions hereof (the "Selected Qualified Bid"), the Selected Qualified Bid will be the "Successful Bid" hereunder and the person(s) who made the Selected Qualified Bid will be the "Successful Bidder" hereunder.
31. If the Monitor, after consultation with the Financial Advisor, the CPS and Arctic, determines that no Qualified Bid has been received at the end of Phase 2 and the Lenders have not made a Credit Bid, the Financial Advisor shall provide copies of the Final Bids received by the Phase 2 Deadline, if any, to the Lenders. Within 5 Business Days after such receipt by the Lenders of the

Final Bids, the Lenders may, in their sole and absolute discretion, (a) designate one or more Final Bids as Qualified Bids and/or (b) submit a Credit Bid. If any such designated Final Bid becomes a Selected Qualified Bid and becomes subject to a definitive agreement as contemplated by paragraph 30 hereof, the Lenders will not thereafter be entitled to submit a Credit Bid under this SISP unless such Selected Qualified Bid does not proceed, is terminated or fails to be completed in accordance with the terms and conditions of this SISP. If no Qualified Bid is received or designated by the Lenders, and the Lenders decide not to submit a Credit Bid, any of the Lenders, the Monitor or Arctic may apply to the Court for further advice and directions regarding the continuation or termination of the SISP.

32. If the Monitor, after consultation with the Financial Advisor, the CPS and Arctic, determines at any point during Phase 2 that there is no reasonable prospect of obtaining a Credit Bid or of a Qualified LOI resulting in a Qualified Bid, Arctic or the Monitor will advise the Court and seek advice and directions of the Court with respect to continuation or termination of the SISP.

Approval Motion for Successful Bid

33. The Applicants will apply to the Court (the "Approval Motion") for an order approving the Successful Bid and authorizing Arctic to enter into any and all necessary agreements with respect to the Successful Bid and to undertake such other actions as may be necessary or appropriate to give effect to the Successful Bid.
 34. The Approval Motion will be held on a date to be scheduled by the Court upon application by the Applicants. The Approval Motion may be adjourned or rescheduled by the Applicants or the Monitor without further notice by an announcement of the adjourned date at the Approval Motion.
 35. All Qualified Bids (other than the Successful Bid) will be deemed rejected on the date of approval of the Successful Bid by the Court.
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Other Terms

No Derogation

36. Nothing in this SISP, or in any decision the Lenders may make regarding whether or not to submit a Credit Bid, shall affect the Lenders' rights to exercise contractual or legal remedies, or to enter into, and seek court approval for, any transaction with or relating to Arctic or its property, subject to the applicable stay provisions of the Initial Order.

Deposits

37. All Deposits will be retained by the Monitor and invested in an interest bearing trust account. If there is a Successful Bid, the Deposit (plus accrued interest) paid by the Successful Bidder whose bid is approved at the Approval Motion will be applied to the purchase price to be paid or investment amount to be made by the Successful Bidder upon closing of the approved transaction and will be non-refundable. The Deposits (plus applicable interest) of Qualified Bidders not selected as the Successful Bidder will be returned to such bidders within 5 Business Days of the date upon which the Successful Bid is approved by the Court. If there is no Successful Bid, subject to the following paragraph, all Deposits (plus applicable interest) will be returned to the bidders within 5 Business Days of the date upon which the SISP is terminated in accordance with these procedures.
38. If a Successful Bidder breaches its obligations under the terms of the SISP, its Deposit shall be forfeited as liquidated damages and not as a penalty.

Approvals

39. For the avoidance of doubt, the approvals required pursuant to the terms hereof are in addition to, and not in substitution for, any other approvals required by the CCAA or any other statute or as otherwise required at law in order to implement a Successful Bid.

No Amendment

40. There will be no amendments to this SISP without the consent of the Monitor, the Financial Advisor, Arctic and the Lenders or, in the absence of consent, the approval of the Court.
41. This SISP does not, and will not be interpreted to, create any contractual or other legal relationship between Arctic and any Qualified Bidder, other than as specifically set forth in a definitive agreement that may be signed with Arctic. At any time during the SISP, the Monitor may, following consultation with the Financial Advisor, the CPS and the Applicants, upon reasonable prior notice to the Lenders, apply to the Court for advice and directions with respect to the discharge of its power and duties hereunder.
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Schedule "A"

Address for Notices and Deliveries

To the Monitor:

Alvarez & Marsal Canada Inc.

Attn: [Richard Morawetz and Adam Zalev]

Direct Dial: 416-847-5151/416-847-5154

Facsimile:

Email: rmorawetz@alvarezandmarsal.com/azalev@alvarezandmarsal.com

To the Financial Advisor:

TD Securities Inc.

66 Wellington Street West

9th Floor

Toronto, ON M5K 1A2

Attn: Art Chipman, Managing Director

Direct Dial: 416.308.3099

Facsimile: 416.308.0182

E-mail: art.chipman@tdsecurities.com

Attn: Atif Zia, Vice President and Director

Direct Dial: 416.307.9921

Facsimile: 416.308.0182

E-mail: atif.zia@tdsecurities.com

To the Applicants:

625 Henry Avenue,

Winnipeg, MB R3A 0V1

Attn: Keith McMahon, President and Chief Executive Officer
Arctic Glacier Inc.

Direct Dial: 204-772-2473

Facsimile: 204-783-9857

E-mail: kmcmahon@arcticglacier.com

SCHEDULE "C" - Critical Suppliers

Canadian Critical Supplier List

Feb 2012

Vendor Name	Vendor Type
Distributor/Co-Packer	
Black's Ice Co Inc	Distributor/ Co-Packer
Boite a Glace	Distributor/ Co-Packer
Christian Dugas	Distributor/ Co-Packer
Glace Laurentide	Distributor/ Co-Packer
Lake Ontario Ice	Distributor/ Co-Packer
Lecoupe Ice	Distributor/ Co-Packer
North Star Ice	Distributor/ Co-Packer
Richard Boutin Inc	Distributor/ Co-Packer
Sylvain Lane Distribution	Distributor/ Co-Packer
Transport ML	Distributor/ Co-Packer
Valere D'Anjou Inc	Distributor/ Co-Packer
Utility Suppliers	
Hydro-Quebec	Utility
PAP BC Hydro	Utility
PAP Chatham-Kent Utility Services	Utility
PAP Cogeco	Utility
PAP Direct Energy	Utility
PAP Enbridge	Utility
PAP Enersource	Utility
PAP Enmax	Utility
PAP Epcor	Utility
PAP Fortis BC	Utility
PAP Horizon Utilities	Utility
PAP Hydro One	Utility
PAP Hydro Quebec	Utility
PAP MB Hydro	Utility
PAP Nexen	Utility
PAP Primus	Utility
PAP TeraGo Networks Inc.	Utility
PAP TransAlta Energy Marketing	Utility
PAP UnionGas	Utility
TransAlta Energy Marketing	Utility
Fuel suppliers	
4 Refuel Canada LP	Fuel
Centex Petroleum	Fuel
Husky Oil Marketing Company	Fuel
Iberic Oil Co Ltd	Fuel
Imperial Oil	Fuel

Canadian Critical Supplier List

Feb 2012

Vendor Name	Vendor Type
PAP Federated Co-operatives	Fuel
PAP GazMetro	Fuel
PAP Husky Oil Marketing Company	Fuel
PAP Petro Canada	Fuel
PAP Shell Canada	Fuel
Pioneer Energy LP	Fuel
United Farmers of Alberta - Calgary	Fuel
Waddick Fuels	Fuel

Vehicle Rental and Transport

Altruck Idealease - Lease	Vehicle & Transport
Canada Transport Inc	Vehicle & Transport
CH Robinson Worldwide Inc - Toronto	Vehicle & Transport
Checker Flag Leasing Inc	Vehicle & Transport
Chill Chain Logistic	Vehicle & Transport
CTS Lease & Rental - Regina	Vehicle & Transport
CTS Lease & Rental - Winnipeg	Vehicle & Transport
Excellence Peterbilt Inc	Vehicle & Transport
Great West Truck Lease & Rentals Ltd	Vehicle & Transport
Harold North Trucking Ltd	Vehicle & Transport
Humberview Chevrolet	Vehicle & Transport
Inland Paclease	Vehicle & Transport
JDS Enterprizes Ltd	Vehicle & Transport
Kenworth Ontario PacLease	Vehicle & Transport
Little Rock Farm	Vehicle & Transport
M Kostluk Express Ltd	Vehicle & Transport
Maxim Rentals & Leasing	Vehicle & Transport
Mid-West Collision Division	Vehicle & Transport
Muirkirk Freight Services	Vehicle & Transport
Paccar Leasing Company Ltd	Vehicle & Transport
PAP Altruck Idealease	Vehicle & Transport
PAP CTS Lease	Vehicle & Transport
PAP Excellence Peterbilt Inc	Vehicle & Transport
PAP Inland Paclease	Vehicle & Transport
PAP Maxim Rentals	Vehicle & Transport
PAP MCAP Leasing Ltd	Vehicle & Transport
PAP Western Toronto Idealease	Vehicle & Transport
Penske Truck Leasing	Vehicle & Transport
R & B Distribution	Vehicle & Transport
Randy Smith	Vehicle & Transport
Ryder Truck Rental Canada Ltd	Vehicle & Transport
S & S Forwarding Ltd	Vehicle & Transport
Tandet National Lease Ltd	Vehicle & Transport

Canadian Critical Supplier List

Feb 2012

Vendor Name	Vendor Type
Target Transport Ltd	Vehicle & Transport
Trans-Go Logistique Inc.	Vehicle & Transport
Vezina Assurances Inc	Vehicle & Transport
Western Toronto Idealease	Vehicle & Transport
Western Toronto International Trucks Inc	Vehicle & Transport

Inventory and Ice Storage Suppliers (including packaging)

2740-5364 Quebec Inc	Inventory
BlizzArt Sculpture Enr	Inventory
Bols De Foyer IGL Inc	Inventory
Canadian Gold Beverages Inc	Inventory
Canadian Paper & Packaging Co Inc	Inventory
Chep Equipment Pooling Systems	Inventory
Emballages Clef Inc	Inventory
Entrepot Frigorifique International Inc	Inventory
Hood Packaging Corporation	Inventory
Millard Refrigerated Services	Inventory
Millennium Flexible Packaging	Inventory
Mr Iceman Ltd	Inventory
Norampac	Inventory
NorCan Flexible Packaging Inc	Inventory
Praxair Distribution	Inventory
Trenton Cold Storage Inc	Inventory
Versacold Group Services ULC	Inventory
Versacold Logistics Canada Inc	Inventory

Professional Services (including staffing agencies and service providers)

CSM Driver Services Inc	Professional
CXA Recruiting	Professional
Discover Staffing Solutions Inc	Professional
Endeavour Personnel Ltd EPL	Professional
Entreprise MR 2000 Inc	Professional
J J Keller and Associates Inc	Professional
Pivotal Integrated HR Solutions	Professional
Promax	Professional
Randstad	Professional
Staff Right	Professional
Staffing Guys Inc, The	Professional

Equipment Providers

6108947 Manitoba Ltd	Equipment
Advanced Refrigeration HVAC Inc	Equipment

Canadian Critical Supplier List
Feb 2012

Vendor Name	Vendor Type
Alain Refrigeration Enr	Equipment
Arrow Specialites	Equipment
Atlantis Refrigeration Inc	Equipment
Corporate Express - Mississauga ON	Equipment
Descartes Systems Group Inc	Equipment
Entreprise J P Enr	Equipment
Excell Electrical Corporation	Equipment
Fixair Inc	Equipment
High Line Corporation	Equipment
Highjump Software Canada Inc	Equipment
Intercall	Equipment
Intermec Technologies Canada Ltd	Equipment
Johnsen Machine Company Ltd	Equipment
Leer Limited Partnership	Equipment
Master Group LP, The	Equipment
Microage - Winnipeg	Equipment
Microsoft Licensing GP	Equipment
Modern Ice	Equipment
OnX Enterprise Solutions Ltd	Equipment
PAP CIT Financial	Equipment
PAP CitiCorp Vendor Finance Ltd	Equipment
PAP Milne Office Systems	Equipment
PAP National Leasing	Equipment
PAP Standard Leasing	Equipment
Paperless Business Systems	Equipment
Polar Industries Ltd	Equipment
Prophet Business Group Ltd	Equipment
Quest Software Canada	Equipment
Ricoh Canada Inc	Equipment
RV Service Inc - St-Eustache	Equipment
Seccuris Inc	Equipment
Thermal Manufacturing Inc	Equipment
Tim Brown Refrigeration Services Ltd	Equipment
Turbo Images	Equipment
Xiotech Corporation	Equipment

EXHIBIT B

McMahon Affidavit

THE QUEEN'S BENCH

Winnipeg Centre

IN THE MATTER OF THE *COMPANIES' CREDITORS*
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PROPOSED PLAN
OF COMPROMISE OR ARRANGEMENT WITH RESPECT TO
ARCTIC GLACIER INCOME FUND, ARCTIC GLACIER INC., ARCTIC GLACIER
INTERNATIONAL INC. and the ADDITIONAL APPLICANTS LISTED ON SCHEDULE "A" HERETO
(collectively, the "APPLICANTS")

APPLICATION UNDER THE *COMPANIES' CREDITORS*
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED

**AFFIDAVIT OF KEITH MCMAHON,
SWORN FEBRUARY 21, 2012
(Initial Order Affidavit)**

DATE OF HEARING: WEDNESDAY, FEBRUARY 22, 2012 AT 11 A.M.
BEFORE THE HONOURABLE MADAM JUSTICE SPIVAK

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**AFFIDAVIT OF KEITH MCMAHON,
SWORN FEBRUARY 21, 2012
(Initial Order Affidavit)**

I, Keith McMahon, of the City of Winnipeg, in the Province of Manitoba, MAKE OATH
AND SAY:

1. I am the chief executive officer of Arctic Glacier Inc. ("**AGI**"), which is an Applicant in these proceedings. AGI is a wholly owned subsidiary of the Applicant Arctic Glacier Income Fund ("**AGIF**") and the parent company of Arctic Glacier International Inc. ("**AGII**"). I am a director of AGI and AGII and as such have personal knowledge of the facts to which I depose, except where I have indicated that I have obtained facts from other sources, in which case I believe those facts to be true. Unless otherwise described herein, copies of original documents attached and marked as exhibits hereto are true copies of the original documents. In this affidavit, I will refer to the Applicants (which term includes the Additional Applicants listed on Schedule "A" hereto (the "**Additional Applicants**")) and Glacier Valley Ice Company, L.P. ("**Glacier LP**") collectively as "**Arctic Glacier**" or the "**Arctic Glacier Parties**".

OVERVIEW

2. Arctic Glacier manufactures and distributes premium quality packaged ice products in Canada and the United States from 39 production plants and 47 distribution facilities across 6 provinces in Canada and 23 states in the United States, servicing more than 75,000 retail locations (the “**Business**”).
3. The Business’ operations are fully integrated throughout North America and are managed centrally from Arctic Glacier’s head office in Winnipeg, Manitoba (the “**Head Office**”). The Head Office is the “nerve centre” of the Business. All accounting functions, strategic decision-making, communications functions, marketing and pricing decisions, new business development initiatives, negotiation of material contracts and leases, acquisition of equipment and other key functions are managed centrally from the Head Office in Winnipeg. In addition, the secured debt to the Business was provided pursuant to certain loan agreements with the Applicants AGI and AGII as borrowers and the remaining Applicants and Glacier LP as guarantors.
4. The principal secured debt to the Business consists of the following:
 - (a) First Lien Debt under revolving and swing line facilities owing to CPPIB Credit Investments Inc. (“**CPPIB**”) and West Face Capital Inc. and related entities (“**WF**”)(together, the “**Lenders**”) pursuant to a Fourth Amended and Restated Loan Agreement dated February 10, 2010 (as amended and restated, the “**First Lien Credit Agreement**”, with amounts owing thereunder from time to time referred to herein as the “**First Lien Debt**” and obligations of the borrowers thereunder referred to as the “**First Lien Debt Obligations**”), which totals approximately C\$7,032,000 and US\$23,162,000 as set out in the demand delivered by the Lenders on February 21, 2012. AGI and AGII are borrowers and the remaining Applicants and Glacier LP are guarantors of the full amount of the First Lien Debt;
 - (b) Second Lien Debt provided by the Lenders pursuant to Canadian and U.S. non-revolving term loans provided pursuant to an agreement dated February 10, 2010 (as amended and restated, the “**Second Lien Credit Agreement**”, with amounts owing thereunder from time to time referred to herein as the “**Second Lien Debt**” and obligations of the borrowers thereunder referred to as the “**Second Lien Debt**”

Obligations”), which totals approximately C\$58,493,000 and US\$161,934,000 plus accrued expenses of C\$428,383 and US\$125,000 as set out in the demand delivered by the Lenders on February 21, 2012. AGI and AGII are borrowers and the remaining Applicants and Glacier LP are guarantors of the full amount of the Second Lien Debt; and,

- (c) A credit facility totalling US\$125,000 maintained by The Toronto-Dominion Bank (“**TD**”) reflecting a letter of credit previously issued under the First Lien Credit Agreement which remains outstanding (the “**TD LC Obligations**”). The TD LC Obligations are secured by a cash deposit held at an account at TD.

5. The Arctic Glacier Parties are insolvent because, as borrowers or guarantors, they are indebted to their secured creditors under certain loan agreements in an amount exceeding \$235 million (the “**Secured Indebtedness**”), they are in default of certain financial covenants thereunder, as described below, which they cannot cure, and, as a consequence of such defaults, the obligations of each Arctic Glacier Party to pay Secured Indebtedness have been accelerated, and the full amount of the Secured Indebtedness is now due and payable and has been demanded. The Arctic Glacier Parties cannot meet the accelerated payment demand.

6. Despite these financial covenant defaults, the Business remains viable, operates profitably (prior to considering current debt service and certain one-time, non-recurring costs), and generates strong cash flow, and Arctic Glacier continues to be a leading North American manufacturer and distributor of packaged ice. Arctic Glacier enjoys a leading market position in Canada and is the leading supplier of packaged ice in most of the markets it serves in the United States.

7. The members of the board of trustees that administers AGIF (the “**Trustees**”) believe that, properly marketed within the context of a transparent, result-oriented and court-sanctioned *Companies’ Creditors Arrangements Act* (Canada) (“**CCAA**”) sales process, the proceeds that could be generated through a sale of the Business may exceed the amounts owing to the Lenders and Arctic Glacier’s other creditors.

8. The Arctic Glacier Parties have filed this Application to seek the assistance of this Honourable Court and its approval of a marketing process for the Business. With the benefit of supervision by the Court and monitoring in accordance with the CCAA, the Arctic Glacier Parties believe that they will find a new owner who will (i) pay a price sufficient to satisfy the Secured Indebtedness, (ii) assume or satisfy all other creditor claims, or pay a price sufficient to enable the Arctic Glacier Parties to propose a compromise or arrangement of these debts, and (iii) carry on the Business profitably and for the benefit of all of its stakeholders.
9. Arctic Glacier has retained TD Securities Inc. (“**TDSI**”) to conduct the Sale and Investor Solicitation Process (“**SISP**”), which has been vetted with and approved by the Lenders and will be described in this Affidavit.
10. Arctic Glacier has retained Alvarez & Marsal Canada ULC as financial advisor to assist in its preparation for this Application. Alvarez & Marsal Canada Inc. (“**A&M**” or the “**Proposed Monitor**”) consents to its appointment as the monitor as required by the CCAA.
11. In addition, in consultation with the Lenders and A&M, AGI retained 7088418 Canada Inc. o/a Grandview Advisors (“**Grandview**”). AGI and Grandview agreed that Bruce Robertson, President and Chief Executive Officer of Grandview, will act as Chief Process Supervisor (“**CPS**”) to supervise the implementation of the SISP under and pursuant to the terms of an engagement agreement, a copy of which is attached hereto as **Exhibit ”A”**. Mr. Robertson will report to the special committee of trustees of AGIF (the “**Special Committee**”). The CPS is experienced in recapitalization and sale processes of this nature and I believe that the experience and expertise of the CPS will be helpful in carrying out the implementation of the SISP.

THE ARCTIC GLACIER PARTIES: AN OVERVIEW

12. AGIF is an unincorporated, open-end mutual fund trust, having its head office at 625 Henry Avenue, Winnipeg, Manitoba. AGIF trust units (“**Units**” held by “**Unitholders**”) were previously listed and publicly traded on the Toronto Stock Exchange (TSX) under the stock symbol “AG.UN”. From and after January 9, 2012, AGIF trust units have been listed and traded on the Canadian National Stock Exchange (CNSX) under the stock symbol “AG.UN”. I am advised by Joe Brennan of Shea Nerland Calnan LLP that the CNSX is a stock exchange regulated by the *Securities Act* (Ontario).

13. AGI is an Alberta corporation that is wholly owned by AGIF, having its head office at 625 Henry Avenue, Winnipeg, Manitoba. AGI owns and operates a packaged ice manufacturing and distribution business in Canada.

14. AGII is a wholly owned subsidiary of AGI and is a Delaware corporation that does not carry on an active business but is the direct or indirect holding company for the 27 Additional Applicants and Glacier LP. AGII's activities are entirely directed from the head office of Arctic Glacier in Winnipeg. It has no employees and it has no premises.

15. Each Additional Applicant is a corporation incorporated under the laws of one of the United States of America owned directly or indirectly by AGII. In addition, stay protection is requested for Glacier LP, a limited partnership whose general partner is the Additional Applicant, Mountain Water Ice Company. The Additional Applicants and Glacier LP are referred to herein as the "**Additional Arctic Parties**".

16. Attached hereto as **Exhibit "B"** is an organizational chart depicting the corporate structure of Arctic Glacier, including the Additional Arctic Parties. As set out further below, each of the Additional Arctic Parties is part of the integrated Arctic Glacier Business that is centrally managed from the Winnipeg Head Office, with key functions, systems and decision-making all conducted from Winnipeg.

17. Each Arctic Glacier Party has assets in Winnipeg, Manitoba. In the case of the Additional Arctic Parties, their main operating assets are in the United States but they hold bank accounts with funds on deposit in Winnipeg, Manitoba.

BACKGROUND

18. AGI is the largest producer of packaged ice in Canada, and the Additional Arctic Parties are the second largest producer of packaged ice in the United States. Arctic Glacier is the leading producer in most of the markets it serves.

19. In 2010, Arctic Glacier had sales of \$233.5 million and earnings before interest, taxes, depreciation and amortization ("**EBITDA**"), essentially "operating profits," of \$48.9 million. For

the first three quarters of 2011 ending September 30, 2011, Arctic Glacier had sales of \$201.5 million and EBITDA of \$44.7 million.

20. Arctic Glacier has a sound, viable and generally market-leading Business, which has and continues to generate operating profits and, in the past, was able to make significant cash distributions to its Unitholders. Since mid-2008, however, Arctic Glacier's financial performance has suffered from a variety of factors including: (i) substantial extraordinary costs and the negative effects of antitrust investigations and litigation; (ii) poor weather; and (iii) increased financing costs. These factors have resulted in deteriorating earnings and the market price for Units has dropped from a high of \$14.61/Unit in or about July 5, 2007 to the current trading price of \$0.04 per Unit.

21. The combined effect of (i) reduced sales volumes from unseasonably cool and wet spring weather in 2011 in most of Arctic Glacier's markets in Canada and the United States, which reduced demand for Arctic Glacier's products, (ii), lower than expected profits from its California operations, and (iii) increased costs related primarily to debt servicing and litigation matters, resulted in Arctic Glacier breaching certain financial covenants in its credit facilities as at June 30, 2011 (the "**Covenant Defaults**") under both the First Lien Credit Agreement and the Second Lien Credit Agreement. The Covenant Defaults included breaches of the covenants governing maximum leverage ratio, interest coverage ratio, fixed charge coverage ratio and minimum EBITDA levels.

22. The EBITDA default resulted from Arctic Glacier's failure to maintain the \$45 million covenant threshold set by its loan agreements for trailing EBITDA for the 12 month period beginning July 1, 2010 and ending on June 30, 2011. The actual EBITDA was short of this covenant threshold by approximately \$2.1 million.

23. At the request of Arctic Glacier, on July 29, 2011, the Covenant Defaults were temporarily waived by each of the Former First Lien Lenders (as defined herein) and the Second Lien Lenders until September 1, 2011. An extension was granted on August 31, 2011, extending the waiver to September 9, 2011.

24. On July 31, 2011, Arctic Glacier was required to either repay in cash or repay by way of conversion into Units, holders of 6.50% extendible convertible unsecured subordinated debentures (the “**Convertible Debentures**”). Arctic Glacier was unable to refinance the Convertible Debentures and exercised its right as at July 31, 2011 to convert \$90.4 million of convertible debenture debt into new Units. The result was that Arctic Glacier’s balance sheet was significantly de-levered, but Units held by Unitholders prior to the conversion were diluted by approximately 90%, down to approximately 10% of AGIF.

25. On September 10, 2011, after the expiry of the temporary waiver, the Second Lien Lenders served notice of default regarding the Covenant Defaults.

26. Following the receipt of the notice of default received from the Second Lien Lenders, the Former First Lien Lenders (defined below) served notices of default (the “**Notices of Default**”) on September 13th, 2011 regarding the Covenant Defaults and, on September 16, 2011, capped availability of operating credits provided by the revolving credit facility under the First Lien Credit Agreement at the amount of the Secured Indebtedness then owing under the First Lien Credit Agreement.

27. The Notices of Default also provided that no payments could be made by Arctic Glacier on account of interest under its Second Lien Credit Agreement during the pendency of the Covenant Defaults. Until September, 2011 and the delivery of the Notices of Default, Arctic Glacier had not missed any required loan payments and there had been no payment defaults in respect of the Secured Indebtedness. Since the delivery of the Notices of Default Arctic Glacier has not paid interest on account of the Secured Indebtedness accruing under its Second Lien Credit Agreement. Although the payment block ceased to have any effect on December 14, 2011, when the First Lien Credit Facility was assigned to the Second Lien Lenders (discussed below), the suspension of interest payments on the Second Lien Credit Facility has continued.

28. As set out below, Arctic Glacier’s Lenders under the Second Lien Credit Agreement obtained an assignment of the rights and security of the Lenders under the First Lien Credit Agreement in December, 2011. Consequently, CPPIB and WF are the sole Lenders to Arctic Glacier in respect of all its Secured Indebtedness aside from the TD LC Obligations.

29. On February 21, 2012, the Lenders accelerated and demanded payment of the Secured Indebtedness, in the amount of approximately C\$65,525,000 and US\$185,096,00, including principal of C\$58,115,000 and US\$164,505,000, accrued and unpaid interest of C\$3,832,000 and US\$10,686,000 and pre-payment penalty of C\$3,578,000 and US\$9,905,000. The Lenders also claim accrued expenses of C\$428,000 and US\$125,000. The Applicants and Glacier LP are unable to pay the Secured Indebtedness in accordance with the demand and are insolvent.

The Strategic Review Process

30. In September, 2010, Arctic Glacier retained TDSI as its financial advisor to conduct a broad process (the “**Strategic Review Process**”) seeking a refinancing or sale of the Business that would permit Arctic Glacier (i) to repay the Secured Indebtedness and the convertible debentures and (ii) recapitalize its business so that it could compete effectively across North America. The Strategic Review Process was conducted under the direction of a Special Committee of Trustees of AGIF chaired by Mr. Gary Filmon.

31. In the course of the Strategic Review Process, a total of 65 parties signed confidentiality agreements and all but 1 of those parties received the confidential information memorandum prepared by TDSI for the Strategic Review Process. Of those, 16 submitted non-binding proposals for a refinancing or sale transaction. Other potential purchasers withdrew their interest or decided not to participate further. Among various concerns expressed by such potential purchasers were concerns about and uncertainty surrounding litigation claims asserted against Arctic Glacier which, at the time, had not been settled. These litigation claims arose from incidents investigated by the U.S. Department of Justice Antitrust Division (the “**DOJ**”) regarding alleged anti-competitive activities. As described further below beginning at paragraph 101, AGII entered into a plea agreement with the DOJ on October 13, 2009 in relation to the DOJ allegations whereby AGII pleaded guilty to one charge of market allocation in southeast Michigan and agreed to pay a US\$9 million fine in instalments over 5 years. Litigation claims relating to the same incidents arose in Canada and the U.S. following the DOJ plea agreement. While these claims and the uncertainty related thereto were a concern at the time of the Strategic Review Process, significant progress has been made in settling claims arising in such litigation since that time, as described below.

32. Beginning in May, 2011, Arctic Glacier began intensive negotiations of a transaction with one party that had submitted an expression of interest in the Strategic Review Process. The proposed transaction would have involved a refinancing of Arctic Glacier's business (the "**Strategic Transaction**"). The Strategic Transaction would have satisfied all creditor claims, would have provided value to the Unitholders and would have permitted the Business to carry on in the usual course.

33. The negotiation of the Strategic Transaction was interrupted in June, 2011 when it became apparent that reductions in revenue from operations due to unseasonably cool and wet weather and margin shortfalls in certain of Arctic Glacier's markets would cause Arctic Glacier to breach financial covenants to the Lenders. Facing the risk of default, Arctic Glacier focused its attention on addressing its financial reporting obligations and on obtaining a temporary waiver of the financial covenant defaults, and so suspended negotiation of the Strategic Transaction terms.

34. It also became apparent that Arctic Glacier would not have sufficient cash available to redeem the \$90.4 million of convertible debentures that matured on July 31, 2011. In July, the Trustees of AGIF authorized the conversion of the convertible debentures to units of AGIF in accordance with the terms of the debentures.

35. After Arctic Glacier had dealt with the crises related to the risk of financial default and the conversion of debenture debt, it resumed negotiation of the terms of the Strategic Transaction in August, 2011.

The 'Concerned Unitholders'

36. While the negotiation of the Strategic Transaction continued, the Trustees received correspondence from Coliseum Capital Management LLC (New York) and Talamod Asset Management, LLC (the "**Concerned Unitholders**"), who apparently held units totalling approximately 16% of the units of AGIF outstanding after the conversion of the convertible debentures.

37. In essence, the Concerned Unitholders expressed their belief that, because of the dilution caused by the conversion of \$90.4 million of debentures for Units, representing about 90% of the

equity of AGIF, the existing Trustees did not have a mandate to manage the Business and it was necessary that a meeting of Unitholders be called to appoint a new board of Trustees and to address the serious issues facing Arctic Glacier caused by the Covenant Defaults.

38. AGIF called its annual meeting of Unitholders for October 17, 2011. Further, following meetings and correspondence with the Concerned Unitholders, a settlement was reached whereby they agreed that they would not seek to replace the entire board of Trustees if a transaction satisfactory to the Concerned Unitholders was announced prior to the annual meeting of AGIF. This settlement was extended on October 16, 2011 for five days pursuant to an agreement that required AGIF to announce a transaction satisfactory to the Concerned Unitholders on or before 5:00 PM on Central Time on Friday, October 21, 2011. In addition, AGIF agreed that I would be appointed as an interim Trustee and that I would resign from that position upon the appointment of two nominees of the Concerned Unitholders as Trustees of the Fund. Attached hereto as **Exhibit "C"** is a copy of the news release issued in relation to the settlement.

39. On October 21, 2011 the Concerned Unitholders and AGIF entered into a further agreement whereby the settlement as previously described was amended and restricted so as to provide the Concerned Unitholders with a right exercisable until June 30, 2012, upon notice, to appoint up to two individuals to serve as Trustees and up to two individuals to serve as Directors of AGI. It was further agreed that I would resign as a Trustee effective as of October 21, 2011, which I did. Attached hereto as **Exhibit "D"** is a copy of the news release issued in relation to the revised settlement.

The Strategic Transaction Does Not Proceed

40. During August and September, 2011, concurrently with its negotiations with the Concerned Unitholders, Arctic Glacier resumed and continued negotiation of the Strategic Transaction while protected from action by its Lenders by virtue of a temporary waiver of the Covenant Defaults.

41. In keeping with its desire to gain the support of the Concerned Unitholders and announce the Strategic Transaction prior to the annual general meeting of AGIF, Arctic Glacier entered

into intensive and comprehensive negotiations of agreements to implement the Strategic Transaction.

42. In late September, with the Strategic Transaction substantially negotiated, AGIF and its advisors met with the Concerned Unitholders and the other party to the Strategic Transaction to obtain the support of the Concerned Unitholders.

43. The Concerned Unitholders required amendments to the Strategic Transaction as a condition of their support. The amendments required AGIF to raise equity capital through a rights offering of \$30 million backstopped by the Concerned Unitholders, which would, on completion of the Strategic Transaction, entitle Unitholders to receive a larger share of the new company. In addition, without bridge financing from the Lenders to closing, Arctic Glacier was required to arrange alternative financing to repay the Lenders immediately rather than on closing of the Strategic Transaction.

44. From September 27 to October 18, 2011, Arctic Glacier and its advisors and counsel worked feverishly in an effort to complete an entire refinancing of the Business through the combined proceeds of new secured loans and bridge loans from the Concerned Unitholders and others.

45. Despite the extraordinary effort of all parties, negotiations of the Strategic Transaction and the associated financing were halted on or about October 18, 2011 because the Concerned Unitholders withdrew their support for the Strategic Transaction due to concerns relating to the financial status of the potential acquirer.

46. Because it was unable to complete the Strategic Transaction and the associated financing to pay out the Lenders, Arctic Glacier sought the cooperation of its Lenders in a consensual marketing process for the going concern sale of the Business.

NEED FOR CCAA PROTECTION

47. Since it is publicly traded, AGIF has publicly disclosed its financial performance, financial statements and defaults. In contrast to the public disclosure of Arctic Glacier's challenges, the efforts of the Trustees and management to address these challenges has

necessarily been kept confidential because they involved sensitive negotiations of the Strategic Transaction and related refinancing efforts.

48. Through my first-hand involvement in the Strategic Review Process, I believe that a going concern sale or refinancing of the Business is likely if the Business were offered for sale in an organized and transparent way in the context of a CCAA process. My view that a going concern sale or refinancing of the Business is likely is confirmed by: (i) the receipt of unsolicited expressions of interest submitted to TDSI as our Financial Advisor after AGIF publicly announced that it was working cooperatively with the Lenders; (ii) the Lenders' support of the process through the provision of DIP financing; and (iii) the fact that the Lenders have reserved their right to make, and have expressed their serious interest in making, a credit bid to purchase the Business if a Qualified Bid is not received as part of the SISP.

49. The Court's assistance under the auspices of the CCAA is critical for an outcome that maximizes value and provides for the continued operation of the Business as a going concern. Under the CCAA, the court may consider, and if appropriate, approve the SISP. Further, the Court may ensure the fair working out of the process by authorizing and instructing the monitor appointed under the CCAA to supervise its implementation of the SISP.

50. In addition to ensuring a fair, effective and transparent process for the sale of the Business as a going concern, court supervision under the CCAA may reverse the detrimental effect on the Business of the uncertainty caused by the Covenant Defaults. We believe that this consensual application for relief under the CCAA, coupled with the public support of the Lenders for and the court supervision of the SISP, will alleviate the cloud of uncertainty in the marketplace caused by the Covenant Defaults.

51. In addition, the "cloud of uncertainty" has resulted in a steady and increasing loss of experienced employees, which has been and is detrimental to the success of the Business. We believe that the relative certainty of continuity of Business operations introduced by a sales process operated within the CCAA will be reassuring to our employees and help to alleviate the loss of employees.

52. Finally, because of the protracted but ultimately unsuccessful negotiation of the Strategic Transaction, it is necessary to mark the end of the Strategic Review Process that is now “stale”, and begin a restructuring process that can reset marketing parameters. These steps are necessary to generate fresh interest in a refinancing or sale solution for Arctic Glacier.

53. As the cash flow projections (attached and described below) demonstrate, Arctic Glacier requires interim financing to provide sufficient working capital to fund Business operations. The Lenders have advised Arctic Glacier that they will not increase loan advances to Arctic Glacier without a CCAA process in place and the protection afforded to fresh advances by a court-ordered DIP lending charge. Accordingly, if CCAA protection is not granted as requested, including with the interim financing proposed, Arctic Glacier faces a liquidity crisis that will thwart efforts to identify sale or investment options that maximize value and provide for the continued operation of the Business as a going concern. The CCAA process, interim financing and proposed SISP, on the other hand, will allow for a fair and structured process to take place that will offer the best opportunity for the successful continuation of the Business to optimize the benefit to stakeholders.

THE HISTORY OF ARCTIC GLACIER AND THE BUSINESS

Arctic Glacier's Business

54. Arctic Glacier was founded in 1996 as “The Arctic Group Inc.”, which was later reorganized into AGIF, an income trust, described further below. Since being founded in 1996, the Business has grown significantly, both organically and through an aggressive acquisition strategy in the highly fragmented ice production and distribution industry. To date, Arctic Glacier has acquired 79 packaged ice businesses in Canada and the United States at a cost of US\$470 million. These acquisitions have allowed Arctic Glacier to leverage investments in infrastructure and brand development.

55. Packaged ice products, which represent approximately 94% of Arctic Glacier's sales, are marketed primarily under the “Arctic Glacier® Premium Ice” brand. Ancillary products such as bottled water, dry ice and others represent approximately 6% of sales.

56. The Business involves investment in plant and equipment to manufacture and store the ice products, and the development and operation of a distribution infrastructure, including refrigerated storage and distribution locations and trucks used to supply customers. It is generally not economical to transport product beyond 100 miles or a 2-hour driving radius, so multiple facilities are required to service larger regional markets.

57. Arctic Glacier has production capacity of 11,266 tons of ice per day and refrigerated storage capacity of 65,467 pallets of finished product, each pallet holding approximately one ton of packaged product.

58. The majority of Arctic Glacier's sales are to "resellers" such as supermarkets, mass merchants, convenience stores and gasoline outlets. Its customer base is well diversified, and includes large national and regional chains. Arctic Glacier has a loyal customer base and has, for example, done business with each of its top 10 customers for more than 15 years. For a vast majority of its customers, Arctic Glacier is the sole supplier of packaged ice at any given store location.

59. To expand into smaller markets, Arctic Glacier also licenses its trade names and proprietary technology to independently owned companies in Canada and the United States under 6 franchise and license agreements (5 in the United States and 1 in Canada).

60. The International Packaged Ice Association estimates that the U.S. and Canadian packaged ice market has annual retail sales in the range of \$3.6 billion and wholesale sales in the range of \$1.8 billion. The industry is generally highly fragmented with only three large, multi-regional operators, including Arctic Glacier, Reddy Ice Holdings Inc. and The Home City Ice Company, which combined represent an estimated 38% of the U.S. and Canadian packaged ice market.

61. Weather has a significant impact on consumer demand, and the Business is highly seasonal, with approximately 75% of sales generated between April and September each year.

62. Arctic Glacier presently employs approximately 929 regular, year round employees. Fluctuations in seasonal demand for packaged ice products result in fluctuations in employee levels. During the winter months, Arctic Glacier typically employs in the range of 1,000 regular,

year round employees, while the number of employees typically rises to more than 2,200 regular and seasonal employees during the peak months.

63. No employees are represented by unions or are subject to a collective bargaining agreement.

AGIF

64. "The Arctic Group Inc." was reorganized in 2002 into AGIF, an income trust, pursuant to a Declaration of Trust made as of January 22, 2002, which has been amended and restated from time to time. The settlement and administration of the Trust is presently governed by the Second Amended and Restated Declaration of Trust made as of December 6, 2004 (the "**Trust Declaration**"), a copy of which is attached hereto as **Exhibit "E"**.

65. AGIF qualifies as a "unit trust" and as a "mutual fund trust" pursuant to paragraph 108(2)(a) and section 132(6) of the *Income Tax Act (Canada)*. The Units were listed on the TSX until January 19, 2012 and are currently listed on the CNSX exchange. AGIF is therefore a "debtor company" within the meaning of the CCAA.

66. AGIF was established for the principal purpose of providing persons who became Unitholders with an equity interest in AGIF and, therefore, the opportunity to participate in the growth of the Business and in distributions of profits and excess cashflow.

67. Beneficial interests in AGIF are divided into interests of one class of trust Units. Each Unit has the same rights and privileges and represents an equal undivided interest in AGIF. Unitholders are beneficiaries of AGIF and their rights are those conferred upon them by the Trust Declaration. All Units entitle the holder to one vote per Unit at all meetings of Unitholders, and to participate *pro rata* in any distributions by AGIF and in the net assets of AGIF upon winding up.

68. There are presently 350,318,387 Units issued and outstanding.

69. To the best of my knowledge, the Units are generally widely held, and no person, corporation or other entity beneficially owns, directly or indirectly, or controls or directs more

than 10 % of issued and outstanding Units of AGIF, except Coliseum Capital Management LLC (New York) and Fort Hoosac Management LLC (New York).

70. AGIF is administered by a Board of Trustees, presently comprised of Gary A. Filmon, James E. Clark (Chairman) and David R. Swaine, each of whom is a holder of Units and is also a member of the Board of Directors of AGI. For their services, Trustees are entitled to receive certain fees and receive reimbursement of certain expenses. AGIF is current with respect to such fees and expenses and expects that these amounts will be relatively nominal during the CCAA process.

71. AGIF has no employees, and has little or no trade or general credit but has certain obligations to the Trustees, members of the board of directors of AGI and key employees of AGI and its subsidiaries pursuant to a certain Option Plan (the “**Option Plan**”). AGIF also has obligations in relation to a certain Long Term Incentive Plan (“**LTIP**”) also offered by AGIF, which makes performance-based awards of Units to officers and key employees of AGI. AGIF earns a guarantee fee from AGII to compensate for the secured guarantees given by AGIF in favour of the Lenders.

72. AGIF has received funds from the subscription for Units and has invested those funds in shares of AGI. Presently, AGIF is the holder of 58,669,070.5524 common shares of AGI (the “**AGI Shares**”), being all of the issued and outstanding capital stock of AGI.

73. The key assets of AGIF are the AGI Shares.

74. The principal liabilities of AGIF are its contingent liabilities pursuant to secured guarantees given by AGIF in favour of the Lenders, all as more particularly described below. There is non-interest bearing current intercompany debt at any given point in time to account for movement of cash between companies, as described further below.

75. Up to and including September, 2008, AGIF had been making monthly distributions of cash to Unitholders. To conserve cash, to reduce debt, and to address other underlying business conditions that were then affecting the price at which Units were trading, the Trustees suspended payment of distributions to Unitholders on September 16, 2008. No distributions have been paid since then.

AGI

76. AGI is a corporation that is wholly owned by AGIF. In addition to owning all of the issued and outstanding shares of AGII, AGI is the operating company that owns the Canadian portion of the Business, which represents approximately 20% of Arctic Glacier's total sales. AGI also provides head office, executive and certain key centralized functions for all of Arctic Glacier.

77. AGI has its head office at 625 Henry Ave., Winnipeg, Manitoba, and has distribution centres in all of Canada's provinces except Newfoundland, Prince Edward Island, Nova Scotia and New Brunswick. It has approximately 210 employees year-round with its employee ranks swelling to more than 400 in the busy summer months. AGI operates a fleet of 44 trucks year round increasing to 55 through short-term rentals in the summer.

78. AGI's current directors and officers are as follows:

Directors:

James E. Clarke
Gary A. Filmon
David R. Swaine
Richard L. Johnson
Keith W. McMahon

Officers:

President and Chief Executive Officer	Keith W. McMahon
Chief Financial Officer	Douglas Bailey
Corporate Secretary	Hugh Adams

79. Each of the AGI officers and employees described in the list attached hereto as **Exhibit "F"** (the "**Key Employees**") is skilled with readily marketable skills, has considerable industry experience and is very knowledgeable about Arctic Glacier and its challenges and is vital to a restructuring. I believe that they are truly key employees and that it is in the best interests of Arctic Glacier and its stakeholders to secure the employment of the Key Employees during the restructuring contemplated by this Application, and provide certain incentives and inducements to them to do so, in accordance with the Key Employee Retention Plan (the "**KERP**"). The total

amount of the KERP payments to all Key Employees is approximately C\$2,600,000. Since the KERP retention payments to individual Key Employees is sensitive information, the KERP is attached hereto as **Confidential Exhibit "1"** and described further below beginning at paragraph 177.

80. AGI operates production and distribution facilities at eight owned (the "**Canadian Owned Properties**") and four leased (the "**Canadian Leased Properties**") locations in Canada.

81. All of the Canadian Owned Properties are legally and beneficially owned by AGI. Attached hereto as **Exhibit "G"** is a list of the Canadian Owned Properties, identifying civic addresses, legal descriptions, building descriptions and uses for each of the Canadian Owned Properties.

82. AGI is the tenant of each of the Canadian Leased Properties. Attached hereto as **Exhibit "H"** is a list of the Canadian Leased Properties, identifying civic addresses, landlords, lease expiry dates, uses and other information relating to the Canadian Leased Properties.

83. AGI's principal assets include AGI's undertaking and its interests in the following:

- (a) the Canadian Owned Properties and the Canadian Leased Properties,
- (b) substantial equipment in Canada, including ice manufacturing and refrigerated storage equipment located variously at its business premises in Canada, a year-round fleet of approximately 44 refrigerated vehicles (1 owned, 43 leased), and approximately 15,000 stand-alone merchandizing freezer units installed at customer locations.
- (c) accounts receivable, in the amount of approximately C\$2,345,397 as at December 31, 2011,
- (d) inventory and prepaid expenses,
- (e) intercompany amounts owed to it by AGII, and
- (f) shareholdings of AGII.

84. AGI's principal liabilities include its liabilities for the following:

- (a) the Secured Indebtedness to the Lenders and the TD LC Obligations,
- (b) lease obligations for the Canadian Leased Properties, in the total monthly amount of approximately C\$27,607,
- (c) equipment lease and financing obligations, in the total monthly amount of approximately C\$84,089,
- (d) payment of amounts owing to Canadian unsecured creditors and suppliers, which totalled approximately C\$85,335 as at February 15, 2012, excluding professionals, which amount is typical of AGI's monthly general creditor and supplier obligations at this time of the year;
- (e) utility costs, primarily for the supply of electricity to production and distribution facilities in Canada, in the total monthly amount of approximately C\$182,992, and
- (f) the Canadian Retail Settlement (as defined and described below).

85. AGI is generally current in the payment of its lease obligations for the Canadian Leased Properties, and is generally current (within 7-30 days) in payment of its equipment financing, utility and general creditor and supplier debts. AGI intends to continue to pay these amounts, including pre-filing amounts, during the CCAA proceedings, with payment to the Canadian Critical Suppliers (defined below in paragraph 112) to be made on terms and conditions that are consistent with existing arrangements and past practises as set out below.

86. AGI (and AGII) have obligations for expenses incurred by Macquarie Bank Limited in relation to an aborted attempt to establish a bridge lending facility in relation to the Strategic Transaction described above. AGI and AGII have received invoices totalling approximately \$450,000 for professional fees and expenses in relation thereto (the "**Macquarie Expenses**"). AGI and AGII have not paid these amounts as they did not have available resources to do so and also meet ongoing obligations. AGI and AGII do not intend to pay these amounts during these proceedings and where I refer herein to an intention to pay pre-filing amounts, that does not include the Macquarie Expenses.

87. AGI has obligations to certain of its directors, officers and key employees under the Option Plan and the LTIP. There are no registered pension plans for employees or former employees of AGI. AGI has 3 post-retirement benefit agreements: one self-insured death benefit payable by AGI to the wife of Keith Corbin, one agreement to provide post-retirement life and health benefits to Robert Nagy and his wife; and one retirement allowance payable by AGI to Robert Nagy quarterly in arrears.

88. AGI also has obligations to make contributions or premium payments in relation to a Canadian group retirement plan (RRSP/DPSP), a Canadian health plan, a long-term disability plan, and a group life insurance plan. AGI is presently current in making these payments and contributions, which total approximately \$83,122 per month. There is also a management incentive plan paid once per year by AGI in May. AGI intends to continue to pay these amounts during the CCAA proceedings.

AGII

89. AGII is a wholly owned subsidiary of AGI and the direct or indirect holding company for the Additional Arctic Parties. AGII is a holding company only. AGII is incorporated in Delaware and has its registered office in Delaware (which is the office of a registered agent). AGII does not carry on an active business, it has no employees and it has no premises. Its activities are entirely directed from head office of Arctic Glacier in Winnipeg. AGII does hold a bank account in which deposits from the Additional Arctic Parties are swept and from which various disbursements are paid, as outlined at paragraphs 153 to 156, below.

90. AGII's principal assets are shares in certain of the AGII Subsidiaries, which have been pledged in favour of the Lenders and are physically located in Canada, a bank account at Wells Fargo Commercial Bank, St. Paul, Minnesota, and intercompany amounts owed by certain of the AGII Subsidiaries.

91. AGII's principal liabilities are its obligations to the Lenders, intercompany amounts outstanding to AGI, and payments in respect of the U.S. Direct Purchaser Settlement Payment and the DOJ Settlement (each as defined below).

The Additional Arctic Parties

92. Arctic Glacier's Business in the United States is conducted by the Additional Arctic Parties based on location, service region and the historical connections of an Additional Arctic Party to its customer base, overall representing approximately 80% of Arctic Glacier's total sales. Executive and key administrative functions of the Additional Arctic Parties are generally centralized and provided by AGI and local management reports directly or indirectly to the Head Office in Winnipeg.

93. The Additional Arctic Parties carry on business in 23 states in the Northeast, Northwest, Central and Western United States, from 27 owned ("**U.S. Owned Properties**") and 47 leased ("**U.S. Leased Properties**") locations described in **Exhibits "I" and "J"** respectively, attached hereto.

94. The assets and liabilities of the Additional Arctic Parties are similar in nature, although differing in amount, to those of AGI.

95. The Additional Arctic Parties are generally current in the payment of their lease obligations for the U.S. Leased Properties, and are generally current (within 7-30 days) in payment of its equipment financing, utility and general creditor and supplier debts. The Additional Arctic Parties intend to continue to pay these amounts, including pre-filing amounts, during the CCAA proceedings.

96. The Additional Arctic Parties presently employ approximately 748 regular, year round employees and 124 seasonal employees. During the winter months, the Additional Arctic Parties typically employ in the range of 760 regular, year round and 157 seasonal employees, while the number of employees typically rises to more than 769 regular, year round and 861 seasonal employees during the peak months. All employees of the Additional Arctic Parties are paid by Arctic Glacier Services Inc., a special purpose "payroll company", which is a subsidiary of AGII and is one of the Additional Applicants.

97. The directors of each Additional Applicant are Keith McMahon, David Potter and Richard Johnson. The Corporate Secretary for each Additional Applicant is Hugh Adams.

98. Glacier LP, for which stay protection is requested in the draft initial order, is a limited partnership whose limited partner is the Additional Applicant Arctic Glacier California Inc. and its General Partner is the Additional Applicant Mountain Water Ice Company. Glacier LP is part of the integrated Business and stay protection is required for it to prevent potential deterioration of the Business if Glacier LP were left exposed while the remaining Arctic Glacier entities were protected by a stay of proceedings.

99. While it is critical that an operation in the business of selling ice has locations within a reasonable distance of its key markets, including the key U.S. markets where the Additional Arctic Parties have owned or leased premises, Arctic Glacier is an integrated business that is centrally managed and operated from the Winnipeg Head Office. Among other things:

- (a) management of each of the Additional Arctic Parties reports, directly or indirectly, to Arctic Glacier management in the Winnipeg Head Office;
- (b) all key strategic and operating decisions in respect of the Additional Arctic Parties are made by Arctic Glacier management in Winnipeg;
- (c) leases for each of the premises in which the Additional Arctic Parties manufacture product for delivery in their region are negotiated from the Head Office in Winnipeg;
- (d) acquisition of the equipment located in such leased premises was negotiated by AGI;
- (e) all material contracts required for the operation of the local business by each Additional Arctic Party, including trucking contracts and supply of bags are negotiated and arranged by management from Winnipeg. Trucking leases are typically negotiated under supervision of the Winnipeg Head office; the contract for supply of bags is negotiated by the Winnipeg Head Office and is a contract between the bag supplier and AGI to supply the entire Business;
- (f) all accounting functions, including the Additional Arctic Parties' tax and cash management functions, are managed from the Winnipeg Head Office and local finance staff of the Additional Arctic Parties report to senior finance management in Winnipeg;

- (g) the Secured Indebtedness that provides funding to the Business, and that has AGI and AGII as the borrowers and the Additional Arctic Parties as guarantors, was negotiated and arranged by management from Winnipeg;
- (h) the Additional Arctic Parties' human resources functions are managed from Winnipeg and all local human resources staff report to the Winnipeg Head Office;
- (i) acquisition opportunities and transactions are identified and completed solely by senior management in the Head Office;
- (j) management of payroll functions for Canada and the U.S. is handled from the Winnipeg Head Office;
- (k) the Additional Arctic Parties' information technology and systems are directed from the Winnipeg Head Office;
- (l) all of the Additional Arctic Parties' public company reporting and investor relations are directed from Winnipeg;
- (m) pricing decisions, new business development initiatives and insurance matters are managed from the Winnipeg Head Office;
- (n) sales activities are managed by individuals who report to the Winnipeg Head Office;
and
- (o) management of accounts receivable and accounts payable is handled from the Winnipeg Head Office.

100. If the relief requested by the Arctic Glacier Parties is granted, it is the intention of the Arctic Glacier Parties to seek recognition of the CCAA Order in the U.S. for AGII and the Additional Arctic Parties under Chapter 15 of the U.S. Bankruptcy Code to obtain protection for those entities, including stay protection in the U.S.

ANTITRUST INVESTIGATION AND LITIGATION

101. Since 2008, Arctic Glacier has been the subject of certain U.S. antitrust investigations and charges, and certain significant civil actions in the U.S. and Canada arising from the same or similar allegations, the most critical of which have been settled or (with respect to certain state attorney general investigations) have been dormant for some time. Arctic Glacier has incurred approximately \$42 million in costs related to these matters including \$23.5 million in settlement expenses since March, 2008, which has had a very significant negative impact on Arctic Glacier's financial performance.

Significant U.S. Litigation Matters

102. In March, 2008, Arctic Glacier became aware of an investigation by the DOJ into possible antitrust violations in the US packaged ice industry (the "**DOJ Antitrust Investigation**").

103. On October 13, 2009, AGII and the DOJ entered into a plea agreement and AGII pleaded guilty to one charge of market allocation in southeast Michigan, agreeing to pay a US\$9 million fine in instalments over 5 years, thereby settling all charges (the "**DOJ Settlement**"). This plea agreement was accepted by the US District Court on February 11, 2010, concluding the antitrust investigation as it related to Arctic Glacier. These terms have been reflected in a probation agreement (the "**Probation Agreement**"). To date, Arctic Glacier has paid two instalments towards the fine: US\$ 1 million on each of March 5, 2010 and March 3, 2011. The next instalment of US\$ 1.5 Million is due March 3, 2012. Attached hereto as **Exhibits "K"** and "**L**", respectively, are copies of the DOJ Settlement and the Probation Agreement.

104. There are other investigations in the U.S. as follows:

- (a) As a result of the DOJ Antitrust Investigation, on November 25, 2008, the DOJ Civil Division advised Arctic Glacier of the commencement of a civil investigation of the packaged ice industry under the U.S. Federal False Claims Act, to determine if the U.S. federal government had been overcharged in its purchases of packaged ice. Arctic Glacier provided all requested information. On March 21, 2011, the DOJ Civil Division advised that its investigation was closed and no action would be taken;

- (b) Subsequent to the announcement of the DOJ Antitrust Investigation, the states of Florida and Arizona initiated investigations into the Arctic Glacier subsidiaries operating in their jurisdictions, and 17 other state jurisdictions have signed information sharing agreements with the Florida Attorney General to review and share information. Arctic Glacier has provided all requested information. On September 10, 2010, one of the Additional Applicants settled with the Michigan Attorney General for US\$350,000, with no admission of liability, which amount was fully paid in 2010. The other state investigations have been dormant for approximately the past 22 months.

105. Following the announcement of the DOJ Antitrust Investigation, a number of civil lawsuits (the “**U.S. Civil Class Actions**”) were filed by and on behalf of direct and indirect purchasers of Arctic Glacier products, alleging violations of U.S. federal antitrust laws. The U.S. Civil Class Actions were thereafter ordered to be transferred and consolidated for pre-trial proceedings in the U.S. District Court for the Eastern District of Michigan (the “**District Court**”).

- (a) With respect to direct purchasers: On March 30, 2011, without admitting liability, Arctic Glacier defendants, AGIF, AGI and AGII, reached an agreement to settle the direct purchaser class actions by payment of US\$12.5 million by such defendants (the “**U.S. Direct Purchaser Settlement Payment**”). The first instalment in the amount of US\$2.5 million was paid August 4, 2011, with the balance of US\$10 million to be paid after final District Court approval of the said settlement. The settlement received final court approval on December 13, 2011 and the final payment of US\$10 million is due on April 2, 2012. Attached hereto as **Exhibit “M”** is a copy of the U.S. Civil Antitrust Settlement Agreement. Attached hereto as **Exhibit “N”** is a copy of the District Court order approving the settlement.
- (b) With respect to indirect purchasers: On March 11, 2011, and December 12, 2011, the District Court granted the defendants' motions dismissing the state law claims brought by the indirect purchasers in the multi-district litigation pending in the Eastern District of Michigan except under the state laws of Michigan, New York, Wisconsin,

California, Nevada, and Maine. In 2011, a relatively limited number of additional indirect purchasers commenced actions in other states and defendants had those cases transferred to the Michigan proceedings. The District Court's December 12, 2011 order, along with another order entered by the court on January 3, 2012, introduced some ambiguity into the status of this class action. In the short term, these orders have led to new indirect purchaser lawsuits being filed in North Carolina, Iowa, Minnesota, Massachusetts, Nebraska, Arizona, New Mexico and Mississippi on behalf of alleged indirect purchasers whose previously filed claims were dismissed for procedural defects. There may very well be further complaints filed in additional states. Most of these cases have been transferred to the Michigan indirect purchaser proceedings and Arctic Glacier is working with US litigation counsel to transfer the remaining matters.

106. Arctic Glacier is unable to predict the timeline or final outcome of the remaining U.S. lawsuits and state investigations, or any potential effects these may have on Arctic Glacier or its operations.

107. Arctic Glacier has addressed other miscellaneous actions in the U.S., which have either been resolved for a small settlement without admission of liability or have been dismissed or are dormant.

Significant Canadian Litigation Matters

108. Four civil actions were commenced in Alberta and Ontario in 2009 and 2010, by two law firms working together, making substantially similar allegations of anticompetitive behaviour against AGI and others on behalf of proposed classes of retail purchasers. Only one action moved forward, in Ontario. On May 4, 2011, AGIF announced an arrangement to settle all four actions; it was agreed that three of the actions would be discontinued, while an agreement was to be placed before the Ontario Superior Court in the fourth action for approval of a settlement requiring a payment by AGI of the total sum of C\$2 million (the "**Canadian Retail Settlement**"). To date, no formal settlement agreement to this effect has been executed or approved by the Court.

109. On October 24, 2008 a civil action was commenced in the Ontario Superior Court (the “**Ontario Securities Class Action**”), representing a proposed class of people or entities that acquired Units between March 13, 2002 and September 16, 2008, alleging that AGIF, its trustees, AGI and its directors and certain officers failed to make full and timely disclosure. On March 1, 2011, the plaintiffs obtained an Order: (i) granting leave to amend the claim to add a statutory cause of action for secondary market misrepresentation, and to add two former officers of AGI as additional defendants; and (ii) certifying the action as a class proceeding. The Arctic Glacier defendants sought leave to appeal that Order, which was argued over two days in late September 2011 in the Ontario Superior Court. On February 1, 2012 Arctic Glacier was granted leave to appeal significant legal issues underlying the plaintiffs' common law claims, and to appeal the certification of the action as a class proceeding. On February 2, an agreement was reached, through mediation, to settle the action at a total cost of \$13.75 million, including compensation to class members and legal fees. The settlement figure will be paid in full by the insurers of AGI's officers and directors named as defendants. The settlement is subject to Court approval and a motion is expected to be brought in the first or second quarter of 2012.

SUPPLIERS

110. Arctic Glacier has a concentrated number of suppliers who supply products or services that are crucial to the operation of the Business. This includes suppliers of utilities (such as water and electricity) and fuel, refrigeration repair and maintenance, vehicle and equipment suppliers, and suppliers of bags and trucking services. Given the nature of Arctic Glacier's business, the ongoing and uninterrupted availability of these supplies and services is essential to the continued operation of the Business.

111. Arctic Glacier also has critical relationships with distributors (which are independent third party companies that deliver Arctic Glacier product, produced in an Arctic Glacier facility, to either their own customers or Arctic Glacier customers) and co-packers (which are independent third party ice manufacturing and distribution companies with which Arctic Glacier contracts to supply Arctic Glacier customers in areas that Arctic Glacier does not supply from an Arctic Glacier manufacturing facility. For example, Arctic Glacier has contracts with national chain stores, and in certain regions where a national chain store operates that Arctic Glacier cannot practically supply from one of its manufacturing facilities, Arctic Glacier arranges with a

co-packer to supply the national chain store (Arctic Glacier's customer) with ice produced in the co-packer's facility) (a "**Co-Packer**").

112. With the assistance of the proposed Monitor, Arctic Glacier has identified a number of Canadian suppliers that are critical to the ongoing operation of the Business. Those suppliers listed on **Exhibit "O"** hereto are critical to the operation of the Business (the "**Critical Suppliers**"). Since an interruption of supply by the Critical Suppliers could materially adversely affect the Business, cash flow, and ultimately the ability to identify sale or investment options that maximize value and provide for the continued operation of the Business as a going concern, the Arctic Glacier Parties seek an Order:

- (a) designating the Canadian Critical Suppliers as critical suppliers;
- (b) requiring the Critical Suppliers to continue to supply AGI with goods and/or services on terms and conditions that are consistent with existing arrangements and past practices, as may be amended by the payment terms set forth in Schedule C to the proposed Order, and declaring that no Critical Supplier may require the payment of a deposit or the posting of any security in connection with the supply of goods and/or services to AGI after the date of the Order, if granted; and
- (c) granting a charge on the assets, property and undertaking of AGI in an amount equal to the value of the goods and services supplied by such Critical Supplier and received by AGI after the date of this Order less all amounts paid to such Critical Supplier in respect of such goods and services (the "**Critical Supplier Charge**"). The Critical Supplier Charge is proposed to have the priority set forth in paragraph 184 hereof.

113. The proposed Order, including the Critical Supplier Charge, Court supervision and monitoring in accordance with the CCAA are all important to provide clarity to these important suppliers, co-packers and distributors, and therefore stability to the Business to enable Arctic Glacier to continue to operate the Business in the usual course while taking steps to identify an appropriate purchaser of or investor in the Business.

ARCTIC GLACIER FINANCIAL POSITION

Cashflow and Funding of Operations

114. Arctic Glacier's access to its revolving credit facilities has been capped since September, 2011 when Notices of Default were issued by the Former First Lien Lenders. Since then, Arctic Glacier has been operating within the credit limit and, with the benefit of the cash flow generated by its busy summer season, has accumulated cash in the amount of \$10,164,743.54 as at close of business on February 16, 2012.

115. The Arctic Glacier Parties have prepared projections (the "**CCAA Projections**") with the assistance of A&M, which I have reviewed and believe to be reasonable, that provide the projected cash flow of Arctic Glacier on a weekly basis assuming the CCAA application is approved. The CCAA Projections disclose that the Arctic Glacier Parties expect to run out of cash to continue operations within 2 weeks unless additional funding is provided through a loan pursuant to the Interim Financing provisions of the CCAA (a "**DIP Loan**") and that, with the anticipated DIP Loan, described below, the Arctic Glacier Parties have sufficient working capital available to fund operations during these proceedings during the period February 22, 2012 to at least June 29, 2012. Attached hereto as **Exhibit "P"** is a copy of the CCAA Projections and a signed letter from Arctic Glacier to the Proposed Monitor setting out the prescribed representations regarding the preparation of the CCAA Projections.

116. The CCAA Projections are based on certain assumptions as more particularly described therein, but which include the following assumptions as part of Arctic Glacier's filing approach:

- (a) Arctic Glacier suppliers, utilities, landlords, equipment financiers and trade creditors generally will not be stayed and both pre-filing and post-filing obligations to such parties will be paid, with the Canadian Critical Suppliers paid on terms and conditions consistent with existing arrangements and past practise, as set out above. Since pre-filing obligations are relatively small (totalling approximately \$5,725,460) and there are thousands of such suppliers, payment of these pre-filing obligations is manageable and sensible. I believe paying pre-filing obligations is important to assist with continued normal course operation of the Business while steps are taken to identify an appropriate purchaser or investor;

- (b) payments under the DOJ Settlement, the Canadian Retail Settlement, and the U.S. Direct Purchaser Settlement Payment and in relation to certain parties not involved in normal course supply (including the Macquarie Expenses), will be stayed;
- (c) normal weather patterns will occur;
- (d) there will be no material operational restructuring undertaken and no lease or other material contract repudiations or resiliations; and
- (e) DIP interest and other commitment obligations, and interest and commitment obligations in respect of the First Lien Debt, will be paid, and no other debt service costs are funded

117. The requirement for additional funds is in part the result of anticipated costs of the CCAA process, but also reflects the usual need for additional working capital at this time of year resulting from the seasonality of the Business.

DIP Financing

118. Because of the seasonal nature of the Business and the expenses associated with these proceedings, Arctic Glacier requires interim financing. According to the CCAA Projections, Arctic Glacier will run out of cash to continue operations within 2 weeks unless interim financing is approved and immediate advances are available. As the Lenders hold security on all of Arctic Glacier's assets and are its only lenders, we approached the Lenders seeking an interim financing facility (the "**DIP Loan**") to ensure that Arctic Glacier would continue to operate on a "business as usual" basis while implementing the SISP. The Lenders have provided their commitment to provide a DIP Loan to the Arctic Glacier Parties on the terms set out in a DIP Loan term sheet, substantially in the form attached hereto as **Exhibit "Q"** (the "**DIP Term Sheet**" or "**Commitment Letter**"). The DIP Term Sheet sets out terms that are acceptable to the Arctic Glacier Parties and will provide sufficient liquidity to the Business to allow it to pay all its operating expenses in accordance with the CCAA Projections. The Proposed Monitor has reviewed the DIP Term Sheet and has advised the Arctic Glacier Parties that its financial terms are generally consistent with market terms for interim financing by existing lenders in CCAA

cases of businesses similar to the Business. The key terms of the DIP Loan include the following:

- (a) AGI and AGII are the borrowers and the Lenders are the lenders. AGIF and the Additional Arctic Parties are guarantors;
- (b) the interim financing provided (the “**DIP Facility**”) is a non-revolving debt facility up to an aggregate maximum amount of US\$24,000,000 and C\$26,000,000;
- (c) availability under the DIP Facility is provided in two stages:
 - (i) Stage 1 is effective upon the Arctic Glacier Parties obtaining an initial order from the CCAA Court and a temporary restraining order of the U.S. Court, among other conditions. Availability under the DIP Facility at Stage 1 is US\$10 million and C\$15 million and only AGI is a borrower under Stage 1;
 - (ii) Stage 2 is effective upon obtaining a Recognition Order in the U.S. providing for the recognition of these CCAA proceedings as a “foreign main proceeding”, and the U.S. Court approving the DIP Facility, among other conditions. Availability under the DIP Facility at Stage 2 is an additional US\$14 million and C\$11 million and each of AGI and AGII is a borrower under Stage 2.
- (d) the DIP Facility will be secured by a charge on all the assets of the Arctic Glacier Parties and the existing security over all the assets of the Arctic Glacier Parties, as amended to secure the DIP Facility;
- (e) the DIP Facility is expressly provided for the limited purpose of facilitating the CCAA proceedings and U.S. recognition proceedings, including the SISP, and is subject to satisfaction of timelines and deadlines set out in the SISP, without amendment or extension. Satisfaction of such timelines and deadlines is a condition precedent to any drawdown under the DIP facility;

- (f) Disbursements are intended to match the cash requirements of the parties: to draw down under the DIP Facility, the borrowers must have provided a cash flow forecast in advance and submit a drawdown request, and draws are not to exceed the amount specified in Schedule 2 to the DIP Term Sheet;
- (g) interest is Prime + 7.50% per annum in Stage 1, and Prime + 5.50% per annum in Stage 2, compounded daily and payable monthly; default interest is an additional 2% per annum.
- (h) fees are payable to CPPIB in its capacity as administrative agent and collateral agent under the DIP Facility (the “**Agent**”) and to the Lenders as set out in the confidential “Fee Letter”, attached below as Confidential Exhibit “3”. These fees include (i) an Upfront Fee as compensation for making the DIP commitment; (ii) a Standby Fee as compensation for the availability of the DIP Facility funding; and (iii) to the Agent only, an Agency Fee as compensation for the Agent’s services under the DIP Facility in its capacity as Agent;
- (i) mandatory prepayments of the DIP Facility are required when, among other things, the cash in the control or possession of the Arctic Glacier Parties as at the end of any week exceeds \$10 million on a consolidated basis; voluntary prepayments result in permanent reduction of the DIP Facility;
- (j) there are requirements to comply with “Approved Budgets”, cash management and administration standards and practises satisfactory to the Agent and Lenders, financial covenants and reporting requirements;
- (k) the parties are to execute Definitive Documents, consistent with the DIP Term Sheet, including a definitive credit agreement, security documents, and opinions of counsel (the “**Definitive Documents**”); and,
- (l) the DIP Facility matures on the earlier of August 8, 2012, completion of a transaction in compliance with the SISP, or an event of default.

Financial Statements

119. Attached hereto as **Exhibits "R", "S" and "T"** respectively are copies of all financial statements, audited or unaudited, prepared during the year before this application as well as audited financial statements prepared in 2009 and 2010; specifically:

- (a) Audited Consolidated Financial Statements for Arctic Glacier for the fiscal year ending December 31, 2009;
- (b) Audited Consolidated Financial Statements for Arctic Glacier for the fiscal year ending December 31, 2010; and
- (c) Quarterly consolidated financial statements as at March 31, 2011, June 30, 2011 and September 30, 2011, recording the unaudited financial results of Arctic Glacier for the first, second and third quarter, respectively, of 2011, which have been reviewed by the Arctic Glacier auditors.

120. The September 30, 2011 Financial Statements and the related Management Disclosure and Analysis disclose the following:

- (a) Sales for the nine months ended September 30, 2011 totalled \$201.5 million, an increase of \$2.9 million or 1% compared to \$198.6 million for the same period of 2010. The increase is driven primarily by sales in new markets totalling \$1.5 million and the effect of the stronger Canadian dollar, which increased the U.S. dollar value of sales generated in Canadian markets by \$2.7 million. These amounts are offset by a decrease in sales in previously serviced markets of \$1.3 million or 1%, where favourable weather in the key summer months only partially overcame the impact of poor weather from March through June 2011 in most markets, significantly increased competitive activity in west coast markets and the continued weakened state of the North American economy.
- (b) Cost of sales for the nine month period ended September 30, 2011 totalled \$178.7 million, an increase of \$13.3 million or 8% compared to \$165.4 million for the same period of 2010. Cost of sales, excluding depreciation and amortization, for the nine months ended September 30, 2011 was \$149.3 million, an increase of \$7.4 million or

5% compared to \$141.9 million for the same period of 2010. The increase results from higher costs in previously serviced markets of \$5.0 million or 3% due primarily to rising fuel, packaging, vehicle and third-party distribution costs. In addition, the stronger Canadian dollar increased the U.S. dollar value of costs incurred in Canadian markets by \$1.5 million and costs of \$0.9 million were incurred to service customers in new markets. The depreciation and amortization component of cost of sales was \$29.4 million for the nine months ended September 30, 2011, an increase of \$5.9 million compared to \$23.5 million for the same period of 2010 primarily due to a reduction in the amortization period for customer relationship assets in 2011 that increased expense by \$9.2 million. This was partially offset by the effect of certain tangible assets becoming fully depreciated.

- (c) General and administrative expenses totalled \$7.6 million for the nine months ended September 30, 2011, compared to \$6.1 million for the same period of 2010. The increase results primarily from mark-to-market adjustments on unit based compensation related to unit options granted in previous years, severance costs related to restructuring, higher professional fees related to technology based initiatives, increased insurance costs and one-time costs related to the transition to International Financial Reporting Standards.
- (d) Finance costs totalled \$28.6 million for the nine months ended September 30, 2011, an increase of \$3.6 million compared to \$25.0 million for the same period of 2010 primarily due to increased borrowing rates following the March 2011 loan agreement amendments and September 2011 credit agreement defaults, accrual of payment-in-kind interest, increased amortization of deferred financing charges related to the March 2011 loan amendments, accretion of antitrust settlements payable, the maturity of interest rate swaps and the effect of the stronger Canadian dollar, which more than offset the interest savings following the maturity of the convertible debentures.
- (e) Current assets, including cash accounts receivable, inventories and prepaids totalled \$65,218,000 on September 30, 2011, an increase from \$55,331,000 on September 30, 2010. Combined with other assets (deferred tax asset, property, plan and equipment,

intangible assets and goodwill), asset value on September 30, 2011 totalled \$344,030,000, compared to \$384,021,000 on September 30, 2010.

- (f) Current liabilities, including accounts payable and accrued liabilities, provisions, antitrust related litigation settlements, other financial liabilities, convertible debentures and principal due within one year on long-term debt totalled \$240,378,000 on September 30, 2011, up from \$113,803,000 on September 30, 2010. Unit options, warrants, long-term debt, deferred tax liabilities and Unitholders' equity also increased to \$98,767,000 on September 30, 2011 up from \$91,996,000 on September 30, 2010.

SECURED DEBT

121. As set out above, Arctic Glacier's principal secured debt consists of First Lien Debt, Second Lien Debt and the TD LC Obligations.

122. Pursuant to an Assignment and Assumption Agreement dated December 14, 2011 (the "**Assignment and Assumption Agreement**"), Arctic Glacier's Lenders under the Second Lien Credit Agreement obtained an assignment of the rights and security of the Former First Lien Lenders (defined below) pursuant to a purchase option in the Intercreditor Agreement among them.

123. Also on December 14, 2011, CPPIB as successor to TD as Canadian administrative agent for the Lenders of the First Lien Debt, CPPIB as administrative agent for the Lenders of the Second Lien Debt, and TD, as Master Collateral Agent acting under the Intercreditor Agreement, entered into a Third Amended and Restated Intercreditor Agreement. Attached hereto as **Exhibit "U"** is a copy of the Third Amended and Restated Intercreditor Agreement.

124. As a result of obtaining an assignment of the First Lien Debt and security (defined below), CPPIB and WF are the primary secured creditors of Arctic Glacier pursuant to a series of agreements, which are detailed below beginning at paragraph 126, and result in the following:

- (a) AGI and AGII are the principal borrowers (the "**Borrowers**") pursuant to term and revolving credit facilities;

(b) The obligations of the Borrowers are guaranteed by AGIF and the Additional Arctic Parties; and

(c) The principal and guarantee obligations to the Lenders are secured by security interests, mortgages and charges on all of the real and personal property assets of Arctic Glacier in both Canada and the U.S.

125. TD remains a secured creditor in relation to a credit facility, described below, maintained by TD after the assignment of the First Lien Debt to secure payment under a letter of credit previously issued under the First Lien Credit Agreement.

First Lien Debt

126. The First Lien Credit Agreement was originally among:

(a) AGI, as Canadian Borrower, and AGII, as U.S. Borrower;

(b) TD, Roynat Inc. and The Bank of Nova Scotia, as Canadian Lenders, and Toronto Dominion (New York) LLC ("TDNY"), The Bank of Nova Scotia and Roynat Business Capital Inc., as U.S. Lenders (together, the "**Former First Lien Lenders**"); and

(c) AGIF and the Additional Arctic Parties as guarantors.

Attached hereto as **Exhibit "V"** is a copy of the current First Lien Credit Agreement.

127. As of March 30, 2011, following Arctic Glacier's decision to enter into proposed settlements relating to certain litigation against it described above, the First Lien Credit Agreement was amended pursuant to a "Consent & Second Amendment to Loan Agreement" attached hereto as **Exhibit "W"**.

128. As described above, CPPIB and WF obtained an assignment of the First Lien Debt and security from the Former First Lien Lenders in December, 2011.

129. The credit facilities pursuant to the First Lien Credit Agreement (the "**First Lien Credit Facilities**"), initially committed to a total of US\$70,000,000, consist of the following, to be used

for the purposes authorized therein, including ordinary working capital and general corporate purposes:

- (a) Canadian revolving term credit available to AGI (the “**Canadian Revolving Facility**”), initially committed in the amount of US\$15,000,000;
- (b) Canadian Swing Line revolving chequing account facility available to AGI (the “**Canadian Swing Line Facility**”), initially committed in the amount of US\$5,000,000;
- (c) U.S. revolving/reducing term credit initially available to the AGII and the Additional Arctic Parties, requiring annual permanent reduction of \$2,500,000 (the **U.S. Revolving Facility**”), initially committed in the amount of US\$45,000,000; and
- (d) U.S. Swing Line revolving chequing account facility available to AGII and the Additional Arctic Parties (the “**U.S. Swing Line Facility**”), initially committed in the amount of US\$5,000,000.

130. Pursuant to an agency resignation and acceptance agreement dated December 14, 2011, TD and The Toronto-Dominion Bank (Texas) LLC resigned from their positions as Canadian Administration Agent and U.S. Administration Agent, respectively, under the First Lien Credit Agreement and CPPIB accepted the appointment as Canadian Administration Agent and U.S. Administration Agent. As such, CPPIB is empowered to administer the First Lien Credit Facilities on behalf of the Lenders. TD was replaced as master collateral agent for the First Lien Credit Agreement and Second Lien Credit Agreement by CPPIB (the “**Master Collateral Agent**”) on January 12, 2012.

131. The commitment under the Revolving Facility has been “capped” by the Former First Lien Lenders as a result of the Covenant Defaults at their levels as at September 16, 2011, such that the present commitment limits are:

Canadian Swing Line Facility - US\$NIL

Canadian Revolving Facility – C\$7,000,000

U.S. Swing Line Facility – US\$NIL

U.S. Revolving Facility – US\$23,000,000

Second Lien Debt

132. Pursuant to the Second Lien Credit Agreement between the AGI and AGII, as Borrowers, and the Lenders, AGI and AGII borrowed C\$50,000,000 and US\$138,419,042 respectively pursuant to the following credit facilities:

- (a) C\$50,000,000 non-revolving term loan (the “**Second Lien Canadian Term Loan**”) in favour of AGI; and
- (b) US\$138,419,042 non-revolving term loan (the “**Second Lien U.S. Term Loan**”) in favour of AGII

Attached hereto as **Exhibit “X”** is a copy of the Second Lien Credit Agreement.

133. The Second Lien Credit Agreement provides that interest on the said borrowings is paid quarterly in arrears on April 30, July 31, October 31 and January 31 each year, and that principal is to be repaid by repayments each October 31 in the amounts of C\$500,000 and US\$1,384,190 together with certain excess cash flow payments of 75% of excess cash flow due 7 days after delivery of annual audited financial statements. As described above, Arctic Glacier was prohibited from making payments on account of the Second Lien Credit Facilities following the issuance of the Default Notice under the First Lien Credit Agreement in September, 2011 (and such suspension continued even after the prohibition was lifted as a result of the assignment of the First Lien Credit Facility to the Second Lien Lenders)..

134. As of March 30, 2011, following Arctic Glacier’s decision to enter into proposed settlements relating to certain litigation against it described above, the Second Lien Credit Agreement was amended pursuant to a “First Amendment to Loan Agreement and Consent” a copy of which is attached hereto as **Exhibit “Y”**.

135. Under the Second Lien Credit Agreement, CPPIB is the Administrative Agent for the Second Lien Lenders, empowered to administer the Second Lien Credit Facilities on behalf of the Lenders.

Guarantees

136. Payment and performance of the First Lien Debt Obligations and the Second Lien Debt Obligations is jointly guaranteed by guarantees given by AGIF and the Additional Arctic Parties as follows:

- (a) pursuant to an Amended and Restated Master Canadian Guarantee (the “**Canadian Guarantee**”) dated February 10, 2010 made in favour of TD, as Master Collateral Agent, AGIF and AGI guarantee the due, prompt and complete payment, performance and satisfaction of the obligations of the borrowers, AGI and AGII in relation to both the First Lien Credit Facilities and the Second Lien Credit Facilities; and
- (b) pursuant to a Master U.S. Guaranty (the “**U.S. Guaranty**”) dated as of December 9, 2004 and certain joinders of parties given in respect thereof, all made in favour of TD, as Master Collateral Agent, AGII and the Additional Arctic Parties guarantee the due, prompt and complete payment, performance and satisfaction of the obligations of the borrowers, AGI and AGII in relation to both the First Lien Credit Facilities and the Second Lien Credit Facilities.

Attached hereto as **Exhibits “Z” and “AA”**, respectively, are copies of the Canadian Guarantee and the U.S. Guaranty.

TD Obligations

137. At the time of the assignment of the First Lien rights and security, AGI requested that a letter of credit in the amount of US\$125,000 previously issued under the First Lien Credit Agreement in favour of Marlange Realty Associates (the “**Letter of Credit**”) that is required to carry on business remain outstanding as issued by TD following the assignment and be governed by a Letter of Credit Indemnity Agreement between AGI and TD.

138. In relation thereto AGI executed a Transition Credit Facilities agreement dated December 14, 2011 with TD to provide for the Letter of Credit to remain outstanding and expire in accordance with its terms. AGI also agreed to provide security to TD, contemporaneously with the execution of this agreement, including (i) an assignment of term deposits and credit balances

and an amount of cash collateral sufficient to TD to cover the obligations owing to TD by AGI, (ii) a letter of credit indemnity agreement, and (iii) such other security as TD may from time to time reasonably require. Attached hereto as **Exhibit "BB"** is a copy of the Transition Credit Facilities Agreement.

139. AGI executed a Letter of Credit Indemnity Agreement dated December 14, 2011, which governs the Letter of Credit (previously governed by the First Lien Credit Agreement). Attached hereto as **Exhibit "CC"** is a copy of the Letter of Credit Indemnity Agreement.

140. As security for obligations owing in relation to the Letter of Credit, TD acting in its former capacity as Master Collateral Agent under the Intercreditor Agreement and all costs and expenses of TD in connection with the Subordination Agreement (as defined below), the Assignment and Assumption Agreement, any related agreements or any insolvency proceeding involving AGI (collectively, the "**TD Obligations**"), AGI executed an Assignment of Term Deposits and Credit Balances (the "**Assignment of Credit Balances**") to the extent of US\$133,305.56 and C\$270,000 all of which "are now or may hereafter be from time to time at the credit of [AGI] with TD". The Assignment of Credit Balances provides that if TD permits AGI to make withdrawals from such monies, such permission is without prejudice to TD's right to hold such monies as security.

141. Pursuant to a Subordination Agreement made as of December 14, 2011 (the "**Subordination Agreement**") among TD, AGI, AGII, CPPIB and Computershare Trust Company of Canada ("**Computershare**"), the parties agreed that the Assignment of Credit Balances provided as security for the TD Obligations (the "**TD LC Security**") shall rank ahead of the security of the Lenders relating to the Secured Indebtedness. The parties further agreed, among other things (all as more specifically set out in the Subordination Agreement), that in the event of an insolvency proceeding relating to AGI, to the extent permitted by law, the cash collateral under the Assignment of Credit Balances shall not be subject to or affected by any court-ordered super-priority charges; no orders or judgments sought shall affect the Assignment of Credit Balances without consent of TD; no steps shall be taken by either party that could impair or defeat the other party's security or their enforcement of such security; no claims shall be asserted in an insolvency proceeding that could alter the priorities set out in the Subordination

Agreement; the TD Obligations must be fully and finally paid before any Lender shall be entitled to any payment or distribution in respect of the Sub-Debt Obligations (as defined therein) other than payment of interest, fees, expenses and other costs incurred by the Lenders if so authorized by the Court; and, other than the cash collateral under the Assignment of Credit Balances, nothing in the agreement shall prevent the Borrowers from selling any of their assets or business during an insolvency proceeding with the proceeds of sale being subject to the relative priorities and subordination set out in the agreement. Attached hereto as **Exhibit "DD"** is a copy of the Subordination Agreement made as of December 14, 2011.

SECURITY

Canadian Security

142. Subject to the changes described above arising from and in relation to the assignment of the First Lien Security and the Letter of Credit, payment and performance of the Secured Indebtedness, including guarantee obligations, are secured by certain security given by AGIF and AGI originally in favour of the Master Collateral Agent, including as follows:

- (a) Amended and Restated Master Canadian General Security Agreement made February 10, 2010, granting a general security interest in all present and future property, real and personal, assets and undertakings of Arctic Glacier; and
- (b) Amended and Restated Master Canadian Securities Pledge Agreement made February 10, 2010, by which AGIF mortgages, charges, pledges, assigns and hypothecates originally in favour of TD, as Master Collateral Agent, the AGI Shares and the Shareholder Loan.

143. Payment and performance of AGI's obligations in respect of the Secured Indebtedness are secured by those certain trust deeds and Deeds of Hypothec (together, as supplemented and amended from time to time, the "**AGI Trust Deeds**") in which Computershare (the successor to Montreal Trust Company) is the trustee. The AGI Trust Deeds are described in the list attached hereto as **Exhibit "EE"**.

144. The AGI Trust Deeds:

- (a) were either originally made by AGI or were originally made by certain predecessors of AGI in favour of Montreal Trust Company or others and were thereafter assumed and undertaken by AGI and assigned in favour of TD, as Master Collateral Agent,
- (b) provide for the issuance of debentures thereunder, and
- (c) secure the due payment of the such debentures and interest thereon by granting, assigning, mortgaging, and charging, as and by way of a fixed and specific mortgage and charge on the Canadian Owned Properties and by granting a security interest in the undertaking and all of the present and after-acquired real and personal property of AGI, all in favour of the Master Collateral Agent.

Attached hereto as **Exhibit "FF"** are copies of the AGI Trust Deeds.

145. The AGI Trust Deeds provide for the issuance of Series "A" and Series "B" debentures limited to an aggregate principal amount of \$500 million.

146. There are presently \$300 million Series "A" Debentures issued under each of the AGI Trust Deeds originally in favour of TD, as Canadian Administration Agent, and pledged to TD pursuant to that certain Amended and Restated Debenture Pledge Agreement (the "**First Lien Debenture Pledge Agreement**") made February 10, 2010 between AGI and TD. By agreement, the principal value of the said debentures was reduced to \$150 million on or about February 10, 2010, to accommodate the requirements of the Second Lien Debt. Attached hereto as **Exhibit "GG"** is a copy of the First Lien Debenture Pledge Agreement.

147. There are presently \$350 million Series "B" Debentures issued in favour of CPPIB, as Administrative Agent for the Second Lien Lenders, and pledged in favour of CPPIB pursuant to that certain Debenture Pledge Agreement (the "**Second Lien Debenture Pledge Agreement**") made February 10, 2010. Attached hereto as **Exhibit "HH"** is a copy of the Second Lien Debenture Pledge Agreement.

148. The security described above granted by the Arctic Glacier Parties is collectively referred to herein as the "**Canadian Security**".

Canadian Personal Property Security and Bank Act Registrations

149. Attached hereto as **Exhibit "II"** is a copy of a Search Report (the "**PPR Search Report**") which I am advised by G. Bruce Taylor, of Aikins, MacAulay & Thorvaldson LLP ("**Aikins**"), counsel to the Arctic Glacier Parties, was prepared by Arlene Phillips, a paralegal at Aikins, summarizing the results of searches made on or about February 16, 2012 of the Personal Property Registries and the Bank of Canada in each of the Provinces in which the Arctic Glacier Parties carry on business (being British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec), which disclose registrations in favour of:

- (a) the Master Collateral Agent, and CPPIB, as Administrative Agent, in relation to the Canadian Security and the U.S. Security, as defined below;
- (b) Computershare, in relation to the Deed of Hypothec in Quebec; and
- (c) Other parties listed in the PPR Search Report as secured parties, each of which appears to be an equipment lessor or financier.

Attached hereto as **Exhibit "JJ"** are copies of the Certificates of Search summarized in the PPR Search Report.

Canadian Real Property Registrations

150. Attached hereto as **Exhibit "KK"** is a copy of a Search Report (the "**Real Property Search Report**") which I am advised by G. Bruce Taylor was also prepared by Arlene Phillips summarizing the results of searches made of land titles offices in Alberta, Manitoba, Ontario and Quebec respecting the Canadian Owned Properties, which disclose registrations of the AGI Trust Deeds, with no other registrations in the nature of mortgages, charges or security. Attached hereto as **Exhibit "LL"** are copies of the title searches summarized in the Real Property Search Report.

U.S. Security

151. The Secured Indebtedness of AGII and the Additional Arctic Parties to the Lenders, including guarantee obligations, is secured by mortgages, charges and security interests of or in all of the personal and real property of AGII and the Additional Arctic Parties pursuant to a

certain Master Security Agreement, certain Trade Mark Security Agreements, and various commercial deeds of trust, security agreements, assignments of leases and related documentation.

TD LC Security

152. As set out above, AGI executed an Assignment of Credit Balances to the extent of USD\$133,305.56 and C\$270,000 all of which “are now or may hereafter be from time to time at the credit of [AGI] with TD” as security for the TD Obligations. The TD LC Security ranks ahead of the security of the Lenders relating to the Secured Indebtedness pursuant to a Subordination Agreement, which also provided that, in the event of an insolvency proceeding relating to AGI, to the extent permitted by law, the cash collateral under the Assignment of Credit Balances shall not be subject to or affected by, among other things, any court-ordered super-priority charges as described in paragraph 141, above.

BANKING AND CASH MANAGEMENT

153. The Arctic Glacier Parties participate in certain collective banking arrangements to facilitate operation of the Business.

154. In Canada,

- (a) AGI, as the only operating entity in Canada, maintains accounts, including a primary account at TD (the “**Primary AGI Account**”), and other regional accounts chiefly at TD but with one account at CIBC to serve the operations in Fort MacLeod, Alberta (together, the “**Canadian Regional Accounts**”).
- (b) Cash receipts from each Canadian regional location of AGI are deposited to the respective Canadian Regional Account daily, or as required in the off-season. Cheques on credit sales and credit card payments received by AGI are deposited into one of the Canadian Regional Accounts and funds received by electronic fund transfer (“**EFT**”) by AGI are deposited into the EFT account at TD in the name of AGI. Funds are swept from the various TD Canadian Regional Accounts to the Primary AGI Account on a daily basis and funds deposited to the CIBC Canadian

Regional Account are electronically transferred to the Primary AGI Account on a monthly basis in the off season and more frequently in the summer months.

- (c) AGI processes all disbursements from the AGI Primary Account, including Canadian payroll, lease payments, vendor cheques and preauthorized payments. AGI uses a purchasing card for many of its smaller transactions for purchases such as repairs and maintenance and supplies at regional locations. AGI is required to maintain a minimum amount of cash on hand with US Bank ("**US Bank**"), the provider of the purchasing card, and payments are made to US Bank as required from the AGI Primary Account in order to maintain the minimum cash amount on deposit;
- (d) The Additional Arctic Parties also hold accounts in Canada at TD;
- (e) There are three AGI accounts at TD that are identified with the names of certain Arctic Glacier customers which are supplied by both Arctic Glacier and, in certain regions, Co-Packers (certain national chain customers). Payments from these customers are deposited into the TD account designated for that customer (the "**Co-Packer Accounts**") directly by such customers. Amounts received in Co-Packer Accounts include amounts for the goods provided by AGI as well as amounts for goods provided by the Co-Packer. The Co-Packer is due the amount in consideration for its goods, less a per bag administrative fee retained by AGI. AGI transfers funds from the Co-Packer Accounts to the Primary AGI Account on a periodic basis, as appropriate, in settlement of its administrative fee and the balance of funds are paid to the Co-Packer.

155. In the U.S.,

- (a) AGII holds corporate bank accounts with Wells Fargo Commercial Bank ("**Wells Fargo**") and TD New York ("**TDNY**") (the "**TDNY Account**"), including a primary AGII account at Wells Fargo (the "**Primary AGII Account**") and a disbursements account at Wells Fargo (the "**Disbursements Account**"). The Additional Arctic Parties hold regional accounts with various banks as noted in **Exhibit "MM"** attached hereto (the "**Regional Accounts**").

- (b) The regional location of each Additional Arctic Party deposits cash receipts into its respective Regional Account daily, or as required in the offseason. Cheques received on credit sales are received at the West St. Paul, MN facility and are sent by courier to accounts receivable at the Head Office in Winnipeg where they are deposited to the Primary AGII Account electronically. Payments received by credit card are deposited in the Primary AGII Account or in an account with Chase Bank for payments relating to the ICESurance business. Payments received by EFT are deposited in the Primary AGII Account or the TDNY Account for payments relating to the ICESurance business. Funds are swept from all Regional Accounts with Wells Fargo to the Primary AGII Account on a daily basis. Funds deposited in other Regional Accounts are electronically transferred to the Primary AGII Account by corporate accounting in Winnipeg once the balance is significant enough to warrant a transfer, which typically happens once per week in offseason and up to three times per week in peak season.
- (c) Disbursements issued from the Disbursements Account are funded by automatic transfers from the Primary Wells Fargo Account and include vendor cheques, pre-authorized payments and payments relating to U.S. business and lease payments. A small number of pre-authorized payments relating to U.S. business are also issued from the AGII accounts at TDNY. U.S. payroll payments are issued from the Wells Fargo payroll direct deposit and cheque accounts, which are funded from the Primary Wells Fargo Account, with the exception of Oregon, which requires its own payroll accounts by State Law.
- (d) AGII uses a purchasing card for many of its smaller transactions for purchases such as repairs and maintenance and supplies at regional locations. AGII is required to maintain a minimum amount of cash on hand with the provider of the purchasing card (US Bank) and payments are made to US Bank as required from the Disbursement Account in order to maintain the minimum cash amount on deposit.
- (e) There are 11 AGII accounts at TD that are identified with the names of certain Arctic Glacier customers which are supplied by both Arctic Glacier and, in certain regions, Co-Packers. Receivables from these customers are deposited into the TD account

designated for that customer (the “**U.S. Co-Packer Accounts**”) directly by such customers. Amounts received in U.S. Co-Packer Accounts include amounts for the goods provided by the Additional Arctic Parties as well as amounts for goods provided by the Co-Packer. The Co-Packer is due the amount in consideration for its goods, less a per bag administrative fee retained by AGII. AGII transfers funds from the U.S. Co-Packer Accounts to the primary US netting account with TD in settlement of its administrative fee and the balance of funds are paid to the Co-Packer.

156. The effect of these arrangements (collectively referred to as the “**Cash Management System**”) is that there could be inter-company balances created among the various Arctic Glacier Parties. That is, (i) from time to time as funds permit and operations require, revenues from the operations of the Additional Arctic Parties in the US may be advanced or transferred to AGI and used to fund AGI’s Canadian operations, and generally not the other way around, and (ii) revenues from the operations of Additional Arctic Parties are routinely swept, comingled and used as a single source of revolving or repaying US credit facilities and funding the operations of the Additional Arctic Parties. The Arctic Glacier Parties’ accounting systems can and do track advances from the US operations to Canada described in (i) above, but do not track the exchanges of funds described in (ii) above. These are usual and necessary inter-company arrangements in the conduct of Arctic Glacier’s Business and, accordingly, the draft Order provides that these existing cash management arrangements may continue and creates a non-priming charge to secure such inter-company amounts.

THE MARKETING PROCESS

157. The purpose of the SISP is to seek out and identify parties that express an interest in refinancing, recapitalizing or purchasing the Business. In my opinion, identifying such parties will assist Arctic Glacier in its decision-making with respect to its restructuring options and will help to identify the best opportunities for optimizing the returns for the Arctic Glacier Parties’ creditors and stakeholders.

158. In summary, the proposed SISP involves the following elements, expected to take approximately 160 days from the date of the granting of an Initial Order herein to closing:

- (a) the Monitor will supervise the SISP;
- (b) to become a "Qualified Bidder", "Potential Bidders" must provide certain documentation to the Financial Advisor (defined below), including a prescribed non-disclosure agreement and satisfy certain other considerations;
- (c) Qualified Bidders will be provided with a Confidential Information Memorandum and access to an online data room for initial due diligence;
- (d) for a period of 35 days following the granting of the Initial Order ("**Phase 1**") herein, the Financial Advisor will solicit non-binding letters of intent ("**LOI's**") from third party Qualified Bidders;
- (e) within 5 business days of the end of Phase 1, the Monitor, in consultation with TDSI, the CPS and Arctic Glacier will determine if any of the LOI's meet the prescribed criteria and satisfy other considerations to become "Qualified LOI's", as determined by the Monitor in consultation with the Financial Advisor, the CPS and the Arctic Glacier Parties. If the Monitor, after consultation, determines there is a reasonable prospect for a "Qualified Bid", it may make a recommendation to the Special Committee;
- (f) if there are any Qualified LOIs, there will be a 45 day "Phase 2" (which may be extended to a maximum of 60 days as set out in the SISP), to permit further due diligence and to obtain final "Qualified Bids", meeting certain prescribed criteria and satisfying other considerations, as determined by the Monitor in consultation with the Financial Advisor, the CPS and the Arctic Glacier Parties, including that the purchase price or funds to be invested will be in an amount sufficient to pay the "Lender Claims" (as defined therein) and as calculated on the closing of the transaction contemplated;
- (g) the Lenders are deemed to be Qualified Bidders;
- (h) Qualified Bids will be evaluated and, if one or more Qualified Bids is received, the Monitor, exercising its reasonable business judgment and following consultation with

the Financial Advisor, CPS and Arctic Glacier will recommend to the Special Committee that the most favourable Qualified Bid be selected;

- (i) Once definitively documented and approved by the Special Committee, a selected Qualified Bid will become the "Successful Bid" and recommended to this Honourable Court for approval.

159. I believe it is important to start the SISP promptly to maximize opportunities to identify appropriate interested parties while preserving the enterprise value of the Business. It must be noted that the DIP loan requires that Arctic Glacier respect and meet the deadlines set out in the SISP and maturity of the DIP coincides with the outside date of the SISP.

160. With the approval of the Lenders and subject to approval of the Court, Arctic Glacier intends to enter into an agreement, prior to the filing, to appoint TDSI as Financial Advisor (the "**Financial Advisor**"). The role of the Financial Advisor will be to assist the Trustees and Arctic Glacier and to work with the CPS to identify interested parties and negotiate the terms of a refinancing or recapitalization of Arctic Glacier or a sale of the Business, in whole or in part, in consultation with the Monitor including such powers and responsibilities as are set out in the engagement letter previously agreed by the Arctic Glacier Parties and TDSI (the "**Engagement Letter**"). This Engagement Letter is provided to the Court as **Confidential Exhibit "2"** under seal. I am advised by Art Chipman at TDSI that this Confidential Exhibit contains highly confidential information, including sensitive information relating to the Strategic Transaction.

161. I am advised by TDSI and believe that the timelines contemplated by the SISP are reasonable and will enable Arctic Glacier to maximize enterprise value.

CCAA RELIEF IS APPROPRIATE

162. Because of the Arctic Glacier Parties' financial difficulties, the ongoing or 'uncured' Covenant Breaches and the acceleration and demand of its Secured Indebtedness, the Arctic Glacier Parties are insolvent and a stay of proceedings is essential for the continued operations of the Business. Such a stay would create the necessary environment to allow the Arctic Glacier Parties to develop and implement a restructuring plan, pursue the SISP and satisfy or arrange its obligations to creditors.

163. Granting the relief requested will enable the Business to be carried on in the ordinary course and will preserve the value of the Business, customer relationships and ongoing employment. Stability is necessary to facilitate on-going customer, supplier and employee support that is critical to a successful restructuring or sale of the Business as a going concern.

164. The Applicants are debtor companies entitled to protection pursuant to the CCAA. The documents required by section 10(2) of the CCAA are attached above as **Exhibits P and R-T**, and the Arctic Glacier Parties are acting and have acted in good faith and with due diligence in respect to this Application and the matters described herein..

THE PROPOSED ORDER

Administration Charge and Financial Advisor Charge

165. The proposed Order provides for the payment of certain advisors who will assist the Arctic Glacier Parties throughout the process; specifically, the proposed Order provides for payment of the Arctic Glacier Parties' legal advisors, the Monitor, the Monitor's legal advisors, and the Financial Advisor, among others. This also includes counsel retained by the Directors and the Trustees, which I believe is necessary for their effective participation in these proceedings.

166. The proposed Order creates both an Administration Charge (to the maximum amount of US\$2,000,000) and a Financial Advisor Charge (to the maximum amount of an additional US\$2,000,000), which charges shall rank first, in priority to, among other things, the Secured Indebtedness, on a *pari passu* basis with each other.

167. The maximum amounts of these charges were established based on estimates provided by the various parties who benefit from this charge. The Monitor reviewed these estimates and concluded that the quantum of the proposed charges are reasonable in light of those estimates.

Indemnity and Directors' Charge

168. The proposed Order contemplates an indemnification of former, current or future Trustees of AGIF and directors and officers of AGI and the Additional Arctic Parties (the "**Directors**") and the creation of a charge over the present and after-acquired assets of Arctic Glacier as security to protect them from statutory claims and liabilities that they may incur as

Trustees, directors and officers relating to the failure of the Arctic Glacier Parties to pay or perform certain obligations that may arise after the filing date (including but not limited to outstanding and future wages, salaries, employee and any pension benefits, vacation pay, bonuses, expenses and other like amounts) (the “**Directors’ Charge**”).

169. In this regard, the Arctic Glacier Parties estimate that the potential statutory liabilities to which the Directors are exposed over the presently expected 6 month CCAA process, are approximately US\$2,501,000, based on average payrolls and obligations, accrued vacation pay, withholding taxes and the amounts outstanding or average monthly remittances for sales taxes.

170. The Directors do have insurance coverage (the “**D&O Insurance**”) with primary coverage through Arch Insurance Company (Canada Branch) (the “**Insurer**”) with a limit of liability (for all types of coverage, described below) of \$10,000,000, and excess liability policies in the same form from Lloyds Underwriter Syndicates (\$15,000,000 in excess of the primary \$10,000,000 limit of liability) and Chubb Insurance Company of Canada (\$10,000,000 in excess of the \$25,000,000 limit of liability). Based on my experience in obtaining this D&O Insurance policy, I believe that these are the best policies available to the Directors, who would be unable to obtain more extensive coverage at a reasonable cost. Key elements of the D&O Insurance policy include:

- (a) it expires December 31, 2012;
- (b) it provides three types of coverage: (a) Directors and Officers Insurance; (b) Corporate Liability Arising from Indemnifiable Loss; and (c) Corporate Liability Arising from Securities Claims;
- (c) the definition of insured person has been amended to include Bruce Robertson in his capacity as CPS;
- (d) Coverage with respect to Directors and Officers Insurance (coverage “a”) states that the Insurer “shall pay Loss on behalf of the Insured Persons for which the Insured Persons are not indemnified and which the Insured Persons become legally obligated to pay as a result of a Claim first made during the Policy Period or Discovery Period,

if applicable, against the Insured Persons for a Wrongful Act which takes place during or prior to the Policy Period”.

Attached hereto as **Exhibit “NN”** is a copy of the D&O Insurance policy issued by the Insurer.

171. However, there are certain limitations and exclusions to the D&O Insurance coverage that may leave the Directors exposed to personal liability. The proposed Directors’ Charge is to protect the Directors against exposure beyond that which is covered by the D&O Insurance. In my opinion, it is important to have a Directors’ Charge to keep the Directors in place during the restructuring and to protect them against liabilities that they could incur during the restructuring that are not covered by the D&O Insurance.

172. Accordingly, the proposed Order provides for a Directors’ Charge to rank second in priority after the Administration Charge and Financial Advisor Charges, in the maximum amount of US\$2,700,000. The Lenders have agreed to the proposed priority of this charge.

DIP Financing

173. The proposed Order also includes a provision for interim, debtor-in-possession financing. As set out above the Lenders have offered interim financing to the Arctic Glacier Parties on the terms set out in the DIP Loan Term Sheet, which financing is required during the CCAA stay period to enable the Arctic Glacier Parties to continue the Business and to pursue its sale or restructuring. The DIP Loan Term Sheet is attached above as Exhibit “Q”. The confidential DIP Fee Letter, which contains commercially sensitive pricing information, is attached as **Confidential Exhibit “3”**.

174. The proposed Order provides a DIP Lenders’ Charge, which charge shall not exceed C\$28,600,000 plus US\$26,400,000 (the “**DIP Lenders’ Charge**”), calculated in accordance with Arctic Glacier’s projected cash requirements over the period February 22, 2012 to August 8, 2012, as described in the CCAA Projections. The DIP Lenders’ Charge ranks fourth behind the Administration Charge and the Financial Advisor Charge and the Directors’ Charge and behind the first C\$1,000,000 of the Critical Suppliers’ Charge. As set out below, neither this charge nor any other charge created in the proposed Order ranks in priority to the TD LC Security, any

statutory encumbrance in respect of any amounts under the Wage Earners' Protection Program that are subject to a super priority claim under the *Bankruptcy and Insolvency Act (Canada)*, or any validly perfected purchase money security interest in favour of a secured creditor.

175. The DIP Loan Term sheet does not provide for payment of any indebtedness outstanding to the Lenders prior to the date of the Initial Order other than for continuing payment of interest, costs and expenses on the First Lien Credit Agreement and fees and expenses under the Second Lien Credit Agreement. The DIP Lenders' Charge does not secure any pre-filing obligations.

176. The DIP financing is essential for completion of the SISP and will support a CCAA process that the Arctic Glacier Parties believe will enhance the payment prospects for their creditors and, in any event, in significant part reflects the usual course need for additional working capital at this time of year. Accordingly, I believe that in the circumstances the DIP financing and the DIP Lenders' Charge will not materially prejudice any creditor.

KERP Charge

177. On February 16, 2012, the Trustees approved terms of a KERP (attached above as Confidential Exhibit 1) with the Key Employees (set out in the list attached above as Exhibit F). As set out above in paragraph 79, I believe each such person is vital to a restructuring of Arctic Glacier and it is in the best interests of Arctic Glacier and its stakeholders to secure the employment of these officers and employees during the restructuring contemplated by this Application, and provide certain incentives and inducements to them to do so. Accordingly, the proposed Order provides for the payment by AGI to the Key Employees in accordance with the KERP.

178. The proposed Order also contemplates a charge (the "**KERP Charge**") as security for payment of the amounts hereafter owing by AGI to the Key Employees under the KERP. The proposed Order contemplates that the KERP Charge shall rank fifth in priority after the Administration Charge and Financial Advisor Charge, the Directors' Charge, the first C\$1,000,000 of the Critical Supplier Charge and the DIP Lenders' Charge to a maximum amount of C\$2,600,000, and ranks *pari passu* with the Critical Supplier Charge for any amounts above C\$1,000,000.

Critical Supplier Charge

179. As set out above, beginning at paragraph 110, the proposed Order includes a Critical Supplier Charge over the assets of AGI only, in the amount of the value of the goods and/or services received by AGI after the date of the Initial Order as security for payment less all amounts paid to the Critical Suppliers in respect of such goods and services.

180. The Critical Supplier Charge is proposed to rank third in priority to a maximum of C\$1,000,000 and then, for any amounts owing under the Critical Supplier Charge above C\$1,000,000, fifth in priority after the DIP Charge, *pari passu* with the KERP Charge. The Critical Supplier Charge is over the assets of AGI only since all Critical Suppliers are Canadian suppliers who supply to AGI.

Cash Management and Intercompany Balances

181. As set out above, the effect of the existing cash management arrangements, which the Arctic Glacier Parties intend to continue to use, is that there could be inter-company balances created among the various Arctic Glacier Parties. Accordingly, the proposed Order provides that AGI and AGIF (collectively "**Arctic Canada**") are authorized to make loans, advances or transfers of funds to AGII and the Additional Arctic Parties (collectively "**Arctic U.S.**") from time to time in accordance with the Cash Management System (described above beginning at paragraph 153) and Arctic U.S. is authorized to make loans, advances or transfers of funds to Arctic Canada.

182. The proposed Order further provides that such inter-company advances by Arctic Canada are secured by a charge over the present and after-acquired assets of Arctic U.S. and the advances by Arctic U.S. secured by a charge over the present and after-acquired assets of Arctic Canada (collectively, the "**Inter-Company Balances Charge**"). The proposed Order contemplates that the Inter-Company Balances Charge shall rank sixth in priority after the Administration Charge and Financial Advisor Charge, the Directors' Charge, the DIP Lenders' Charge, the KERP Charge and the Critical Supplier Charge (both above and below C\$1,000,000) (together with the Inter-Company Balances Charge, the "**Charges**").

Charges Not in Priority to TD Obligations, Super Priority Claims and PMSIs

183. The proposed Order provides that each of the Charges shall constitute a charge on the current and future assets, undertakings and properties of the Arctic Glacier Parties, and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, “**Encumbrances**”) in favour of any Person, notwithstanding the order of perfection or attachment, except for (i) any validly perfected purchase money security interest in favour of a secured creditor, (ii) any statutory Encumbrance existing on the date of the Order in favour of any Person which is a “secured creditor”, as defined in the CCAA, in respect of any amounts under the Wage Earners’ Protection Program that are subject to a super priority claim under the BIA, including source deductions from wages, employer health tax, workers compensation, vacation pay and banked overtime for employees; or (iii) the TD LC Security.

Summary of Proposed Charges

184. To summarize, the proposed Order provides for the following ranking of the Charges in relation to one another:

- (a) First – The Administration Charge (to the maximum amount of US\$2,000,000) and the Financial Advisor Charge (to the maximum amount of an additional US\$2,000,000) on a *pari passu* basis;
- (b) Second – The Directors’ Charge (to the maximum amount of US\$2,700,000);
- (c) Third – The Critical Supplier Charge (to the maximum amount of C\$1,000,000, only as against the assets of AGI);
- (d) Fourth - The DIP Lenders’ Charge (to the maximum amount of C\$28,600,000 plus US\$26,400,000);
- (e) Fifth – The KERP Charge (to the maximum amount of C\$2,600,000) and the Critical Supplier Charge (for any amounts above C\$1,000,000) on a *pari passu* basis (with the Critical Supplier Charge as against the assets of AGI only); and,
- (f) Sixth – The Inter-Company Balances Charge.

The Monitor

185. In accordance with the requirements of the CCAA, subject to the Court's approval, the Arctic Glacier Parties have engaged A&M to act as the monitor if the Court grants the relief sought herein. A&M has consented to its appointment as Monitor. I am advised by Marc Wasserman, counsel to A&M in these proceedings, that A&M is a trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act (Canada)* and not subject to any restrictions on who may be a monitor pursuant to section 11.7(2) of the CCAA.

Documents to be Sealed

186. The proposed Order provides for the KERP, Financial Advisor Engagement Letter and DIP Fee Letter, which are attached hereto as Confidential Exhibits 1, 2 and 3, respectively, to be provided to the Court on a confidential basis and sealed due to the commercial sensitivity and highly confidential nature of the information contained therein. These documents and their confidential nature are described above, including that these documents contain commercially sensitive information.

Huntington Transaction

187. The proposed Order also provides that the Arctic Glacier Parties may complete any transactions provided for in the Commitment Letter or Definitive Documents, including the sale of the land and building located in Huntington, NY, permitted by the terms of the Commitment Letter or Definitive Documents.

188. Arctic Glacier, in the ordinary course of its business, is in the process of moving its distribution operations in its Long Island region from owned premises in Huntington, New York to premises to be leased at another location on Long Island. After listing the Huntington property, Arctic Glacier negotiated an agreement to sell the Huntington property for a selling price of US\$1,065,000. The buyer is presenting completing a phase 2 environmental assessment and has until February 29, 2012 to complete this assessment, which is to close 30 days thereafter. The Lenders have consented to the sale and completion of the sale is permitted under the DIP Commitment Letter.

CHAPTER 15 APPLICATION

189. As set out above, if the relief requested by the Arctic Glacier Parties is granted, it is the intention of the Arctic Glacier Parties to seek protection in the U.S. for AGII and the Additional Arctic Parties under Chapter 15 of the U.S. Bankruptcy Code. The Arctic Glacier Parties intend to file petitions under Chapter 15 on the basis that Winnipeg is their “centre of main interest”. The Arctic Glacier Parties intend that A&M, as proposed Monitor, would be the foreign representative in the Chapter 15 proceedings.

CONCLUSION

190. I believe the CCAA protection requested by Arctic Glacier is appropriate, necessary and in the best interest of the Arctic Glacier Parties and their stakeholders. If this Honourable Court should grant the relief sought by the Arctic Glacier Parties herein, I believe that there would be no material prejudice to the position of the existing creditors and Unitholders when compared to the consequences if the CCAA protection, including the stay and provision for interim financing, is not granted.

191. The Board of Trustees of AGIF and the Boards of Directors of each of the other Applicants have passed resolutions authorizing the making of the within application.

RELIEF REQUESTED

192. Accordingly, this affidavit is sworn in support of an application by the Arctic Glacier Parties for an order pursuant to the CCAA, among other things:

- (a) declaring that the Applicants are debtor companies to which the CCAA applies;
- (b) authorizing the Arctic Glacier Parties to carry on the Business in a manner consistent with the preservation of the property of Arctic Glacier and to make certain payments in connection with the Business and the proceedings herein;
- (c) granting a stay of proceedings against the Applicants and Glacier LP;
- (d) declaring certain suppliers of AGI “critical suppliers”;

- (e) providing an Administration Charge, Financial Advisor Charge, DIP Lenders' Charge, KERP Charge, Critical Supplier Charge and Inter-Company Balances Charge;
- (f) appointing Alvarez & Marsal Canada Inc. as monitor in these proceedings;
- (g) permitting the Arctic Glacier Parties to conduct the SISP; and
- (h) granting such other relief as may be appropriate.

SWORN BEFORE ME at the City)
of Winnipeg, in the Province of)
Manitoba, this 21st day of)
February, 2012.)
)
)

A Notary for and in the Province of
Manitoba



KEITH MCMAHON

SCHEDULE A – ADDITIONAL APPLICANTS

Arctic Glacier California Inc.
Arctic Glacier Grayling Inc.
Arctic Glacier Lansing Inc.
Arctic Glacier Michigan Inc.
Arctic Glacier Minnesota Inc.
Arctic Glacier Nebraska Inc.
Arctic Glacier Newburgh Inc.
Arctic Glacier New York Inc.
Arctic Glacier Oregon Inc.
Arctic Glacier Party Time Inc.
Arctic Glacier Pennsylvania Inc.
Arctic Glacier Rochester Inc.
Arctic Glacier Services Inc.
Arctic Glacier Texas Inc.
Arctic Glacier Vernon Inc.
Arctic Glacier Wisconsin Inc.
Diamond Ice Cube Company Inc.
Diamond Newport Corporation
Glacier Ice Company, Inc.
Ice Perfection Systems Inc.
ICESurance Inc.
Jack Frost Ice Service, Inc.
Knowlton Enterprises, Inc.
Mountain Water Ice Company
R&K Trucking, Inc.
Winkler Lucas Ice and Fuel Company
Wonderland Ice, Inc.

This is exhibit "B" referred to
in the affidavit of
Keith McMahon

sworn before me this 21st day of
February 2012

ARCTIC GLACIER DIP FACILITY TERM SHEET

A NOTARY PUBLIC
IN AND FOR THE PROVINCE OF MANITOBA

Dated February 21, 2012

WHEREAS the Borrowers (as defined below) have requested that the Lenders (as defined below) provide them with certain interim financing (the "**DIP Facility**") to assist with the Borrowers' restructuring efforts, and the Lenders are prepared to provide such DIP Facility subject to and in accordance with the terms and conditions set forth in this Term Sheet (the "**DIP Commitment**") and the definitive documents to be delivered pursuant hereto (the "**Definitive Documents**");

NOW THEREFORE for good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged by the parties hereto), the parties hereto agree as follows:

- Definitions:** All capitalized terms used herein but not otherwise defined shall have the meanings ascribed to such terms in Exhibit A hereto.
- Borrowers:** Arctic Glacier Inc. ("**AGI**") and Arctic Glacier International Inc. ("**AGII**") shall be the Borrowers under the DIP Facility; provided, however, that prior to the entry of the Chapter 15 DIP Order by the U.S. Court, AGII shall not constitute a Borrower; provided, further, however, that immediately after the entry of the Chapter 15 DIP Order by the U.S. Court, AGII shall be deemed to be a Borrower under the DIP Facility.
- Guarantors:** Arctic Glacier Income Fund (the "**Fund**") and any existing or subsequently organized or acquired subsidiary of the Fund shall be a guarantor under the DIP Facility (collectively, the "**Guarantors**") and, together with the Borrowers, the "**Credit Parties**"), and shall absolutely and unconditionally guarantee all of the Borrowers' obligations under the DIP Facility on a joint and several basis. A list of the Guarantors (other than the Borrowers) is attached hereto as Schedule 1.
- Administrative Agent and Collateral Agent:** CPPIB Credit Investments Inc. ("**CPPIB**"), or any affiliate or assignee thereof at CPPIB's sole discretion, shall be the administrative agent and collateral agent under the DIP Facility (in such capacity, the "**Agent**").
- Lenders:** CPPIB, funds or vehicles advised by West Face Capital Inc., and/or any of their respective affiliates and managed funds or other vehicles (initially as identified on the signature pages hereto), and any of their respective assignees, shall be the lenders under the DIP Facility (collectively, the "**Lenders**").

**Restructuring
Proceedings:**

Each Credit Party shall at all times be, and remain, subject to: (i) main proceedings (the “**CCAA Proceedings**”) commenced under the *Companies’ Creditors Arrangement Act* (Canada) (the “**CCAA**”) in respect of the Credit Parties; and (b) an order or orders obtained in the U.S. Court pursuant to chapter 15 of the Bankruptcy Code (a “**Recognition Proceeding**”) recognizing the order approving the DIP Facility in the main CCAA Proceedings (the “**Chapter 15 DIP Order**”); in each case on terms and conditions satisfactory to the Agent, acting reasonably. The CCAA Proceedings and Recognition Proceedings shall be collectively referred to herein as the “**Proceedings**”.

All motions, pleadings, orders and other documents (the “**Court Documents**”) filed, proposed, sought, served, and obtained by the Credit Parties in or in connection with the Proceedings shall be in form and substance satisfactory to the Agent and copies of such Court Documents shall be provided to the Agent as soon as practicable prior to any filing or service in the Proceedings.

Aggregate Amount:

The DIP Facility shall be a non-revolving debt facility up to an aggregate maximum amount of (i) in Stage 1, US\$10.0 million and CAD\$15.0 million (the “**Stage 1 Availability**”) and (ii) in Stage 2, an additional US\$14 million and CAD\$11 million for a total availability of US\$24 million and CAD\$26 million (the “**Stage 2 Availability**”). Permitted draws will be subject to the Availability, as set forth below, and the other terms and conditions hereof.

Availability:

Draws on the DIP Facility shall be made on a non-revolving basis. Any amounts repaid may not be reborrowed.

Aggregate drawdowns under the DIP Facility shall not, as at any week, exceed the maximum aggregate amount specified in Schedule 2 in respect of such week.

Upon fulfillment of all the conditions precedent to the Stage 1 Availability set out below, and prior to fulfillment of all the conditions precedent to the Stage 2 Availability set out below, the Borrowers shall be entitled to draw a maximum aggregate amount equal to the Stage 1 Availability, subject to the maximum weekly drawings specified in Schedule 2.

Upon and following fulfillment of all conditions precedent to the Stage 2 Availability set out below, the Borrowers shall be entitled to draw a maximum aggregate amount equal to the Stage 2 Availability, subject to the maximum weekly drawings specified in Schedule 2.

The several obligations of the Lenders to make, or cause one of their respective affiliates to make, funding available up to the Stage 1 Availability or the Stage 2 Availability, as the case may be, shall at all times be subject to the condition precedents listed below.

DIP Commitment:

Subject to the conditions precedent set out below and the other terms and conditions hereof, the Lenders hereby commit to provide up to the Stage 1 Availability or the Stage 2 Availability, as the case may be.

Purpose/Permitted Payments:

The DIP Facility shall be provided for the limited purpose of facilitating the Proceedings, including the SISF.

The Borrowers shall use available funds under the DIP Facility solely for the following types of expenditures, to the extent permitted by applicable court orders and provided for in Approved Budgets (collectively, the “**Permitted Payments**”):

- (i) operating expenses of the Credit Parties incurred in the ordinary course of business;
- (ii) costs and expenses incurred by the Credit Parties in the administration of the Proceedings including, without limitation, the payment of fees and expenses of the Credit Parties’ legal and financial advisors, the Chief Process Supervisor, the court-appointed monitor in the CCAA Proceedings and the monitor’s legal advisors;
- (iii) payment of the expenses of the Agent, the Lenders, the First Lien Lenders and the Second Lien Lenders as provided for herein;
- (iv) payment of interest (including default interest) and other amounts payable under the DIP Facility and the First Lien Loan Agreement (including, without limitation, all fees payable to the Agent and Lenders); and
- (v) any other costs and expenses permitted in the applicable court orders and specifically provided for in the Approved Budgets.

Milestones:

The DIP Facility shall be subject to satisfaction of the timelines and deadlines set out in the SISF, without amendment or extension of any kind, and the satisfaction of such timelines and deadlines shall be a condition precedent to any drawdown under the DIP Facility.

Failure to meet any of the foregoing timelines and deadlines shall, unless the Agent otherwise consents, result in the immediate occurrence of an Event of Default hereunder.

Approved Budgets:

The Credit Parties shall at all times make expenditures (including, without limitation, any disbursement, payment, transfer, distribution or other use of funds, whether borrowed under the DIP Facility or otherwise) only as (i) permitted by applicable court orders, and (ii) specifically provided for in budgets which may from time to time be prepared by the Credit Parties and be acknowledged in advance as being satisfactory to the Agent ("**Approved Budgets**").

The Approved Budgets shall be in form and content satisfactory to the Agent, shall be in sufficient detail to ensure complete and accurate disclosure to the Agent of proposed expenditures, and shall be delivered to the Agent in a timely manner in accordance with the reporting requirements set out herein that permits the Agent's proper consideration thereof prior to the timing of the proposed expenditures.

The Credit Parties shall at all times provide the Agent with timely and accurate reports and updates regarding their actual expenditures, variances to the Approved Budgets, and any prospective or proposed changes to Approved Budgets.

The Credit Parties shall also at all times promptly respond to reasonable information or reporting requests made by the Agent in connection with an Approved Budget including, without limitation, variance analyses, reconciliations, and details of any actual or prospective expenditure.

The initial Approved Budget in effect as a condition precedent to the Stage 1 Availability is attached hereto as Schedule 3 (the "**Initial Approved Budget**").

For periods of time following the period of the Initial Approved Budget, the Credit Parties shall prepare new Approved Budgets in form and content satisfactory to the Agent (the "**Subsequent Budgets**").

Maturity:

The DIP Facility shall mature on the earliest of (the "**Maturity Date**"): (i) August 8, 2012; (ii) the date of completion of a transaction in compliance with the SISF; and (iii) the date upon which an Event of Default occurs hereunder.

The DIP Commitment in respect of the DIP Facility shall expire on the Maturity Date and all amounts outstanding under the DIP

Facility shall become immediately due and payable without necessity of notice, demand or other actions on the part of the Agent or Lenders and shall be repaid in full no later than the Maturity Date without the Agent or Lenders being required to make demand upon the Credit Parties or to give notice that the DIP Facility has expired and the obligations are due and payable.

Closing Dates:

For the Stage 1 Availability, the first date on which all conditions precedent thereto are fulfilled to the satisfaction of the Agent (the "**Stage 1 Closing Date**").

For the Stage 2 Availability, the first date on which all conditions precedent thereto are fulfilled to the satisfaction of the Agent.

Amortization:

None.

Interest Rate:

All principal amounts and other amounts due and payable under the DIP Facility will bear interest at a per annum rate equal to (i) with respect to all Canadian dollar denominated amounts, the Prime Rate (as defined in the First Lien Loan Agreement) plus 5.50% (plus, until all conditions to Stage 2 Availability are satisfied, an additional 2.00% per annum) and (ii) with respect to all U.S. dollar denominated amounts, the U.S. Prime Rate (as defined in the First Lien Loan Agreement) plus 5.50% (plus, until all conditions to Stage 2 Availability are satisfied, an additional 2.00% per annum).

Immediately upon the occurrence, and during the continuance of, an Event of Default (as defined below), all obligations under the DIP Facility will accrue default interest at a rate equal to the foregoing rate plus an additional two percentage points 2.00% *per annum*.

Interest Payments:

All interest is compounded daily and payable monthly on the first Business Day of each calendar month in arrears.

Funding Protection:

Customary for debtor-in-possession financings, including gross-up for withholding, compensation for increased costs and compliance with capital adequacy and other regulatory restrictions, as applicable.

Security and Claims:

The DIP Facility will be secured by a super-priority, first-ranking charge over all of the Credit Parties' Property (the "**DIP Charge**"), subject only to the Carve-Out. For greater certainty, the DIP Charge shall be senior to and have priority over the Existing Security and all priority payables other than the Carve Out. In addition, the Existing Security shall be amended in a manner

satisfactory to the Agent to secure the obligations under the DIP Facility. All U.S. Opco's shall grant to Arctic Glacier Inc. a lien that is a super-priority, first-ranking charge (subject only to the prior ranking charges specified in the Initial Order), on account of any loans advanced by Arctic Glacier Inc. to any U.S. Opco entity after the commencement of the CCAA Proceedings (the "Intercompany Liens"). For greater certainty, the Lenders' DIP Charge shall apply to the Intercompany Liens.

The DIP Charge shall be approved by the Canadian Court and the US Court in the Proceedings in a manner, and on terms and conditions, satisfactory to the Agent in its sole and absolute discretion.

Carve-Out:

The DIP Charge and the Intercompany Liens shall be a first-ranking charge on all of the Property subject only to (i) the prior ranking charges expressly specified in the Initial Order (including the Critical Supplier Charge (as defined therein) up to an aggregate amount of CAD\$1 million), (ii) any statutory encumbrance existing on the date of this Order in favour of any Person which is a "secured creditor", as defined in the CCAA, in respect of any amounts under the Wage Earners' Protection Program that are subject to a super priority claim under the BIA, including source deductions from wages, employer health tax, workers compensation, vacation pay and banked overtime for employees and (iii) security in favour of creditors not given notice of the Application for the Initial Order in the CCAA Proceedings (the "**Carve Out**"). The balance of the Critical Supplier Charge will rank junior to the DIP Charge but prior to the Existing Debt.

Fees:

The Credit Parties shall pay to the Agent and the Lenders an upfront fee (the "**Upfront Fee**"), as compensation for the making of the DIP Commitment, in an amount equal to the rate specified in the fee letter dated as of the date hereof between the parties hereto (the "**Fee Letter**") multiplied by the maximum amount of the Total Availability. The Upfront Fee shall be immediately earned and payable (by way of deemed advance under the DIP Facility) to the Agent and the Lenders upon the execution and delivery of this DIP Commitment.

The Credit Parties shall pay to the Agent and the Lenders a standby fee (the "**Standby Fee**"), as compensation for the availability of the DIP Facility funding. The Standby Fee shall be calculated daily at the rate specified in the Fee Letter multiplied by the unused portion of the Total Availability from time to time, starting on the date of execution and delivery of this DIP Commitment.

The Standby Fee shall be payable to the Agent and the Lenders in arrears on the first Business Day of each calendar month.

The Credit Parties shall pay to the Agent a one-time agency fee in the amount specified in the Fee Letter ("the **"Agency Fee"**") as compensation for the Agent's services under the DIP Facility in its capacity as administrative agent and collateral agent. The Agency Fee shall be earned and payable in cash to the Agent on the date of execution and delivery of this DIP Commitment.

All fees shall be non-refundable under all circumstances.

Expenses:

The Credit Parties shall pay when presented all invoices, accounts and reimbursement requests on account of the reasonable legal fees and disbursements and other costs and expenses incurred by the Agent, the Lenders, the First Lien Lenders, and the Second Lien Lenders in respect of the DIP Facility, the First Lien Loan Agreement, the Second Lien Loan Agreement, and the Proceedings (collectively, the **"Expenses"**). If Expenses are not paid by the Borrowers within three Business Days of presentment for payment, the Agent and Lenders are authorized to pay such Expenses as an advance under the DIP Facility and such amounts will accrue interest at the rate applicable to the principal.

Drawdowns:

Drawdowns under the DIP Facility shall be subject to the following restrictions:

1. Drawdowns shall only be available if, at the time the drawdown is requested by the Borrowers, all conditions precedent set out herein have been, and continue to be, fulfilled.
2. No more than one drawdown shall be available in any one week period following the initial drawdown under the DIP Facility.
3. Each drawdown shall be in an amount equal to not less than \$2 million and increments of \$1 million in excess thereof.
4. The Borrowers shall submit a drawdown request in form and content satisfactory to the Agent and the Lenders, accompanied with an officer's acknowledgement that all conditions precedent and other requirements applicable to such drawdown availability have been satisfied. Each drawdown request must be submitted at least four Business Days (or such shorter period as the Agent and the Lenders may agree) before the date of funding specified therein.

5. Prior to any draw down, the Borrowers must have submitted to the Agent the Cashflow Forecast for the 13 week period commencing in the immediately preceding week.

6. After giving effect to any such drawdown and determined on a pro forma basis with respect to any related expenditures that constitute Permitted Payments, no cash would be payable to the Lenders pursuant to the excess cash sweep provisions of the mandatory prepayment requirements.

7. No Event of Default shall have occurred and be continuing.

Voluntary Prepayments: The DIP Facility may be prepaid in whole or in part without premium or penalty on one Business Day's notice, in a minimum amount of at least \$1 million and in increments of \$1 million in excess thereof. All voluntary prepayments will result in a permanent reduction of the DIP Facility and may not be re-borrowed, unless otherwise agreed by the Agent and the Lenders.

Mandatory Prepayments: The following mandatory prepayments of the DIP Facility are required:

1. Excess Cash Sweep: The Credit Parties shall immediately pay to the Agent, in reduction of the balance outstanding under the DIP Facility, all cash in their control or possession in excess of an aggregate amount, as at the end of any week, of \$10 million on a consolidated basis.

2. Asset Sales: No later than the third Business Day following the date of receipt by any Credit Party, 100% of the net cash proceeds of the sale or other disposition of any Property of any Credit Party (including their equity interests in any other Credit Party), shall be paid in permanent reduction of the balance outstanding under the DIP Facility provided, however, that this requirement shall not apply to: (i) sales or other dispositions of inventory in the ordinary course of the Credit Parties' business; (ii) sales or other dispositions of equipment in the ordinary course of the Credit Parties' business to the extent such proceeds are used within the earlier of (i) the Maturity Date and (ii) 90 days following the date of receipt, to acquire replacement equipment; and (iii) the disposition of the Huntington Property (as defined below).

3. Insurance Proceeds: No later than the third Business Day following the date of receipt by any Credit Party, 100% of the net insurance and condemnation cash proceeds received by any Credit Party on account of any loss of or damage to any Property of a Credit Party shall be paid in permanent reduction of the balance outstanding under the DIP Facility unless such proceeds are used within the earlier of (i) the Maturity Date and (ii) 180 days following the date of receipt, to repair or replace the damaged Property (and, pending any such application, such proceeds shall be retained on a segregated basis by the Credit Parties).

All mandatory prepayments will be applied, without penalty or premium, to the prepayment and permanent reduction of the DIP Facility and may not be re-borrowed, unless otherwise agreed by the Agent and the Lenders.

Cash Management:

The cash management and administration standards and practices of the Credit Parties shall in all material respects be satisfactory to the Agent and the Lenders.

All receipts and collections of the Credit Parties shall be immediately deposited into operating accounts disclosed to the Agent and the Lenders, and shall be subject to the excess cash sweep requirements above. The Credit Parties shall provide timely and accurate reporting to the Agent, the Lenders and the monitor appointed under the CCAA Proceedings of their cash management activities including, without limitation, cash-on-hand balances.

The Credit Parties shall not hold or use any operating accounts other than as may be disclosed to the Agent and the Lenders.

The Credit Parties shall not make any transfer of cash from a Canadian entity to any U.S. Opco until entry of the Recognition Order and the Chapter 15 DIP Order by the U.S. Court, in accordance with the conditions to Stage 2 Availability set out below, except (i) strictly to the extent required in the U.S. operations, (ii) in accordance with the Approved Budget and the Cash Management Order and (iii) by way of formally documented intercompany loan. As set forth above, the Initial Order shall provide that all such intercompany loans shall have the benefit of the Intercompany Lien as set out in the Initial Order.

Remittance of Payments:

All payments made pursuant to this DIP Commitment and the Definitive Documents (including, without limitation, payments of principal, interest, fees (other than the Agency Fee) and expenses)

shall be paid by the Credit Parties directly to each Lender, as applicable, by wire transfer to the accounts specified by such Lender. The Agency Fee and any other amounts owing directly to the Agent shall be paid by the Credit Parties directly to the Agent by wire transfer to the account specified by the Agent.

Conditions Precedent:

All drawdowns in respect of the Stage 1 Availability shall be subject to the continuing fulfillment and satisfaction of all of the following conditions precedent at the time of the drawdown:

- (a) the Credit Parties shall have obtained an Initial Order on or before February 22, 2012 in form and content satisfactory to the Agent and the Lenders in their sole and absolute discretion and such Initial Order shall not have been reversed, modified, amended, stayed, vacated or appealed or subject to a stay pending appeal, unless otherwise consented to by the Agent;
- (b) the Credit Parties shall have obtained a temporary restraining order (the "TRO Order") of the U.S. Court in form and content satisfactory to the Agent and the Lenders in their sole and absolute discretion and such order shall not have been reversed, modified, amended, stayed, vacated or appealed or subject to a stay pending appeal, unless otherwise consented to by the Agent; provided, further, that the Credit Parties shall make best efforts to obtain recognition of the DIP Charge in the TRO Order on a provisional basis;
- (c) no Material Adverse Effect shall have occurred since the date of the DIP Commitment;
- (d) the Chief Process Supervisor shall have been engaged (and shall remain engaged) by the Credit Parties on terms and conditions satisfactory to the Agent and the Lenders, and shall have been appointed pursuant to the Initial Order;
- (e) the Credit Parties shall be in compliance with all orders entered in the Proceedings, and shall be diligently pursuing the successful completion of the Proceedings with a view to, among other things, the implementation and performance of the SISF as a mechanism to achieve the full satisfaction and payment of all obligations owing to the Agent, the Lenders, the First Lien Lenders and the Second Lien Lenders;

(f) the Credit Parties shall be in compliance with all terms and conditions of the DIP Commitment and, if at that time the Definitive Documents have been executed and delivered, the Definitive Documents;

(g) the Agent and Lenders shall have received evidence satisfactory to them that the order(s) of the Canadian Court have created in favor of the Agent and the Lenders valid, enforceable liens on the Property having the priority specified herein securing all funding under the DIP Facility and satisfactory amendments to the guarantees and Existing Security to expressly guarantee and secure all obligations under the DIP Facility;

(h) all orders issued in the Proceedings, and all motions and other documents filed by the Credit Parties in the Proceedings, shall be satisfactory in form and substance to the Agent and the Lenders;

(i) no examiner or any trustee, receiver, interim receiver or receiver and manager shall have been appointed with respect to any or all of the Credit Parties or their respective properties in either the United States or in Canada;

(j) the representations and warranties contained herein or in any Definitive Document shall be true and correct in all material respects except to the extent that such representations and warranties relate only to an earlier date, in which case such representation and warranties shall be true and correct in all material respects at such earlier date; and

(k) no Event of Default shall have occurred under the DIP Commitment or any Definitive Document.

All drawdowns in respect of Stage 2 Availability shall be subject to the continuing fulfillment and satisfaction of all of the following conditions precedent at the time of drawdown:

(a) all conditions precedent set out above in respect of Stage 1 Availability;

(b) the Credit Parties shall have obtained entry by the U.S. Court of (i) the Recognition Order providing for the recognition of the CCAA Proceedings as a "foreign main proceeding" as such term is defined under section 1502(4) of the Bankruptcy Code and (ii) the Chapter 15 DIP Order

approving the DIP Facility and recognizing the DIP Charge; provided further that the Recognition Order and the Chapter 15 DIP Order shall be in form and content satisfactory to the Agent and the Lenders in their sole and absolute discretion;

(c) the Recognition Order and the Chapter 15 DIP Order shall be in full force and effect, and shall not (in whole or in part) have been reversed, modified, amended, stayed, vacated or appealed or subject to a stay pending appeal, unless otherwise consented to by the Agent;

(d) the Credit Parties shall be in compliance in all respects with the Chapter 15 DIP Order and, if at the time the Definitive Documents have been executed and delivered, the Definitive Documents;

(e) an order containing cash management arrangements satisfactory to the Agent and the Lenders (the "**Cash Management Order**", which, for certainty, may be the Initial Order) has been entered in the Canadian Court and has been recognized in the Recognition Order or otherwise by the US Court and shall be in full force and effect and shall be in form and substance satisfactory to the Agent and the Lenders; and

(f) each of the orders required under this DIP Commitment shall be in full force and effect, and shall not (in whole or in part) have been reversed, modified, amended, stayed, vacated, appealed or subject to any stay pending appeal or otherwise challenged.

Representations and Warranties:

Usual and customary for debtor-in-possession financings of this type (including certain customary and appropriate limitations and exceptions) with due regard to current market conditions, in each case relating to the Credit Parties and satisfactory to the Agent and the Lenders.

Affirmative Covenants:

The DIP Facility shall be subject to all affirmative covenants of the Credit Parties as may be satisfactory to the Agent. For greater certainty, such affirmative covenants shall include, without limitation:

(a) the Additional Covenants set out below;

(b) all such affirmative covenants as may be usual or customary for debtor-in-possession financings of this kind with due regard to current market conditions including, without limitation, in relation to:

- (i) timely and accurate delivery to the Agent of financial statements and other information, reports and materials prepared by or for the Credit Parties;
- (ii) timely provision to the Agent of notices of litigation and notices of default or pending default under or in relation to any debt, agreement, permit, right or other matter of a Credit Party;
- (iii) timely provision to the Agent of all material documents relating to the Proceedings or other court proceedings applicable to the Credit Parties including, without limitation, pleadings, motions, applications, other documents filed with a court, and correspondence relating to any of the foregoing;
- (iv) maintenance of existence of the Credit Parties;
- (v) payment of taxes payable by the Credit Parties or in respect of their property with respect to periods after the granting of the Initial Order;
- (vi) maintenance of the properties of the Credit Parties;
- (vii) maintenance of insurance in respect of the Credit Parties and their properties;
- (viii) cooperation with any syndication efforts of the Agent;
- (ix) maintenance of timely and accurate books and records in respect of the Credit Parties, their properties, and their businesses, and access to same by the Agent;
- (x) allowance of regular inspections of the Credit Parties' properties, business and books and records by or on behalf of the Agent;
- (xi) the holding of timely and complete reporting and update calls and meetings with the Agent, the Lenders, and their representatives;

- (xii) the Credit Parties' compliance with all applicable laws;
- (xiii) environmental matters regarding the Credit Parties and their properties;
- (xiv) customary further assurances as to additional collateral, guarantees and security documents for the benefit of the Agent and the Lenders;
- (xv) the administration of cash management practices and standards in accordance with the Cash Management Order;
- (xvi) entering into of the Definitive Documents in accordance with the section titled "Definitive Documents" below; and
- (c) all such other affirmative covenants as the Agent may reasonably require.

Negative Covenants:

The DIP Facility shall be subject to all negative covenants of the Credit Parties as may be satisfactory to the Agent. For greater certainty, such negative covenants shall include, without limitation:

- (a) the Additional Covenants set out below;
- (b) all such negative covenants as may be usual or customary for debtor-in-possession financings of this kind with due regard to current market conditions including, without limitation, in relation to:
 - (i) repayment of subordinate ranking indebtedness (including, without limitation, any payments related to litigation or settlements) and the incurrence of prohibited indebtedness;
 - (ii) the creation of liens on, against, or in respect of any of the properties of the Credit Parties;
 - (iii) the making of restricted payments or investments (including intercompany investments, indebtedness or transfers to affiliates except as specified by the Initial Order);
 - (iv) restrictions on equity issuances;

- (v) restrictions on dispositions (including dispositions of equity interests in subsidiaries) outside the ordinary course of the Credit Parties' business except (i) in compliance with the Initial Order, (ii) with the prior written consent of the Agent or (iii) the disposition of the owned real property at 50 Stewart Avenue, Huntington, New York owned by Arctic Glacier New York Inc. (the "**Huntington Property**").
 - (vi) restrictions on acquisitions outside the ordinary course of the Credit Parties' business;
 - (vii) any fundamental change to the Credit Parties, their businesses or their properties;
 - (viii) restrictions on transactions with affiliates (other than cash management arrangements in the ordinary course and consistent with past practice, and permitted by the Cash Management Order and this DIP Commitment);
 - (ix) restrictions on engaging in new businesses;
 - (x) modifications to organizational documents or material agreements;
 - (xi) sales and lease-backs outside the ordinary course of the Credit Parties' business;
 - (xii) the incurrence of (i) indebtedness except for specified permitted indebtedness or (ii) contractual commitments outside the ordinary course of business, in each case without the prior written consent of the Agent;
 - (xiii) uses of funds under the DIP Facility for purposes other than Permitted Payments;
 - (xiv) changes to the Credit Parties' fiscal year or accounting practices; and
 - (xv) capital expenditures, except as specifically provided for in the Approved Budgets; and
- (c) all such other negative covenants as the Agent may reasonably require.

The negative covenants shall not restrict any expenditure, transaction or activity specifically provided for in the Approved Budgets or otherwise consented to by the Agent.

Additional Covenants:

The Credit Parties covenant as follows:

- (a) to at all times remain, and take all actions necessary or available to ensure they remain, in compliance with all orders issued by the CCAA Court or the US Court;
- (b) to take all actions necessary or available to defend the Initial Order, the Recognition Order, the Chapter 15 DIP Order and the Cash Management Order from any appeal, reversal, modification, amendment, stay or vacating not expressly consented to in advance by the Agent and the Lenders;
- (c) within 10 days following the Stage 1 Closing Date, to deliver to the Agent a certificate from the Credit Parties' insurance broker, or other evidence satisfactory to the Agent, that all insurance required to be maintained is in full force and effect, together with endorsements naming the Agent, for the benefit of Lenders, as additional insured and first loss payee thereunder;
- (d) subject to any restrictions set out in the Initial Order in relation to the SISP, to at all times permit and facilitate timely and unrestricted access by the Agent and the Lenders to the monitor appointed in the CCAA Proceedings, the Chief Process Supervisor, and their respective advisors;
- (e) not to take any action (or in any way support the taking of any action by another person) that has, or can have, a material adverse impact on the rights and interests of the Agent, the Lenders, the First Lien Lenders or the Second Lien Lenders including, without limitation, any action in furtherance of challenging the validity, enforceability or amount of the obligations owing in respect of the DIP Facility or the Existing Indebtedness; and
- (f) not to solicit, seek or pursue, or enter into any arrangements with respect to, funding intended to replace or supplement the DIP Facility.

Existing Debt:

The Credit Parties acknowledge receipt of the demand letters dated February 21, 2012 issued in respect of the First Lien Loan and the Second Lien Loan, and acknowledge and agree that Existing Debt in the aggregate amount of US\$23,162,298 and CAD\$7,032,219 (in respect of the First Lien Loan), US\$161,934,039 and CAD\$58,493,011 (in respect of the Second Lien Loan) and US\$125,000 and CAD\$428,383 (in respect of unreimbursed expenses), is due and payable as at February 21, 2012 under the applicable documentation.

The Credit Parties shall not contest, challenge or in any way oppose (or support any other person in contesting, challenging or opposing): (i) the amount of the Lenders' claim for the Existing Debt as hereby acknowledged and agreed, together with all other amounts that may become due or payable in respect of the Existing Debt following the date of this DIP Commitment; and (ii) the validity and enforceability of the Existing Debt or of any agreements and documents relating thereto. The Credit Parties further covenant to, and hereby, release the First Lien Lenders and Second Lien Lenders, and their respective predecessors, successors, agents, advisors and representatives, of and from all claims and liabilities relating to any act or omission prior to the date of this DIP Commitment.

Contingency Planning:

The Credit Parties shall at all times, including without limitation throughout the process contemplated by the SISP, diligently and in good faith pursue the development, negotiation and documentation of a contingency plan satisfactory to the Agent, the Lenders, the First Lien Lenders and the Second Lien Lenders to be promptly implemented upon the non-compliance with any deadline or other requirement of the SISP or the failure of the SISP to give rise to a potential transaction capable of being completed in compliance with its terms and conditions (as they may be set out in the Initial Order) and with those of all applicable agreements and court orders. The Credit Parties shall at all times engage in timely and diligent discussions and other activities with the Agent, the Lenders, the First Lien Lenders and the Second Lien Lenders with a view to giving effect to this covenant and contingency plan

Reporting:

The Credit Parties shall provide to the Agent and the Lenders:

(a) reports, in a form reasonably acceptable to the Agent on a weekly basis (with delivery of the applicable report or document to be made within four Business Days of the end of each calendar week), setting forth (i) the actual receipts and disbursements for the reporting period; (ii) a line-by-line comparison of the actual disbursements of the Credit Parties against the projections set forth in the applicable Approved Budget; (iii) the sum of each line item in the Approved Budget since the commencement of the Proceedings; (iv) a statement disclosing the current cash balance in all accounts of the Credit Parties; (v) an updated 13-week rolling cashflow forecast (including a rolling 24-week totals column) in form and substance satisfactory to the Agent setting forth all estimated receipts and disbursements on a weekly basis for the next succeeding 13-week period (the "**Cashflow Forecast**"); and

(vi)) the amounts owing to Critical Suppliers (as defined in the Initial Order) which are secured by the Critical Supplier Charge.

(b) within 15 Business Days following each fiscal month, a consolidated balance sheet and related statement of operations and cash flows showing the financial position of the Credit Parties as of the close of such fiscal month, and setting forth:

(i) in comparative form the corresponding figures for the corresponding period in the prior fiscal year; and

(ii) calculation of the EBITDA Covenant;

(c) promptly after the submission thereof, a copy of any reports submitted to the Board of Directors or Board of Trustees of any of the Credit Parties, excluding any reports which the Board of Trustees or the Board of Directors, as the case may be, have identified as privileged or confidential;

(d) timely and accurate information regarding the Proceedings including, without limitation, the activities of the Credit Parties or its stakeholders;

(e) timely and accurate information regarding any matter (whether in relation to the Proceedings, the Credit Parties' business or properties, or otherwise) which might reasonably be expected to be of interest to, or which could have a material impact on, the Agent, the Lenders, the First Lien Lenders or the Second Lien Lenders or their respective rights and interests in the Credit Parties; and

(f) from time to time, such other information and materials regarding the Proceedings and the operations, business affairs and financial condition of the Credit Parties as the Agent and the Lenders may reasonably request.

Financial Covenants:

The Borrowers must maintain (on a consolidated basis) a minimum EBITDA of \$38 million to be tested on the last day of each calendar month for the immediately preceding trailing twelve month period (the "**EBITDA Covenant**"). EBITDA shall be defined in a manner consistent with the Second Lien Loan Agreement subject to normalizing adjustments for one-time expenses relating to the Proceedings and identified in the Approved Budget.

Events of Default:

The DIP Facility shall be subject to the following events of default ("**Events of Default**"):

- (i) any covenant, condition precedent, payment obligation, or other term or condition of the DIP Commitment or the Definitive Documents is not complied with or fulfilled to the satisfaction of the Agent and the Lenders;
- (ii) the authorization, approval or payment by or on behalf of the Credit Parties of any type of expenditure not permitted by the applicable court orders or not specifically provided for in the Approved Budgets;
- (iii) the failure by the Credit Parties to meet any milestone provided for in the DIP Commitment or the Definitive Documents unless agreed to by the Agent;
- (iv) the Credit Parties' failure to comply with any of the reporting requirements in the DIP Commitment or the Definitive Documents;
- (v) the seeking or support by the Credit Parties of any court order (in the Proceedings or otherwise) which is adverse or potentially adverse to the interests of the Agent, Lenders, First Lien Lenders or Second Lien Lenders;
- (vi) the issuance of any order in the Proceedings which is adverse in any material respect to the interests of the Agent, the Lenders, the First Lien Lenders, or the Second Lien Lenders (including, without limitation, as to the amount of the Existing Debt as acknowledged and agreed herein);
- (vii) the issuance of any court order lifting the stay of proceedings in, or discontinuing, the Proceedings;
- (viii) the commencement of any bankruptcy or insolvency proceeding in any jurisdiction by or in respect of the Credit Parties other than the Proceedings;
- (ix) the termination of the Chief Process Supervisor without the prior consent of the Agent, or the resignation of the Chief Process Supervisor without the Credit Parties' prompt appointment of a replacement satisfactory to the Agent and the Lenders;
- (x) the appointment of a receiver, interim receiver, examiner, trustee in bankruptcy or similar official in respect of a Credit Party, or the making of a bankruptcy order against a Credit Party in either the United States or in Canada;

(xi) the issuance of any order in the Proceedings granting any claim or lien with equal or greater priority to the DIP Charge against the Property or any portion thereof (other than the Carve-Out);

(xii) the issuance of any court order staying, reversing, vacating or otherwise modifying the terms of the DIP Facility or the DIP Charge;

(xiii) the initiation of any challenge to the validity, perfection, priority or enforceability of the DIP Charge, the DIP Facility, the Loan Agreements, the Security Documents, the First Lien Lenders' rights and interests, or the Second Lien Lenders' rights and interests;

(xiv) the sale of any Property of the Credit Parties outside the ordinary course of their business otherwise than in accordance with this DIP Commitment;

(xv) the occurrence of a Change of Control;

(xvi) the failure of the Credit Parties to comply with any of the requirements set out in the SISF, or any amendment, modification or revision thereto without the prior written consent of the Agent and the Lenders;

(xvii) the failure of any Credit Party to make prompt payment of all interest and other amounts payable in respect of the First Lien Loan Agreement (including, without limitation, all fees payable to the Agent and Lenders and any default interest);

(xviii) the failure of a Credit Party to make prompt payment of all Expenses;

(xix) the occurrence after the commencement of the CCAA Proceedings of an event or condition which results, considered alone or together with all such other events and conditions, in a Material Adverse Effect (determined in the reasonable judgment of the Agent and the Lenders);

(xx) if the aggregate amount secured by the Critical Supplier Charge at any time exceeds CAD\$2 million; and

(xxi) such other events of default as may be required by the Agent including, without limitation, such events of default as are usual or customary for debtor-in-possession

financings of this kind with due regard to current market conditions.

Definitive Documents:

The Credit Parties shall execute and deliver to the Agent and the Lenders, within 10 Business Days of delivery of initial drafts thereof, Definitive Documents, which must be consistent in all respects with the DIP Commitment and otherwise in form and content satisfactory to the Agent and the Lenders including, without limitation, a definitive credit agreement, security documents and opinions of counsel to the Credit Parties.

Assignments and Participations:

The Lenders may assign all or any part of their respective loans or commitments under the DIP Facility to any of their affiliates or managed funds or other vehicles or one or more assignees which are acceptable to the Agent. Upon such assignment, such affiliate or assignee will be a Lender for all purposes under the DIP Facility; *provided* that assignments made to affiliates and managed funds or other vehicles of any Lender, or to other existing Lenders, will not be subject to the above described consent requirements. A processing fee in the amount of \$3,500 will be payable to the Agent by any assignee in connection with any such assignment (other than any assignments made to affiliates and managed funds or other vehicles of any Lender, or to other existing Lenders.) The Lenders also have the right to sell participations, subject to customary limitations on voting rights acceptable to the Agent and the Lenders in their sole discretion, in their respective loans or commitments under the DIP Facility.

Required Lenders:

Amendments and waivers under the DIP Facility require the approval of Lenders holding more than 50% of the DIP Commitment (collectively, the “**Required Lenders**”) provided that, in addition thereto, the consent of each affected Lender shall be required with respect to (i) increases in the DIP Commitment of such Lender, (ii) waivers, reductions or postponements of scheduled payment of principal, interest or fees payable to such Lender, (iii) extensions of final maturity of the loans or DIP Commitments of such Lender, (iv) modifications to this paragraph or the definition of “Required Lenders” herein, and (v) releases of all or substantially all of the value of the Guarantees or all or a material portion of the Property.

**Taxes, Expense
Reimbursement,
Indemnification and
Judgment Currency:**

Usual and customary for debtor-in-possession financings of this kind with due regard to current market conditions, in each case satisfactory to the Agent and the Lenders in their sole discretion.

**Governing Law and
Jurisdiction:**

The Credit Parties, the Agent and the Lenders submit to the exclusive jurisdiction and venue of (a) the CCAA Court and (b) to the extent applicable, the US Court (except to the extent the Agent requires submission to any other jurisdiction in connection with the enforcement of any judgment). In the event that the Courts do not have or do not exercise jurisdiction, the Credit Parties, the Agent, and the Lenders submit to the exclusive jurisdiction and venue in any court of competent jurisdiction in the Province of Ontario. The Credit Parties, the Agent and the Lenders waive any right to trial by jury. Ontario law governs the DIP Facility.

Counsel to the Lenders:

Torys LLP (as Canadian counsel) and Milbank Tweed Hadley & McCloy LLP (as U.S. counsel).

The parties have executed this Term Sheet as of the date first stated above:

ARCTIC GLACIER INC.,
as a Borrower

By: _____
Name:
Title:

ARCTIC GLACIER INTERNATIONAL INC.,
as a Borrower

By: _____
Name:
Title:

CPPIB CREDIT INVESTMENTS INC.,
as Administrative Agent and a Lender (as to
72.97297% of the DIP Facility)

By: _____
Name:
Title:

[Signature page to DIP Term Sheet]

**WEST FACE CAPITAL INC. in its capacity as
advisor for WEST FACE LONG TERM
OPPORTUNITIES LIMITED PARTNERSHIP,**
as a Lender (as to 0.72972981% of the DIP Facility)

By: _____
Name:
Title:

**WEST FACE CAPITAL INC. in its capacity as
advisor for WEST FACE LONG TERM
OPPORTUNITIES (USA) LIMITED
PARTNERSHIP,**
as a Lender (as to 2.24324349% of the DIP Facility)

By: _____
Name:
Title:

**WEST FACE CAPITAL INC. in its capacity as
advisor for WEST FACE LONG TERM
OPPORTUNITIES GLOBAL MASTER L.P.,**
as a Lender (as to 24.0540567% of the DIP Facility)

By: _____
Name:
Title:

[Signature page to DIP Term Sheet]

SCHEDULE 1

Guarantors

Arctic Glacier Income Fund
Arctic Glacier California Inc.
Arctic Glacier Grayling Inc.
Arctic Glacier Income Fund
Arctic Glacier Lansing Inc.
Arctic Glacier Michigan Inc.
Arctic Glacier Minnesota Inc.
Arctic Glacier Nebraska Inc.
Arctic Glacier New York Inc.
Arctic Glacier Newburgh Inc.
Arctic Glacier Oregon Inc.
Arctic Glacier Party Time Inc.
Arctic Glacier Pennsylvania Inc.
Arctic Glacier Rochester Inc.
Arctic Glacier Services Inc.
Arctic Glacier Texas Inc.
Arctic Glacier Wisconsin Inc.
Arctic Glacier Vernon Inc.
Diamond Ice Cube Company Inc.
Diamond Newport Corporation
Glacier Ice Company, Inc.
Glacier Valley Ice Company, L.P.
Ice Perfection Systems Inc.
ICESurance Inc.
Jack Frost Ice Service, Inc.
Knowlton Enterprises, Inc.
Mountain Water Ice Company
R & K Trucking, Inc.
Winkler Lucas Ice and Fuel Company
Wonderland Ice, Inc.

SCHEDULE 2

Weekly Drawdown Limits*

Week 1 24 - Feb	10,000,000
Week 2 2-Mar	18,000,000
Week 3 9-Mar	23,000,000
Week 4 16-Mar	27,000,000
Week 5 23-Mar	27,000,000
Week 6 30-Mar	31,000,000
Week 7 6-Apr	35,000,000
Week 8 13-Apr	35,000,000
Week 9 20-Apr	37,000,000
Week 10 27-Apr	40,000,000
Week 11 4-May	45,000,000
Week 12 11-May	45,000,000
Week 13 18-May	47,000,000
Week 14 25-May	47,000,000
Week 15	50,000,000

1-Jun	
Week 16 8-Jun	50,000,000
Week 17 15-Jun	50,000,000
Week 18 22-Jun	50,000,000
Week 19 29-Jun	50,000,000

***Limits are expressed in any combination of U.S. and CAD.**

EXHIBIT A

Definitions

“**BIA**” means the *Bankruptcy and Insolvency Act* (Canada), R.S.C. 1985, c.B-3, as amended.

“**Business Day**” means a day (other than a Saturday or Sunday) on which banks are generally open for business in Toronto, Ontario and Winnipeg, Manitoba.

“**Canadian Court**” means the Court of Queens Bench (Winnipeg Centre) having carriage of the CCAA Proceedings.

“**Change of Control**” means any of the following events:

- (a) the occurrence of any transaction or event as a result of which any Person (or group of Persons acting in concert) shall purchase or acquire legal or beneficial ownership, either directly or indirectly, of voting units of Arctic Glacier Income Fund which carry more than 50% of the votes for the election of trustees of Arctic Glacier Income Fund;
- (b) the failure of Arctic Glacier Income Fund to directly own beneficially and of record on a fully diluted basis 100% of the outstanding Equity Interest of the Arctic Glacier Inc. free and clear of all Encumbrances (other than Encumbrances in favour of the Lenders, the First Lien Lenders or the Second Lien Lenders);
- (c) the failure of the Arctic Glacier Inc. to directly or indirectly own beneficially and of record on a fully diluted basis 100% of the outstanding Equity Interests of the Arctic Glacier International Inc. and each of its other subsidiaries on the date hereof (other than Encumbrances in favour of the Lenders, the First Lien Lenders or the Second Lien Lenders);
- (d) a majority of the seats (other than vacant seats) on the board of directors of any Borrower is occupied by individuals who were neither nominated by the board of directors of such Borrower nor appointed with the approval of directors so nominated; or
- (e) any event, transaction or occurrence as a result of which (i) Keith W. McMahon shall cease to be actively engaged as the President and Chief Executive Officer of the Arctic Glacier Inc. or (ii) Doug Bailey shall cease to be actively engaged as Chief Financial Officer of the Arctic Glacier Inc.

“**Chief Process Supervisor**” means the chief process supervisor pursuant to the engagement letter dated February 22, 2012.

"DIP Charge" means a super priority security interest and charge over all Property of the Debtors to secure any advances under the DIP Facility, having the priority set out in the Initial Order.

"Encumbrance" means any mortgage, debenture, pledge, hypothec, lien, charge, assignment by way of security, consignment, lease, hypothecation, security interest (including a purchase money security interest), or other security agreement, trust or arrangement having the effect of security for the payment of any debt, liability or obligation, and **"Encumbrances"**, **"Encumbrancer"**, **"Encumber"** and **"Encumbered"** shall have corresponding meanings.

"Equity Interests" means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests or units in a trust, warrants, options, or any other equity interests in any Person.

"Existing Debt" means any indebtedness or liability of the Credit Parties under the First Lien Loan Agreement and the Second Lien Loan Agreement from time to time.

"Existing Security" means (i) the charge and security interest held by CPP Credit Investments Inc. (as successor to The Toronto-Dominion Bank), as master collateral agent for the First Lien Lenders and the Second Lien Lenders over the Property of the Credit Parties (or any portion thereof) existing immediately prior to the date of the Initial Order as security for the Existing Debt and (ii) the charge and security interest held by Computershare Trust Company of Canada, as trustee, over the Property of the Credit Parties (or any portion thereof) existing immediately prior to the date of the Initial Order, as security for the Existing Debt.

"First Lien Lenders" means each of the lenders under the First Lien Loan Agreement.

"First Lien Loan Agreement" means the fourth amended and restated loan agreement dated as of February 10, 2010 by and among, among others, CPPIB Credit Investments Inc., as Canadian and U.S. administration agent (as successor to The Toronto-Dominion Bank and Toronto Dominion (Texas) LLC, respectively), Arctic Glacier Inc., as Canadian borrower, Arctic Glacier International Inc., as U.S. borrower, Arctic Glacier Income Fund and certain direct or indirect subsidiaries of the borrowers, as guarantors, and the lenders party thereto from time to time, as amended, modified, supplemented, amended and restated or replaced from time to time.

"Initial Order" means an Order of the Canadian Court, commencing the CCAA Proceedings in respect of all of the Credit Parties, in the form attached hereto as Exhibit B.

"Material Adverse Effect" means a material adverse effect (or a series of adverse effects, none of which is material in and of itself but which, cumulatively, results in a material adverse effect) on: (i) the business, operations, Property, financial condition or prospects of the Credit Parties, measured as a whole; (ii) the ability of any Credit Party to perform any of its obligations under or in connection with the DIP Facility; (iii) the ability of the Agent or Lenders to enforce any of the obligations of any of the Credit Parties under this or in connection with the DIP Facility, in each case in accordance with applicable law; (iv) the enforceability or priority of security interests and

liens in favour of the Agent on behalf of the Lenders; or (v) the value of the Property of any Credit Party.

“Person” means any individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative or governmental authority.

“Property” means all of the Credit Parties’ current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situated including all proceeds thereof.

“Recognition Order” means an order of the US Court recognizing the Initial Order pursuant to chapter 15 of the Bankruptcy Code and the CCAA Proceedings as foreign main proceedings.

“Second Lien Lenders” means each of the lenders under the Second Lien Loan Agreement.

“Second Lien Loan Agreement” means the loan agreement dated as of February 10, 2010 by and among, among others, CPPIB Credit Investment Inc., as administrative agent, Arctic Glacier Inc., as Canadian borrower, Arctic Glacier International Inc., as U.S. borrower, Arctic Glacier Income Fund and certain direct or indirect subsidiaries of the borrowers, as guarantors, and the lenders party thereto from time to time, as amended, modified, supplemented, amended and restated or replaced from time to time.

“SISP” means the Sale and Investor Solicitation Process attached as Schedule B to the Initial Order.

“Total Availability” means \$US24.0 million and CAD\$26.0 million, being the maximum principal amount of the availability under the DIP Facility, as such amount maybe reduced from time to time in accordance with this DIP Commitment.

“US Court” means the United States Bankruptcy Court for the District of Delaware having jurisdiction over the Chapter 15 Proceeding.

EXHIBIT B
Initial Order

The parties have executed this Term Sheet as of the date first stated above:

ARCTIC GLACIER INC.,
as a Borrower

By: _____
Name:
Title:

ARCTIC GLACIER INTERNATIONAL INC.,
as a Borrower

By: _____
Name:
Title:

CPPIB CREDIT INVESTMENTS INC.,
as Administrative Agent and a Lender (as to
72.97297% of the DIP Facility)

By: _____
Name:
Title:

**WEST FACE CAPITAL INC. in its capacity as
advisor for WEST FACE LONG TERM
OPPORTUNITIES LIMITED PARTNERSHIP,**
as a Lender (as to 0.72972981% of the DIP Facility)

By: _____
Name:
Title:

**WEST FACE CAPITAL INC. in its capacity as
advisor for WEST FACE LONG TERM
OPPORTUNITIES (USA) LIMITED
PARTNERSHIP,**
as a Lender (as to 2.24324349% of the DIP Facility)

By: _____
Name:
Title:

**WEST FACE CAPITAL INC. in its capacity as
advisor for WEST FACE LONG TERM
OPPORTUNITIES GLOBAL MASTER L.P.,**
as a Lender (as to 24.0540567% of the DIP Facility)

By: _____
Name:
Title:

CONFIRMATION AND AMENDMENT OF SECURITY

This Confirmation and Amendment of Security (this "**Agreement**") is made as of February 21, 2012 between the Arctic Glacier Inc., Arctic Glacier International Inc., the other Obligors (as defined below) and CPPIB Credit Investments Inc. ("**CPPIB**"), acting in the various capacities described below.

RECITALS:

A. Pursuant to the Fourth Amended and Restated Loan Agreement dated as of February 10, 2010 (as amended, modified, supplemented, amended and restated or replaced from time to time, the "**Senior Facility Loan Agreement**") initially between The Toronto-Dominion Bank, as (among other roles) Canadian administration agent, Toronto Dominion (Texas) LLC, as U.S. administration agent, Arctic Glacier Inc., as Canadian borrower (the "**Canadian Borrower**"), Arctic Glacier International Inc., as U.S. borrower (the "**U.S. Borrower**" and together with the Canadian Borrower, the "**Borrowers**"), The Toronto-Dominion Bank, The Bank of Nova Scotia and Roynat Inc. as Canadian lenders and Toronto Dominion (New York), Inc., The Bank of Nova Scotia and Roynat Business Capital Inc., as U.S. lenders (collectively, the "**Original Senior Facility Lenders**"), and Arctic Glacier Income Fund (the "**Fund**") and certain direct or indirect subsidiaries of the Borrowers, as guarantors (collectively, the "**Guarantors**"), the Original Senior Facility Lenders extended credit to the Canadian Borrower and the U.S. Borrower on the terms and conditions set forth therein.

B. Pursuant to a Loan Agreement dated as of February 10, 2010 (as amended, modified, supplemented, amended and restated or replaced from time to time, the "**Subordinated Facility Loan Agreement**") between CPPIB, as administrative agent (in such capacity, together with any successors and assigns, the "**Subordinated Facility Agent**"), the Canadian Borrower and the U.S. Borrower, as borrowers, CPPIB, West Face Long Term Opportunities Limited Partnership, West Face Long Term Opportunities (USA) Limited Partnership, and West Face Long Term Opportunities Master Fund L.P. and such other lenders as may from time to time be party thereto (in such capacity and together with any successors and assigns being, collectively, the "**Subordinated Facility Lenders**") and the Guarantors, as guarantors, the Subordinated Facility Lenders extended credit to the Canadian Borrower and U.S. Borrower on the terms and conditions set forth therein.

C. The Senior Facility Obligations and the Subordinated Facility Obligations are guaranteed by the Guarantors pursuant to certain guarantees issued by the Guarantors in favour of the Master Collateral Agent for the benefit of the Benefited Creditors including, without limitation, the Master U.S. Guaranty dated as of December 9, 2004 by the U.S. Borrower and certain of its direct and indirect U.S. Subsidiaries in favour of the Master Collateral Agent, as supplemented by each joinder thereto (as so supplemented, the "**U.S. Guaranty**") and the Amended and Restated Master Canadian Guarantee dated as of February 10, 2010 by the Canadian Borrower and the Fund in favour of the Master Collateral Agent (the "**Canadian Guarantee**") (such guarantees and any similar guarantees issued to the Master Collateral Agent by any Credit Party in the future, being the "**Joint Guarantees**").

D. The Joint Guarantees are secured by a security interest in favor of the Master Collateral Agent for the benefit of the Benefited Creditors and the Master Collateral Agent in substantially all personal and real property of the Credit Parties (other than the Canadian Borrower), and the Senior Facility Obligations and Subordinated Facility Obligations of the Canadian Borrower are secured by security interests granted in favour of Computershare Trust Company of Canada, as trustee (the "**Trustee**") (all real and personal property collateral securing the Senior Facility Obligations and the Subordinated Facility Obligations, if any, the "**Joint Collateral**"), pursuant to one or more pledges, security agreements, mortgages, trust deeds or other encumbrances executed by the Obligors in favour of the Master Collateral Agent or the Trustee for the benefit of the Benefited Creditors including, without limitation, each security document, mortgage and trust deed listed on Exhibit A hereto (the "**Joint Security Documents**").

E. Pursuant to an assignment and assumption agreement dated as of December 14, 2011 (the "**Assignment**"), the Original Senior Facility Lenders assigned, and each of CPPIB, West Face Long Term Opportunities Limited Partnership and West Face Long Term Opportunities (USA) Limited Partnership (collectively, the "**Assignees**") assumed, all of the Original Senior Facility Lenders' interests in the Senior Facility Loan Agreement (the Assignees, together with any other lenders party to the Senior Facility Loan Agreement after the date hereof and from time to time, collectively, the "**Senior Facility Lenders**").

F. Pursuant to an agency resignation and acceptance agreement dated as of December 14, 2011, The Toronto-Dominion Bank and Toronto Dominion (Texas) LLC resigned from their position as Canadian administration agent and U.S. administration agent, respectively, under the Senior Facility Loan Agreement and all other Senior Facility Documents, and CPPIB accepted the appointment by the Senior Facility Lenders as Canadian administration agent (in such capacity, together with any permitted successors and assigns, the "**Senior Facility Agent**") and U.S. administration agent.

G. Pursuant to the Third Amended and Restated Intercreditor Agreement dated as of December 14, 2011 (as amended, modified, supplemented, amended and restated or replaced from time to time, the "**Intercreditor Agreement**"), between the Senior Facility Agent, the Subordinated Facility Agent, and CPPIB (as successor to The Toronto-Dominion Bank pursuant to the Assignment) as Master Collateral Agent (in such capacity, together with any successors and assigns, the "**Master Collateral Agent**") for the Senior Facility Agent, the Senior Facility Lenders, the Subordinated Facility Agent, the Subordinated Facility Lenders and any other Benefited Creditors which from time to time become parties to the Intercreditor Agreement, the parties set out, among other things, the entitlement of the Benefited Creditors to the Joint Guarantees and the Joint Security Documents, and the relative priorities of the Senior Facility Obligations and the Subordinated Facility Obligations.

H. Pursuant to the DIP Facility Term Sheet dated the date hereof between Arctic Glacier Inc. and Arctic Glacier International Inc., as borrowers (in that capacity, the "**DIP Borrowers**"), CPPIB, as administrative agent (in that capacity, the "**DIP Facility Agent**"), and CPPIB and funds managed by West Face Capital Inc., as initial lenders (such funds together with CPPIB in its capacity as lender and such other lenders as may from time to time be party thereto,

the "**DIP Lenders**"), the DIP Lenders agreed to extend a debtor-in-possession financing facility (the "**DIP Facility**") to the DIP Borrowers on the terms and conditions set forth therein.

I. It is a condition of the DIP Facility that the obligations of the DIP Borrowers arising under or in connection with the DIP Facility from time to time (the "**DIP Facility Obligations**") be entitled to the benefit of the Joint Guarantees and, on a first priority basis, to the benefit of the Joint Security Documents and the Joint Collateral.

J. The parties hereto have agreed to designate the DIP Facility Agent and the DIP Lenders as Benefited Creditors under the Intercreditor Agreement and to confirm their entitlement to the benefit of the Joint Guarantees, the Joint Security Documents and the Joint Collateral.

NOW THEREFORE the parties hereto agree as follows:

1. **Defined Terms.** Capitalized terms used but not defined herein have the meanings given to them in the Intercreditor Agreement.
2. **Confirmation and Extension of Existing Security.** The Obligors acknowledge that it is a condition of the DIP Lenders extending credit under the DIP Facility that the DIP Facility Agent and the DIP Lenders receive the benefit of the Joint Guarantees, the Joint Security Documents and the Joint Collateral. In order to give effect to such agreement, and constitute the DIP Facility Agent and the DIP Lenders as Benefited Creditors under the Intercreditor Agreement, the parties agree, pursuant to Section 17(b) of the Intercreditor Agreement, that the defined terms contained in Section 1 of the Intercreditor Agreement are hereby amended as follows:
 - (a) "Benefited Creditors" is amended such that the class of constituent creditors belonging thereto is broadened to include the DIP Lenders;
 - (b) "Benefited Creditor Documents" is amended such that the class of constituent documents belonging thereto is broadened to include the DIP Term Sheet, all related documents delivered by the Credit Parties thereunder and all Definitive Documents (as defined in the DIP Term Sheet) when entered into (collectively, the "**DIP Facility Documents**");
 - (c) "Obligations" is amended to also include the DIP Facility Obligations;
 - (d) "Event of Default" is amended to also include an Event of Default as defined in the DIP Facility Documents, where the context requires;
 - (e) "Principal Agreements" is amended to also include the DIP Term Sheet and, when entered into, the credit agreement forming part of the Definitive Documents; and
 - (f) "Total Obligations" is amended to also include the DIP Facility Obligations;

and the parties further agree that all other provisions of the Intercreditor Agreement shall be construed to give effect to the foregoing, as the context requires.

3. Each of the Obligors acknowledges and agrees that, after giving effect to this Agreement:
 - (a) each Joint Guarantee to which it is a party constitutes a legal, valid and binding obligation enforceable against it in accordance with its terms and conditions in full force and effect and, in addition to guaranteeing the Senior Facility Obligations and the Subordinated Facility Obligations, also guarantees the DIP Facility Obligations; and
 - (b) each Joint Security Document to which it is a party constitutes a legal, valid and binding obligation enforceable against it in accordance with its terms and continues is in full force and effect in favour of the Master Collateral Agent and the Trustee, as applicable, for the benefit of, in addition to the Senior Facility Lenders and the Subordinated Facility Lenders, the DIP Lenders.
4. **Debentures.** In order to further give effect to the provisions of Section 2, the Obligors agree to cause, and the other parties hereto (other than the DIP Facility Agent and the DIP Lenders) hereby consent to, the issuance under the Trust Deeds of Debentures (as defined in the Trust Deeds) in favour of CPPIB, in its capacity as collateral agent under the DIP Facility, in the face amount of \$50,000,000 per Debenture, and to cause (or permit, as applicable) such Debentures to be pledged in favour of CPPIB pursuant to Debenture Pledge Agreements in substantially the same form as those entered into in favour of the Senior Facility Agent and the Subordinated Facility Agent. Such Debentures and Debenture Pledge Agreements shall for all purposes constitute "Definitive Documents" for purposes of the DIP Term Sheet.
5. **Confirmation of Appointment of CPPIB as Master Collateral Agent.** The DIP Facility Agent and each DIP Lender hereby confirms the appointment of CPPIB as Master Collateral Agent on behalf of the DIP Facility Agent and the DIP Lenders pursuant to the Intercreditor Agreement, and each other party hereto acknowledges such appointment.
6. **Priority Matters.** The parties hereto agree that for purposes of Section 6 of the Intercreditor Agreement (*Basic Understanding*) and Section 11 of the Intercreditor Agreement (*Distributions/Turnover of Collateral*), the DIP Facility Obligations shall rank senior and prior to the Senior Facility Obligations and the Subordinated Facility Obligations, and such Sections shall be construed accordingly. The parties further agree that it is intended that the Debentures issued to the DIP Lenders pursuant to Section 4 above rank ahead of the Debentures issued to the Senior Facility Agent and the Subordinated Facility Agent, and that they shall take all such steps and enter into such documents as are reasonably required by the DIP Facility Agent to give effect thereto.
7. **Enforcement of Joint Security Documents.** For purposes of, and notwithstanding the terms of, Section 10 and Section 12 of the Intercreditor Agreement, the parties agree that the Master Collateral Agent shall (i) not take actions and exercise remedies under the

Joint Guarantees and Joint Security Documents without the consent of the DIP Facility Agent, and (ii) take actions and exercise remedies under the Joint Guarantees and Joint Security Documents upon the written request or written instruction of the DIP Facility Agent (with or without the consent or direction of the Senior Facility Agent and the Subordinated Facility Agent).

8. **U.S. Security Documents.** To further give effect to the provisions of Section 2, each Obligor (other than Arctic Glacier Inc. and Arctic Glacier International Inc.) and each other party hereto further acknowledges and agrees that:
- (a) the term "Obligations" as used in the U.S. Guaranty and the U.S. Security Agreement comprised in the Joint Security Documents (the "**U.S. Security Agreement**") includes all DIP Facility Obligations;
 - (b) the term "Benefited Creditors" as used in the U.S. Guaranty and the U.S. Security Agreement includes the DIP Lenders;
 - (c) the term "Benefited Creditor Documents" as used in the U.S. Guaranty and the U.S. Security Agreement includes the DIP Facility Documents; and
 - (d) its guarantee obligations under Section 1 of the U.S. Guaranty are expanded to include all of the DIP Facility Obligations.
9. **Borrower Information.** Each of the Guarantors confirms that it shall independently keep apprised of the financial position of the Borrowers and acknowledges that the DIP Facility Agent and the DIP Lenders have no obligation to the Guarantors to do so or to give notice of any entering into, advances under or amendments to the DIP Term Sheet or the Definitive Documents. Each of the Guarantors acknowledges and confirms that it has received a copy of the DIP Term Sheet and understands and consents to the terms thereof.
10. **Nature of Amendments and Defined Terms.** It is acknowledged and agreed that the terms of this Agreement are in addition to and, unless specifically provided for, do not limit, restrict, modify, amend or release any of the understandings, agreements or covenants contained in the DIP Term Sheet or the Definitive Documents when entered into.
11. **Further Assurances.** Each of the parties hereto (other than the DIP Lenders) agrees to execute such further assurances, acknowledgements, agreements and other documents as may reasonably be required by the DIP Facility Agent or the DIP Lenders for the purpose of giving effect to this Agreement.
12. **Jurisdiction.** This Agreement shall be governed by and construed in accordance with the laws of Manitoba and the laws of Canada applicable therein and shall be treated in all respects as an Ontario contract and the parties hereby submit and attorn to the non-exclusive jurisdiction of the courts of the Province of Ontario.
13. **Enurement.** The provisions hereof shall be binding upon and enure to the benefit of the parties hereto and their respective successors and assigns. For greater certainty, CPPIB shall

be entitled to assign all of its rights under this Agreement in connection with the assignment or assumption of any of the capacities in which it is a party hereto.

14. **Counterparts and Electronic Delivery.** This agreement may be executed in any number of counterparts (including counterparts by facsimile or other functionally equivalent electronic means) and all of such counterparts taken together shall be deemed to constitute one and the same agreement.

- signature pages follow -

This Agreement is executed and effective as of the date first stated above:

ARCTIC GLACIER INCOME FUND

Per: _____
(Authorized Signing Officer)

Per: _____
(Authorized Signing Officer)

ARCTIC GLACIER INC.

Per: _____
(Authorized Signing Officer)

Per: _____
(Authorized Signing Officer)

ARCTIC GLACIER INTERNATIONAL INC.

Per: _____
(Authorized Signing Officer)

Per: _____
(Authorized Signing Officer)

ARCTIC GLACIER NEBRASKA INC.

Per: _____
(Authorized Signing Officer)

Per: _____
(Authorized Signing Officer)

ARCTIC GLACIER NEW YORK INC.

Per: _____
(Authorized Signing Officer)

Per: _____
(Authorized Signing Officer)

ICE PERFECTION SYSTEMS INC.

Per: _____
(Authorized Signing Officer)

Per: _____
(Authorized Signing Officer)

ARCTIC GLACIER NEWBURGH INC.

Per: _____
(Authorized Signing Officer)

Per: _____
(Authorized Signing Officer)

ARCTIC GLACIER PENNSYLVANIA INC.

Per: _____
(Authorized Signing Officer)

Per: _____
(Authorized Signing Officer)

DIAMOND ICE CUBE COMPANY INC.

Per: _____
(Authorized Signing Officer)

Per: _____
(Authorized Signing Officer)

ARCTIC GLACIER WISCONSIN INC.

Per: _____
(Authorized Signing Officer)

Per: _____

(Authorized Signing Officer)

ARCTIC GLACIER MICHIGAN INC.

Per: _____
(Authorized Signing Officer)

Per: _____
(Authorized Signing Officer)

ARCTIC GLACIER SERVICES INC.

Per: _____
(Authorized Signing Officer)

Per: _____
(Authorized Signing Officer)

R & K TRUCKING, INC.

Per: _____
(Authorized Signing Officer)

Per: _____
(Authorized Signing Officer)

ARCTIC GLACIER PARTY TIME INC.

Per: _____
(Authorized Signing Officer)

Per: _____
(Authorized Signing Officer)

WONDERLAND ICE, INC.

Per: _____
(Authorized Signing Officer)

Per: _____
(Authorized Signing Officer)

ARCTIC GLACIER GRAYLING INC.

Per: _____
(Authorized Signing Officer)

Per: _____
(Authorized Signing Officer)

KNOWLTON ENTERPRISES, INC.

Per: _____
(Authorized Signing Officer)

Per: _____
(Authorized Signing Officer)

**WINKLER LUCAS ICE AND FUEL
COMPANY d/b/a MID-MICHIGAN ICE CO.
INC.**

Per: _____
(Authorized Signing Officer)

Per: _____
(Authorized Signing Officer)

ARCTIC GLACIER CALIFORNIA INC.

Per: _____
(Authorized Signing Officer)

Per: _____
(Authorized Signing Officer)

ARCTIC GLACIER VERNON INC.

Per: _____
(Authorized Signing Officer)

Per: _____
(Authorized Signing Officer)

**GLACIER VALLEY ICE COMPANY, L.P., by
MOUNTAIN WATER ICE COMPANY, its
general partner**

Per: _____
(Authorized Signing Officer)

Per: _____
(Authorized Signing Officer)

ARCTIC GLACIER ROCHESTER INC.

Per: _____
(Authorized Signing Officer)

Per: _____
(Authorized Signing Officer)

JACK FROST ICE SERVICE, INC.

Per: _____
(Authorized Signing Officer)

Per: _____
(Authorized Signing Officer)

GLACIER ICE COMPANY, INC.

Per: _____
(Authorized Signing Officer)

Per: _____
(Authorized Signing Officer)

MOUNTAIN WATER ICE COMPANY

Per: _____
(Authorized Signing Officer)

Per: _____
(Authorized Signing Officer)

DIAMOND NEWPORT CORPORATION

Per: _____
(Authorized Signing Officer)

Per: _____
(Authorized Signing Officer)

ARCTIC GLACIER LANSING INC.

Per: _____
(Authorized Signing Officer)

Per: _____
(Authorized Signing Officer)

ARCTIC GLACIER MINNESOTA INC.

Per: _____
(Authorized Signing Officer)

Per: _____
(Authorized Signing Officer)

ARCTIC GLACIER OREGON INC.

Per: _____
(Authorized Signing Officer)

Per: _____
(Authorized Signing Officer)

ARCTIC GLACIER TEXAS INC.

Per: _____
(Authorized Signing Officer)

Per: _____
(Authorized Signing Officer)

ICESURANCE INC.

Per: _____
(Authorized Signing Officer)

Per: _____
(Authorized Signing Officer)

**CPPIB CREDIT INVESTMENTS INC., as
Senior Facility Agent**

Per: _____
(Authorized Signing Officer)

Per: _____
(Authorized Signing Officer)

**CPPIB CREDIT INVESTMENTS INC., as
Subordinated Facility Agent**

Per: _____
(Authorized Signing Officer)

Per: _____
(Authorized Signing Officer)

**CPPIB CREDIT INVESTMENTS INC., as DIP
Facility Agent**

Per: _____
(Authorized Signing Officer)

Per: _____
(Authorized Signing Officer)

CPPIB CREDIT INVESTMENTS INC., as
Master Collateral Agent

Per: _____
(Authorized Signing Officer)

Per: _____
(Authorized Signing Officer)

EXHIBIT A

JOINT SECURITY DOCUMENTS^{1 2}

MASTER AGREEMENTS & JOINDERS

1. Master Canadian Guarantee executed by the Fund, the Canadian Borrower, 3084435 Nova Scotia Company (“**3084435**”) and 101049005 Saskatchewan Ltd. (“**101049005**”) dated as of December 9, 2004 in favour of CPPIB (as successor to The Toronto-Dominion Bank), as Master Collateral Agent (as defined in the Intercreditor Agreement).
 - (a) Joinder dated April 5, 2007 executed by Titanic Ice Limited.
 - (b) Joinder dated December 18, 2007 executed by Northern Ice Company Inc.
2. Master Canadian General Security Agreement executed by the Fund, 3084435 and 101049005 dated as of December 9, 2004 in favour of CPPIB (as successor to The Toronto-Dominion Bank), as Master Collateral Agent.
 - (a) Joinder dated April 5, 2007 executed by Titanic Ice Limited.
 - (b) Joinder dated December 18, 2007 executed by Northern Ice Company Inc.
3. Master Canadian Securities Pledge Agreement executed by the Fund and 3084435 dated as of December 9, 2004 respecting securities and intercorporate notes of the Subsidiaries of the Fund and 3084435, in favour of CPPIB (as successor to The Toronto-Dominion Bank), as Master Collateral Agent.
 - (a) Joinder dated April 5, 2007 executed by Titanic Ice Limited.

¹ Pursuant to the December 31, 2008 Reorganization:

- All of the property, assets, business, liabilities, obligations and duties of Titanic Ice Limited were assigned to and assumed by its sole shareholder, the Canadian Borrower.
- All of the property, assets, business, liabilities, obligations and duties of Northern Ice Company Inc. were assigned to and assumed by its sole shareholder, the Canadian Borrower.
- South Bay Ice LLC and Arctic Glacier California Inc. merged and continued as **Arctic Glacier California Inc.**
- KAMA, Arctic Nebraska and Arctic Iowa merged and continued as **Arctic Glacier Nebraska Inc.**
- North Star, Arctic North Dakota and Iceberg merged to continue as **Arctic Glacier Minnesota Inc.**
- Plainview and Host Ice merged to continue as **Arctic Glacier Texas Inc.**

² Pursuant to the December 31, 2009 Reorganization:

- All of the property, assets, business, liabilities, obligations and duties of 3084435 Nova Scotia Company were assigned to and assumed by its sole shareholder, the Canadian Borrower (after the shares of 3084435 Nova Scotia Company were transferred from the Fund)
- All of the property, assets, business, liabilities, obligations and duties of 101049005 Saskatchewan Ltd. were assigned to and assumed by its sole shareholder, the Canadian Borrower (after the shares of 101049005 Saskatchewan Ltd. were transferred from 3084435 Nova Scotia Company)
- Springdale Ice Company, Huntington Distribution Inc., Arctic Glacier Losquadro Inc. and Arctic Glacier New York Inc. merged and continued as **Arctic Glacier New York Inc.**
- Brandywine Ice Co. and Arctic Pennsylvania Inc. merged to continue as **Arctic Glacier Pennsylvania Inc.**
-

- (b) Joinder dated December 18, 2007 executed by Northern Ice Company Inc.
- 4. Master Guaranty executed by Arctic North Dakota, Arctic Nebraska, Plainview, Arctic Iowa, Iceberg, Ice Perfection Systems, KAMA, Host Ice, North Star, Arctic Pennsylvania, Arctic Glacier New York, Springdale, Diamond, Brandywine, Arctic Newburgh and Arctic IP dated December 9, 2004 in favour of CPPIB (as successor to The Toronto-Dominion Bank), as Master Collateral Agent.
 - (a) Joinder dated December 23, 2004 executed by Arctic Losquadro and Huntington.
 - (b) Joinder dated December 30, 2004 executed by Arctic Michigan, Knowlton, R&K, Winkler Lucas Ice, Wonderland Ice, Arctic Grayling and Arctic Party Time.
 - (c) Joinder dated July 1, 2005 executed by Arctic Services.
 - (d) Joinder dated September 16, 2005 executed by Arctic Wisconsin.
 - (e) Joinder dated May 25, 2006 executed by Arctic Glacier California Inc., Diamond Newport Corporation, Jack Frost Ice Service, Inc., Mountain Water Ice Company, and Glacier Valley Ice Company L.P., by Mountain Water Ice Company its sole general partner.
 - (f) Joinder dated June 15, 2006 executed by Arctic Glacier Rochester Inc.
 - (g) Joinder dated August 8, 2006 executed by South Bay Ice LLC and Glacier Ice Company, Inc.
 - (h) Joinder dated March 1, 2007 executed by Arctic Glacier Vernon Inc.
 - (i) Joinder dated July 18, 2007 executed by Arctic Glacier Lansing Inc.
 - (j) Joinder dated April 21, 2008 executed by the U.S. Borrower.
 - (k) Joinder dated May 1, 2008 executed by Arctic Glacier Oregon Inc.
 - (l) Joinder dated November 30, 2010 executed by ICEsure Inc.
- 5. Master Security Agreement executed by the U.S. Borrower, Arctic North Dakota, Arctic Nebraska, Plainview, Arctic Iowa, Iceberg, Ice Perfection Systems, KAMA, Host Ice, North Star, Arctic Pennsylvania, Arctic Glacier New York, Springdale, Diamond, Brandywine, Arctic Newburgh and Arctic IP, including, without limitation, the pledge of 100% holdings in each of Arctic North Dakota, Arctic Nebraska, Plainview, Arctic Iowa, Iceberg, Ice Perfection Systems, Arctic Glacier New York, Arctic Newburgh, Arctic Pennsylvania, Host Ice, KAMA, North Star, Springdale, Diamond, Arctic IP and Brandywine, dated December 9, 2004 in favour of CPPIB (as successor to The Toronto-Dominion Bank), as Master Collateral Agent.
 - (a) Joinder dated December 23, 2004 executed by Arctic Losquadro and Huntington.

- (b) Joinder dated December 30, 2004 executed by Arctic Michigan, Knowlton, R&K, Winkler Lucas Ice, Wonderland Ice, Arctic Grayling and Arctic Party Time.
 - (c) Joinder dated July 1, 2005 executed by Arctic Services.
 - (d) Joinder dated September 16, 2005 executed by Arctic Wisconsin.
 - (e) Joinder dated May 25, 2006 executed by Arctic Glacier California Inc., Diamond Newport Corporation, Jack Frost Ice Service, Inc., Mountain Water Ice Company, and Glacier Valley Ice Company L.P., by Mountain Water Ice Company its sole general partner.
 - (f) Joinder dated June 15, 2006 executed by Arctic Glacier Rochester Inc.
 - (g) Joinder dated August 8, 2006 executed by South Bay Ice LLC and Glacier Ice Company, Inc.
 - (h) Joinder dated March 1, 2007 executed by Arctic Glacier Vernon Inc.
 - (i) Joinder dated July 18, 2007 executed by Arctic Glacier Lansing Inc.
 - (j) Joinder dated May 1, 2008 executed by Arctic Glacier Oregon Inc.
 - (k) Joinder dated November 30, 2010 executed by ICEsurance Inc.
6. Trademark Security Agreement executed by Glacier Ice Company, Inc. in favour of CPPIB (as successor to The Toronto-Dominion Bank) as Master Collateral Agent and dated February 22, 2008.
7. Trademark Security Agreement executed by Arctic Glacier Wisconsin Inc. in favour of CPPIB (as successor to The Toronto-Dominion Bank) as Master Collateral Agent and dated February 22, 2008.
8. Trademark Security Agreement executed by ICEsurance Inc. in favour of CPPIB (as successor to The Toronto-Dominion Bank) as Master Collateral Agent and dated November 30, 2010.
9. Master Certificate and Indemnity Regarding Hazardous Substances dated as of December 9, 2004 executed by Plainview, Arctic Iowa, KAMA, North Star, Springdale, Diamond, Arctic Newburgh, Brandywine and Iceberg.
- (a) Joinder dated December 23, 2004 executed by Arctic Losquadro and Huntington.
 - (b) Joinder dated December 30, 2004 executed by Knowlton, Wonderland Ice, Arctic Grayling and Arctic Party Time.
 - (c) Joinder dated September 16, 2005 executed by Arctic Wisconsin.

- (d) Joinder dated May 25, 2006 executed by Arctic Glacier California Inc., Jack Frost Ice Service, Inc., Mountain Water Ice Company, and Glacier Valley Ice Company L.P., by Mountain Water Ice Company its sole general partner.
 - (e) Joinder dated June 15, 2006 executed by Arctic Glacier Rochester Inc.
 - (f) Joinder dated August 8, 2006 executed by South Bay Ice LLC.
 - (g) Joinder dated March 1, 2007 executed by Arctic Glacier Vernon Inc.
 - (h) Joinder dated July 18, 2007 executed by Arctic Glacier Lansing Inc.
 - (i) Joinder dated May 1, 2008 executed by Arctic Glacier Oregon Inc.
- 10. Acknowledgement and Confirmation of Security dated as of April 21, 2008, signed by the U.S. Borrower, Arctic North Dakota, Arctic Nebraska, Plainview, Arctic Iowa, Iceberg, Ice Perfection Systems, KAMA, Host Ice, North Star, Arctic Glacier California Inc., South Bay Ice LLC, Arctic Grayling, Arctic IP, Arctic Glacier Lansing Inc., Arctic Losquadro, Arctic Michigan, Arctic Glacier New York, Arctic Newburgh, Arctic Party Time, Arctic Glacier Rochester Inc., Arctic Services, Arctic Glacier Vernon Inc., Arctic Wisconsin, Arctic Pennsylvania, Brandywine, Diamond, Diamond Newport Corporation, Glacier Ice Company, Inc., Glacier Valley Ice Company L.P., by Mountain Water Ice Company its sole general partner, Huntington, Jack Frost Ice Service, Inc., Knowlton, Mountain Water Ice Company, R&K, Springdale, Winkler Lucas Ice and Wonderland Ice.
 - 11. Acknowledgement and Confirmation of Security dated as of April 21, 2008, signed by the Fund, 3084435, 101049005, Titanic Ice Limited and Northern Ice Company Inc.
 - 12. Acknowledgement and Confirmation of Security dated as of December 31, 2008, signed by the Arctic Glacier Texas Inc., Arctic Glacier Nebraska Inc., Arctic Glacier Minnesota Inc. and Arctic Glacier California Inc.
 - 13. Acknowledgement and Confirmation of Security dated as of December 31, 2009, signed by Arctic Glacier Pennsylvania Inc. and Arctic Glacier New York Inc.

ACKNOWLEDGEMENTS AND UNDERTAKINGS RE: SUBORDINATION OF INTERCOMPANY DEBT

- 14. Acknowledgement and Undertaking re: Subordination of Intercompany Debt owing by the Canadian Borrower to the Fund dated March 22, 2002 in favour of CPPIB (as successor to The Toronto-Dominion Bank), as Agent.
- 15. Acknowledgement and Undertaking re: Subordination of Intercompany Debt owing by Subsidiaries of the U.S. Borrower to the U.S. Borrower, by the U.S. Borrower dated as of March 22, 2002, in favour of CPPIB (as successor to The Toronto-Dominion Bank), as Agent.

16. Acknowledgement and Undertaking re: Subordination of Intercompany Debt owing by the U.S. Borrower to the Canadian Borrower dated March 22, 2002 in favour of CPPIB (as successor to The Toronto-Dominion Bank), as Agent.
17. Confirmation of Subordination Agreement re: "Senior Indebtedness" status dated March 22, 2002 executed by the Canadian Borrower, the Trustee and CPPIB (as successor to The Toronto-Dominion Bank), as Agent.
18. Acknowledgment and Undertaking re: Subordination of Intercompany Debt owing by the Canadian Borrower to the Fund dated December 9, 2004 in favour of CPPIB (as successor to The Toronto-Dominion Bank), as Master Collateral Agent.
19. Acknowledgement and Undertaking re: Subordination of Intercompany Debt owing by Subsidiaries of the U.S. Borrower to the U.S. Borrower, by the U.S. Borrower dated as of December 9, 2004, in favour of CPPIB (as successor to The Toronto-Dominion Bank), as Master Collateral Agent.
20. Acknowledgment and Undertaking re: Subordination of Intercompany Debt owing by Subsidiaries of the U.S. Borrower to the U.S. Borrower, by the U.S. Borrower dated as of May 25, 2006, in favour of CPPIB (as successor to The Toronto-Dominion Bank), as Master Collateral Agent.
21. Confirmation of Subordination re: "Senior Indebtedness" status dated May 25, 2006 executed by the Trustee and the Fund in favour of CPPIB (as successor to The Toronto-Dominion Bank), in its capacity as Master Collateral Agent, for and on behalf of the Benefited Creditors in connection with the Convertible Debentures.
22. Master Acknowledgment and Undertaking re: Subordination of Intercompany Debt signed by 3084435, 101049005, Titanic Ice Limited, Northern Ice Company Inc. and the Canadian Borrower, dated as of May 1, 2008, in favour of CPPIB (as successor to The Toronto-Dominion Bank), as Master Collateral Agent.
23. Master Acknowledgment and Undertaking re: Subordination of Intercompany Debt signed by Arctic Glacier California Inc., Arctic Grayling, Arctic IP, Arctic Glacier Lansing Inc., Arctic Losquadro, Arctic Michigan, Arctic Glacier New York, Arctic Newburgh, Arctic Glacier Oregon Inc., Arctic Party Time, Arctic Glacier Rochester Inc., Arctic Services, Arctic Glacier Vernon Inc., Arctic Wisconsin, Arctic Iowa, Arctic Nebraska, Arctic North Dakota, Arctic Pennsylvania, Brandywine, Diamond, Diamond Newport Corporation, Glacier Ice Company, Inc., Glacier Valley Ice Company L.P., by Mountain Water Ice Company its sole general partner, Host Ice, Huntington, Ice Perfection Systems, Iceberg, Jack Frost Ice Service, Inc., KAMA, Knowlton, Mountain Water Ice Company, North Star, Plainview, R&K, South Bay Ice LLC, Springdale, Winkler Lucas Ice, Wonderland Ice and the U.S. Borrower, dated as of May 1, 2008, in favour of CPPIB (as successor to The Toronto-Dominion Bank), as Master Collateral Agent.

24. Amended and Restated Master Acknowledgement and Undertaking - Arctic Canadian Subordination dated as of April 30, 2009, signed by the Fund, the Canadian Borrower, 3084435, 101049005, Titanic Ice Limited and Northern Ice Company Inc.
25. Amended and Restated Master Acknowledgement and Undertaking - Arctic U.S. Subordination dated as of April 30, 2009, signed by the U.S. Borrower, Arctic Glacier California Inc., Arctic Grayling, Arctic IP, Arctic Glacier Lansing Inc., Arctic Losquadro, Arctic Michigan, Arctic Glacier Minnesota Inc., Arctic Glacier Nebraska Inc., Arctic Glacier New York, Arctic Newburgh, Arctic Glacier Oregon Inc., Arctic Party Time, Arctic Glacier Rochester Inc., Arctic Services, Arctic Glacier Texas Inc., Arctic Glacier Vernon Inc., Arctic Wisconsin, Arctic Pennsylvania, Brandywine, Diamond, Diamond Newport Corporation, Glacier Ice Company, Inc., Glacier Valley Ice Company L.P., by Mountain Water Ice Company its sole general partner, Huntington, Ice Perfection Systems, Jack Frost Ice Service, Inc., Knowlton, Mountain Water Ice Company, R&K, Springdale, Winkler Lucas Ice and Wonderland Ice.
26. Master Cross Border Acknowledgement and Undertaking - Arctic Cross Border Subordination dated as of April 30, 2009, signed by the Canadian Borrower, the U.S. Borrower, the Fund, 3084435, 101049005, Arctic Glacier California Inc., Arctic Grayling, Arctic IP, Arctic Glacier Lansing Inc., Arctic Losquadro, Arctic Michigan, Arctic Glacier Minnesota Inc., Arctic Glacier Nebraska Inc., Arctic Glacier New York, Arctic Newburgh, Arctic Glacier Oregon Inc., Arctic Party Time, Arctic Glacier Rochester Inc., Arctic Services, Arctic Glacier Texas Inc., Arctic Glacier Vernon Inc., Arctic Wisconsin, Arctic Pennsylvania, Brandywine, Diamond, Diamond Newport Corporation, Glacier Ice Company, Inc., Glacier Valley Ice Company L.P., by Mountain Water Ice Company its sole general partner, Northern Ice Company Inc., Huntington, Ice Perfection Systems, Jack Frost Ice Service, Inc., Knowlton, Mountain Water Ice Company, R&K, Springdale, Titanic Ice Limited, Winkler Lucas Ice and Wonderland Ice.
27. Amended and Restated Confirmation of Subordination Agreement dated June 30, 2009, executed by the Trustee in favour of CPPIB (as successor to The Toronto-Dominion Bank) in its capacity as Agent, for and on behalf of the Lenders, in connection with the 12% unsecured subordinated promissory notes issued pursuant to the note indenture dated March 11, 2002 between the Canadian Borrower and the Trustee

CANADIAN BORROWER

28. \$500,000,000 Moveable and Immoveable Deed of Hypothec issued on August 19, 1999, by 3149030 Canada Limited (a dissolved company whose assets were wound up into the Canadian Borrower), in favour of the Trustee.
29. Canadian Guarantee dated March 22, 2002 executed in favour of CPPIB (as successor to The Toronto-Dominion Bank), for and on behalf of itself and as Agent for the Lenders.

30. \$300,000,000 Debentures dated May 25, 2006 issued by the Canadian Borrower to CPPIB (as successor to The Toronto-Dominion Bank), as Agent and reduced to the principal amount of \$150,000,000 on or about February 8, 2010 under each of:
- (a) the trust deed dated August 17, 1999 between The Arctic Group Inc. (a predecessor of the Canadian Borrower) and the Trustee, as supplemented by a first supplemental to trust deed dated March 22, 2002 and as further supplemented by a second supplemental to trust deed dated December 6, 2004 (the "**Arctic Group Trust Deed**");
 - (b) the trust deed dated August 17, 1999, as supplemented by a first supplemental to trust deed dated March 22, 2002 between 1334202 Ontario Inc. (a dissolved company whose assets were wound up into the Canadian Borrower) and the Trustee (the "**1334202 Trust Deed**");
 - (c) the trust deed dated August 17, 1999, as supplemented by a first supplemental to trust deed dated March 22, 2002 between 1179554 Ontario Inc. (a dissolved company whose assets were wound up into the Canadian Borrower) and the Trustee (the "**1179554 Trust Deed**");
 - (d) the trust deed dated August 17, 1999, as supplemented by a first supplemental to trust deed dated March 22, 2002 between 3149030 Canada Ltd. (a dissolved company whose assets were wound up into the Canadian Borrower) and the Trustee (the "**3149030 Trust Deed**");
 - (e) the trust deed dated August 17, 1999, as supplemented by a first supplemental to trust deed dated March 22, 2002 between Cataract Ice Limited (a dissolved company whose assets were wound up into the Canadian Borrower) and the Trustee (the "**Cataract Trust Deed**"); and
 - (f) the trust deed dated August 17, 1999, as supplemented by a first supplemental to trust deed dated March 22, 2002 between Martin Dorfman Holdings Ltd. (a dissolved company whose assets were wound up into the Canadian Borrower) and the Trustee (the "**MDHL Trust Deed**").
31. Debenture Pledge Agreement issued by the Canadian Borrower in favour of CPPIB (as successor to The Toronto-Dominion Bank), as Agent, dated March 22, 2002 pledging the debentures listed in the paragraph immediately above.
32. The following trust deeds:
- (a) Arctic Group Trust Deed;
 - (b) 1334202 Trust Deed;
 - (c) 1179554 Trust Deed;
 - (d) 3149030 Trust Deed;

- (e) Cataract Trust Deed;
 - (f) MDHL Trust Deed;
 - (g) the trust deed dated August 17, 1999, as supplemented by a first supplemental to trust deed dated March 22, 2002 between 884213 Ontario Inc. (a dissolved company whose assets were wound up into the Canadian Borrower) and the Trustee;
 - (h) the trust deed dated August 17, 1999, as supplemented by a first supplemental to trust deed dated March 22, 2002 between The Ice Shoppe Inc. (a dissolved company whose assets were wound up into the Canadian Borrower) and the Trustee; and
 - (i) the trust deed dated August 17, 1999, as supplemented by a first supplemental to trust deed dated March 22, 2002 between Polar ice Company Limited (a dissolved company whose assets were wound up into the Canadian Borrower) and the Trustee.
- 33. \$500,000,000 Moveable and Immoveable Deed of Hypothec issued on March 22, 2002, by the Canadian Borrower, in favour of the Trustee.
 - 34. Side Agreement dated March 22, 2002 between Canadian Borrower and the Trustee re: Hypothec described in immediately preceding paragraph and claims described in s.3.1.7 therein.
 - 35. Canadian Securities Pledge Agreement dated as of March 22, 2002, by the Canadian Borrower in favour of the Trustee.
 - 36. Assignment of Insurance from Canadian Borrower in favour of the Trustee dated as of March 22, 2002.
 - 37. Confirmation of Security dated as of December 14, 2004 executed by the Canadian Borrower.
 - 38. Acknowledgement and Confirmation of Security dated as of April 21, 2008, signed by the Canadian Borrower.

COUNSEL TO ARCTIC PARTIES

- 39. Vehicle Registration Undertaking dated December 9, 2004.

2010 REFINANCING DOCUMENTS

- 40. Amended and Restated Master Canadian General Security Agreement dated February 10, 2010 executed by the Fund in favour of the Master Collateral Agent.

41. Amended and Restated Master Canadian Guarantee dated February 10, 2010 executed by the Fund and the Canadian Borrower in favour of the Master Collateral Agent.
42. Amended and Restated Master Canadian Securities Pledge Agreement dated February 10, 2010 executed by the Fund in favour of the Master Collateral Agent.
43. Amended and Restated Securities Pledge Agreement dated February 10, 2010 executed by the Canadian Borrower in favour of the Trustee.
44. Supplemental Hypothec dated February 8, 2010 executed by the Canadian Borrower in favour of the Trustee.
45. Confirmation of Security dated February 10, 2010 executed by the Fund in favour of the Master Collateral Agent, the Trustee, the Senior Facility Agent and the Senior Lenders.
46. Confirmation of Security dated February 10, 2010 executed by the Canadian Borrower in favour of the Master Collateral Agent, the Trustee, the Senior Facility Agent and the Senior Lenders.
47. Amended and Restated Debenture Pledge Agreement dated February 10, 2010 executed by the Canadian Borrower in favour of CPPIB (as successor to The Toronto-Dominion Bank), as Agent.
48. Amended and Restated Assignment of Insurance dated February 10, 2010 executed by the Canadian Borrower in favour of the Trustee.

MISCELLANEOUS

49. Any other Benefited Creditor Documents not listed on this Schedule "A" executed by any Arctic Party including, without limiting the foregoing, all such control agreements executed by the Borrower and the Guarantors from time to time.

There are also various Mortgages over real property located in the US and Canada, which are incorporated herein by reference.

EXHIBIT C

Pre-Filing Report

**THE QUEEN'S BENCH
WINNIPEG CENTRE**

**IN THE MATTER OF THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PROPOSED PLAN OF
COMPROMISE OR ARRANGEMENT WITH RESPECT TO
ARCTIC GLACIER INCOME FUND, ARCTIC GLACIER INC.,
ARCTIC GLACIER INTERNATIONAL INC. AND THE ADDITIONAL
APPLICANTS LISTED ON SCHEDULE "A" HERETO
(COLLECTIVELY, "THE APPLICANTS")**

**PRE-FILING REPORT OF THE PROPOSED MONITOR
ALVAREZ & MARSAL CANADA INC.**

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**Appendix E – The Proposed Monitor’s Prescribed Report to this Honourable Court
Regarding the Adequacy of the Cash Flow Forecast**

1.0 INTRODUCTION

1.1 Alvarez & Marsal Canada Inc. (“A&M” or the “**Proposed Monitor**”) understands that Arctic Glacier Income Fund (“AGIF”), Arctic Glacier Inc. (“AGI”), Arctic Glacier International Inc. (“AGII”) and those entities listed on **Appendix “A”** (the “**Additional Applicants**”), (collectively “**Arctic Glacier**”, the “**Company**” or the “**Applicants**”) intend to bring an application before this Honourable Court seeking certain relief under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) granting, among other things, a stay of proceedings until March 23, 2012 and appointing A&M as Monitor (the “**Monitor**”). The proceedings to be commenced by the Applicants under the CCAA will be referred to herein as the “**CCAA Proceedings**”.

1.2 The purpose of this pre-filing report (the “**Report**”) is to provide this Honourable Court with:

(1) Information regarding the following:

- a) A&M's qualifications to act as Monitor (if appointed);
- b) General background to the proposed CCAA Proceedings;
- c) The business of the Applicants;
- d) The Applicants' restructuring efforts to date;
- e) The proposed process to market and sell, recapitalize and/or restructure the business of the Applicants pursuant to the SISP (as hereinafter defined);
- f) The existing cash management system of the Applicants;
- g) Arctic Glacier's 13-week cash flow forecast;
- h) The proposed debtor-in-possession (“**DIP**”) financing facility;

- i) Other matters, including the key employee retention plan (the “**KERP**”) and the engagement of a Chief Process Supervisor (“**CPS**”); and
 - j) The proposed Initial Order (as defined further herein); and
- (2) The Proposed Monitor’s recommendations.

2.0 TERMS OF REFERENCE

- 2.1 In preparing the Report, A&M has necessarily relied upon unaudited financial and other information supplied, and representations made, by certain senior management of Arctic Glacier (“**Senior Management**”). Although this information has been subject to review, A&M has not conducted an audit or otherwise attempted to verify the accuracy or completeness of any of the information of the Applicants. Accordingly, A&M expresses no opinion and does not provide any other form of assurance on or relating to the accuracy of any information contained in this Report, or otherwise used to prepare this Report.
- 2.2 Certain of the information referred to in this Report consists of financial forecasts and/or projections. An examination or review of financial forecasts and projections and procedures, in accordance with standards set by the Canadian Institute of Chartered Accountants, has not been performed. Future oriented financial information referred to in this Report was prepared based on estimates and assumptions provided by Senior Management. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, and such variations could be material.

- 2.3 The information contained in this Report is not intended to be relied upon by any prospective purchaser or investor in any transaction with the Applicants (including the potential sale transactions described herein).
- 2.4 Capitalized terms not defined in this Report are used as defined in the affidavit of Keith McMahon sworn February 21, 2012 (the “**McMahon Affidavit**”) filed in support of the Applicants' application for relief under the CCAA. References contained in this Report to “**Arctic Glacier**” are references to the global enterprise as a whole. The two Canadian Applicants, AGIF and AGI, are referred to as the “**Canadian Applicants**”. The 28 Applicants incorporated in the United States, including AGII, and one limited partnership located in the United States, are collectively referred to as the “**U.S. Applicants**”.
- 2.5 Unless otherwise stated, all monetary amounts contained in this Report are expressed in United States dollars, which is the Company's common reporting currency.

3.0 A&M'S QUALIFICATION TO ACT AS MONITOR

- 3.1 Alvarez & Marsal Canada ULC was engaged by the Applicants on November 21, 2011 to provide consulting services in connection with their restructuring efforts including providing assistance to the Canadian Applicants and one or more of the subsidiaries of AGI should they need to prepare for formal proceedings pursuant to the CCAA, and if considered appropriate, proceedings in the United States.
- 3.2 A&M is a trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act (Canada)*. Neither A&M nor any of its representatives or affiliates have been at any time in the two preceding years the auditor, a director, officer or employee of the Applicants or otherwise related to the Applicants or to any director or officer of the Applicants or a

trustee (or related to any such trustee) under a trust indenture issued by any of the Applicants or any person related to the Applicants.

3.3 A&M is related to Alvarez & Marsal Canada ULC and Alvarez & Marsal Holdings, LLC. Alvarez & Marsal Holdings, LLC is an independent international professional services firm providing among other things, bankruptcy, insolvency and restructuring services. The senior A&M professional personnel with carriage of this matter include experienced insolvency and restructuring practitioners who are Chartered Accountants, Chartered Insolvency and Restructuring Professionals and licensed Trustees in Bankruptcy (Canada), all of whom have acted in cross-border restructurings and CCAA matters of a similar nature and scale in Canada.

3.4 A&M has consented to act as Monitor of the Applicants should this Honourable Court grant the Applicants' request to commence the CCAA Proceedings and as foreign representative of certain of the Applicants in any ancillary proceedings which are commenced under Chapter 15 of Title 11 of the *United States Bankruptcy Code* (the "**Chapter 15 Proceedings**").

4.0 GENERAL BACKGROUND TO THE PROPOSED CCAA PROCEEDINGS

Identification of the Applicants

4.1 Relief in the CCAA Proceedings is sought by all of:

- a) The Canadian Applicants; and

b) The U.S. Applicants, comprising 28 direct and indirect subsidiary corporations and one limited partnership of AGI in the United States, all of which are borrowers under and/or guarantors of the First Lien Credit Agreement and Second Lien Credit Agreement (both as subsequently defined and described herein).

4.2 AGIF is an unincorporated open-ended mutual fund trust, and is the ultimate parent of the 30 other entities described above (AGI, AGII and AGII's subsidiaries). An organizational chart setting out the corporate structure of Arctic Glacier is set out in **Appendix "B"** of the Report.

4.3 As set out in the McMahon Affidavit, the Applicants are part of a consolidated North American business which manufactures and distributes premium quality packaged ice products in Canada and the United States from 39 production plants and 47 distribution facilities across 6 provinces in Canada (the "**Canadian Business**") and 23 states in the United States (the "**U.S. Business**", and collectively with the Canadian Business, the "**Business**"), servicing more than 75,000 retail locations. AGI is the largest producer of packaged ice in Canada and it, along with the Additional Applicants, is the second largest producer of packaged ice in the United States. Arctic Glacier is the leading producer of ice in most of the markets that it services.

4.4 It is proposed that all of the Applicants will continue to operate on a "business as usual" basis and continue to pay trade creditors, employees and all other normal operating obligations in the ordinary course, whether such obligations are incurred prior to or after the commencement of the CCAA Proceedings. However, certain other obligations not incurred through normal course operations, including specific litigation claim settlements, are

intended to be stayed by these CCAA Proceedings. The Company's secured lenders have consented to these arrangements.

Inclusion of the U.S. Applicants in the CCAA Proceedings

- 4.5 The Applicants are proposing that the U.S. Applicants be included in the CCAA Proceedings because they are borrowers and/or guarantors pursuant to Arctic Glacier's long-term financial obligations and have pledged their assets as collateral for such obligations.
- 4.6 As set out below, the operations of the Applicants are centrally managed at AGI's head office in Winnipeg, Manitoba (the "**Head Office**"). Senior Management is based in Winnipeg, which is the "nerve centre" of the Applicants' operations, including the U.S. Applicants. As such, in order to ensure a co-ordinated approach to the restructuring, all of the Applicants are seeking protection under the CCAA.
- 4.7 As set out in the McMahon Affidavit, it is proposed that the CCAA Proceedings will be the primary restructuring proceedings of the Applicants (with ancillary proceedings in the U.S.: i.e. the Chapter 15 Proceedings), to effectuate a sale, restructuring or recapitalization of the business pursuant to the SISP (as described further in the Report). As previously indicated, the Applicants intend to seek the appointment of A&M as Monitor in the CCAA Proceedings and as foreign representative for each Additional Applicant and AGII with respect to the Chapter 15 Proceedings. The draft Initial Order directs the Monitor to commence the Chapter 15 Proceedings.

Causes of the Applicants' Financial Difficulties and Insolvency

- 4.8 The Applicants are currently facing a number of financial and other challenges that have contributed to their insolvency and the need to seek protection under the CCAA. These

challenges are detailed extensively in the McMahon Affidavit and, on a summary basis, include:

- i. Substantial extraordinary costs and the effects of certain antitrust investigations and litigation in Canada and the United States over the past 4 years, involving AGIF, AGI, AGII and certain of AGII's subsidiaries;
- ii. Unusually poor weather conditions in the second quarter of Arctic Glacier's fiscal year ended December 31, 2011, which resulted in revenue and operating profit declines and contributed to breaches of certain financial covenants in Arctic Glacier's credit facilities which continue to be in default;
- iii. The high level of debt being carried by the Applicants, which has resulted in significant financing costs; and
- iv. A strategic review process which commenced in September 2010 which, for various reasons, did not culminate in a sale, merger or an otherwise favourable and needed recapitalization of the Applicants and was terminated in the fall of 2011.

4.9 As a result of the above-noted factors, among others, the Applicants will deplete their cash resources in the very near future and face a looming liquidity crisis as demonstrated by the Cash Flow Forecast (as defined below).

The Proposed Marketing of the Business – The Sale and Investor Solicitation Process

4.10 Pursuant to a sale and investor solicitation process (the "SISP"), the Applicants propose to market the business of the Company to potential investors so that they may consider either

purchasing the Business as a going concern or sponsoring a recapitalization or restructuring of the Company by way of a plan of compromise or arrangement (the “**Plan**”).

- 4.11 As detailed in the McMahon Affidavit, the Applicants are unable to meet their obligations as they come due and are insolvent. The Applicants have exhausted their out-of-court restructuring options as well as their financial resources and seek to undertake and complete a going concern transaction as contemplated in the SISP under the CCAA.

5.0 BUSINESS OVERVIEW

Business Operations

- 5.1 As indicated above, AGIF is an unincorporated open-ended mutual fund trust. Its units were previously listed and publicly traded on the Toronto Stock Exchange under the stock symbol “AG.UN”. Since January 9, 2012, the trust units have been listed and traded on the Canadian National Stock Exchange under the stock symbol “AG.UN”.
- 5.2 AGI is an Alberta Corporation that is wholly owned by AGIF. AGI’s operations are located at the Head Office in Winnipeg. AGI owns and operates a packaged ice manufacturing and distribution business in Canada.
- 5.3 AGII is a wholly owned subsidiary of AGI and is a Delaware Corporation that does not carry on an active business but is the direct or indirect holding company for the 28 Additional Applicants. AGII’s activities are entirely directed by Senior Management from the Head Office in Winnipeg. AGII has no employees and it has no premises.
- 5.4 The Additional Applicants are all owned directly or indirectly by AGII, and are incorporated under laws of various states in the United States of America. The limited partnership for which stay protection is requested is Glacier Valley Ice Company, L.P. (“**Arctic LP**”),

which is part of the U.S. Business. Arctic LP's general partner is the Additional Applicant, Mountain Water Ice Company. Each of the Additional Applicants and Arctic LP are part of the integrated Business that is centrally managed from the Head Office, with key functions, systems and decision-making all conducted from Winnipeg, as further detailed in the McMahon Affidavit, and in the Report.

- 5.5 In 2010, Arctic Glacier had sales of \$233.5 million and earnings before interest, taxes, depreciation and amortization (“EBITDA”) of \$48.9 million. For the first three quarters of fiscal 2011 ended September 30, 2011, Arctic Glacier reported sales of \$201.5 million and EBITDA of \$44.7 million.
- 5.6 The Business is sensitive to weather conditions and is seasonal in nature. Arctic Glacier generates approximately 75% of its revenues and substantially all of its operating profit in the warmer seasons (generally in the second and third quarters of each fiscal year). In its ‘off-season’ (generally the first and fourth quarters of each fiscal year), the Company typically incurs losses from operations.
- 5.7 The majority of Arctic Glacier's sales are to “resellers” such as supermarkets, mass merchants, convenience stores and gasoline outlets. Its customer base is well diversified, and includes large national and regional chains. Arctic Glacier has conducted business with each of its top 10 customers for more than 15 years. For a vast majority of its customers, Arctic Glacier is the sole supplier of packaged ice at any given store location.
- 5.8 The Business requires investment in plants and equipment to manufacture and store the ice products, and operate the distribution infrastructure, including multi-refrigerated storage and distribution locations, and refrigerated delivery trucks. Because packaged ice has a very low value to weight ratio, it is generally not economical to transport product beyond 100 miles

or a 2 hour driving radius of a distribution location, so multiple facilities are required to service larger regional markets or large geographic areas.

5.9 Arctic Glacier presently employs approximately 900 full-time employees. Fluctuations in seasonal demand for packaged ice products result in fluctuations in employee levels. During the peak summer months, employee levels typically increase to approximately 2,200 regular and seasonal employees.

5.10 As set out in the McMahon Affidavit, the Business' operations are fully integrated throughout North America and are managed centrally from the Head Office, which is the "nerve centre" of the Business. All accounting functions, strategic decision-making, communications functions, marketing and pricing decisions, new business development initiatives, negotiation of material contracts and leases, acquisition of equipment and other key functions are managed from the Head Office.

Applicants' Secured Debt Obligations

5.11 As at February 21, 2012, Arctic Glacier's secured debt facilities and related financial obligations (the "**Secured Indebtedness**") are estimated as follows:

Arctic Glacier Estimated Balances as at February 21, 2012 (in \$ millions)			
	Facility	Amount Outstanding (CDN\$)	Amount Outstanding (US\$)
(1) First Lien Debt			
Canadian Revolving Facility (US\$)	15.0	7.0	n/a
Canadian Swing Line Facility (US\$)	5.0	-	n/a
U.S. Revolving Facility (US\$)	45.0	n/a	23.2
U.S. Swing Line Facility (US\$)	5.0	n/a	-
	70.0	7.0	23.2
(2) Second Lien Debt			
Second Lien Canadian Term Loan (CDN\$)	50.0	58.5	n/a
Second Lien U.S. Term Loan (US\$)	138.9	n/a	161.9
	188.9	58.5	161.9
(3) TD Letter of Credit Obligations (US\$)			
	0.1	n/a	0.1
TOTAL	259.0	65.5	185.2
Notes:			
1. First Lien Debt balances include accrued interest and accrued commitment fees.			
2. Second Lien Debt balances include PIK and non-PIK interest as well as prepayment premiums.			
3. Amounts above exclude unreimbursed expenses payable to the Lenders (defined below).			

5.12 As scheduled above, the Secured Indebtedness consists of the following:

- a) First Lien Debt (defined below) - Approximately CDN \$7.0 million and US \$23.2 million owing under the revolving and swing line facilities provided pursuant to a Fourth Amended and Restated Loan Agreement dated February 10, 2010 (as amended and restated, the “**First Lien Credit Agreement**”, with amounts owing referred to therein as the “**First Lien Debt**”). AGI and AGII are borrowers and the remaining Applicants have granted secured guarantees of the First Lien Debt;
- b) Second Lien Debt (defined below) - Approximately CDN \$58.5 million and US \$161.9 million owing pursuant to Canadian and U.S. non-revolving term loans provided pursuant to an agreement dated February 10, 2010 (as amended and restated, the “**Second Lien Credit Agreement**”, with amounts owing referred to therein as the “**Second Lien Debt**”). AGI and AGII are borrowers and the

remaining Applicants have granted secured guarantees of the Second Lien Debt;
and,

- c) TD Letter of Credit Obligations (as defined below) - A small credit facility totaling \$125,000 maintained by The Toronto-Dominion Bank to secure payment under a letter of credit previously issued under the First Lien Credit Agreement (the “**TD Letter of Credit Obligations**”).

5.13 On June 30, 2011, the Company failed to satisfy a covenant contained in both the First and Second Lien Credit Agreements whereby trailing twelve months’ EBITDA was required to be equal to or greater than \$45 million. Actual EBITDA for the trailing twelve months ended June 30, 2011 was approximately \$42.9 million. The failure to meet the required EBITDA threshold arose from two primary causes:

- i. A drop in product demand in spring 2011 because of unseasonably cool and wet weather in most of Arctic Glacier’s markets in Canada and the United States; and
- ii. Lower than expected profits from its California operations.

5.14 As a result of this covenant default, Arctic Glacier’s secured lenders gave notice of default and recently accelerated each Applicant’s obligation to pay the full amounts owing under the First Lien Credit Agreement and Second Lien Credit Agreement – approximately \$259 million.

5.15 CPPIB Credit Investments Inc. (“**CPPIB**”) and West Face Capital and related entities (“**WF**”), the lenders under the Second Lien Credit Agreement, became the holders of substantially all of the Company’s Secured Indebtedness by obtaining an assignment of the security of the former lenders under the First Lien Credit Agreement in December 2011

(CPPIB and WF now known collectively as, the “**Lenders**”). The Lenders are based in Toronto, Ontario.

5.16 A description of the debt and security with respect to the First Lien Credit Agreement and the Second Lien Credit Agreement is set out in the McMahon Affidavit. Osler, Hoskin & Harcourt LLP (“**Osler**”), which will act as independent counsel to the Monitor if A&M is appointed as Monitor in the CCAA Proceedings, has been asked to provide an opinion on the validity and enforceability of the security in connection with the First Lien Credit Agreement and the Second Lien Credit Agreement held by: (a) Computershare Trust Company of Canada, as trustee under certain trust deeds of AGI that secure the payment and satisfaction of the obligations under the First Lien Credit Agreement and the Second Lien Credit Agreement; and (b) CPPIB, as Master Collateral Agent under the First Lien Credit Agreement and Second Lien Credit Agreement. The security opinion will also deal with the security granted to The Toronto-Dominion Bank in connection with the TD Letter of Credit Obligations. In provinces where Osler does not have an office and in the states of New York, Delaware, California, Texas, Oregon, Wisconsin, Michigan, Iowa and Minnesota, local independent counsel has been retained to provide opinions with respect to those jurisdictions.

5.17 These opinions are substantially complete for the security in Canada and no material issues have been identified. The opinions are also substantially complete for the security in the United States other than California, Texas and Oregon and no material issues have been identified.

5.18 If appointed Monitor, it is the intention of A&M to provide the final results of these opinions to the Court. As detailed below, the Lenders have certain Credit Bid and other

rights under the SISP, which first become relevant at the Phase 1 Bid Deadline (defined below). As such, A&M will provide the final results of the security opinions prior to the Phase 1 Bid Deadline.

- 5.19 The Proposed Monitor notes that the First Lien Credit Agreement and the Second Lien Credit Agreement contain an obligation to pay default interest in certain circumstances. The Cash Flow Forecast contemplates that default interest will be paid under the First Lien Credit Agreement during these proceedings. In addition, the SISP contemplates that default interest will be included in the calculation of the "Lender Claims" as provided for in the applicable documents. The Proposed Monitor notes that section 8 of the *Interest Act (Canada)* purports to limit the circumstances when default interest can be charged if a principal amount owing under a loan is secured by a mortgage over real property. The security granted to the Lenders and their agent(s) is comprehensive security on all of the assets of the Arctic Glacier Parties which includes mortgages on real property which comprises a relatively small portion of such assets. It is the Proposed Monitor's view that this issue may not be relevant in this proceeding unless the consideration achieved in a transaction under the SISP exceeds the amount of the Lender Claims prior to including default interest, and therefore need not be addressed at this time. The Proposed Monitor will report to the Court on this issue if and when it becomes relevant.

Overview of Litigation

- 5.20 The Company has been and is subject to certain U.S. antitrust investigations and charges, and certain related and other civil actions in the U.S. and Canada. These actions are detailed in the McMahon Affidavit. There are two material litigation settlement obligations of the Company (not covered by insurance), which come due in the near term, as follows:

- 1) A settlement payment of \$1.5 million is due on March 3, 2012, relating to the Antitrust Investigation and the DOJ Settlement (both as defined in the McMahon Affidavit); and
- 2) A settlement payment of \$10 million is due on April 2, 2012, relating to the U.S. Civil Class Actions and the U.S. Direct Purchaser Settlement Payment (as defined in the McMahon Affidavit).

5.21 Neither the proposed Initial Order nor the Cash Flow Forecast provide for, or contemplate the payment of these amounts or other amounts that may be payable pursuant to other litigation.

Current Liquidity Position

5.22 As at February 18, 2012, the Applicants had approximately \$6.5 million in cash on hand. Senior Management has advised A&M that the Company requires a minimum of approximately \$2 million to \$3 million in cash on a consolidated basis to operate the Business in the normal course, to provide cushion for potential timing issues and other contingencies that may arise during the course of the regular operations of the Business. The Company's cash position is deteriorating and it is facing a looming liquidity crisis, will run out of cash in the near future and cannot continue to operate without the DIP Facility (described below) being approved.

6.0 RESTRUCTURING EFFORTS TO DATE

6.1 In September 2010, AGI retained TD Securities Inc. ("TDSI") as its financial advisor to conduct a broad strategic review process (the "**Strategic Review Process**"), whereby TDSI would assist the Company to identify and complete a transaction to either refinance or sell

the Business, such that the Applicants would be able to repay the Secured Indebtedness, and so that the Business of the Company would be able to continue to operate and compete in its markets effectively. The Business was broadly marketed as part of the Strategic Review Process, which was conducted under the direction of the Special Committee of the Board of Directors chaired by Mr. Gary Filmon.

- 6.2 Further details of the Strategic Review Process and the strategic transaction that was identified as part of this process are provided in the McMahon Affidavit. As further set out in the McMahon Affidavit, the strategic transaction was not completed for a number of reasons including, (i) the release of financial results in June 2011 which had a reduction in revenue due to unseasonably cool and wet weather; and (ii) because certain unit holders withdrew their support for the transaction in October 2011 due to concerns about the financial status of the potential acquirer. The Strategic Review Process was terminated in the fall of 2011.

7.0 THE PROPOSED MARKETING PROCESS

Overview

- 7.1 In connection with these proposed CCAA Proceedings (and the proposed Chapter 15 Proceedings), the Applicants have amended and continued their engagement with TDSI (the “**Financial Advisor**”) to assist them in completing either a sale of their property, assets and undertaking (the “**Property**”) and/or a recapitalization and/or successful restructuring of the Business. The proposed SISF is a result of extensive negotiations among the Company, the Financial Advisor and the Lenders, with input from the Proposed Monitor.

7.2 The purpose of the SISP is to seek proposals (“**Sale Proposals**”) to acquire all, substantially all, or a portion of the Property, and/or proposals to make an investment in, or refinance the Business (“**Investment Proposals**”). The SISP describes:

- a) The Property available for sale and the opportunity for an investment in the Business;
- b) The manner in which prospective bidders may gain access to due diligence materials concerning the Property and the Business;
- c) The manner in which bidders and bids are eligible to become Qualified Bidders and Qualified Bids, respectively (both defined and described in the SISP);
- d) The evaluation of bids received;
- e) The ultimate selection of a Successful Bidder (as defined in the SISP); and
- f) The process for obtaining such approvals (including the approval of the Court) as may be necessary or appropriate in respect of a Successful Bid.

7.3 It is proposed that a Confidential Information Memorandum (the “**CIM**”), describing the opportunity to acquire all or a portion of the Property of the Business, will be made available to prospective purchasers and investors who have signed a non-disclosure agreement. A bid may, at the option of the bidder, result, among other things, in one or more of the following:

- a restructuring, recapitalization or other form of reorganization of the Business and affairs of Arctic Glacier as a going concern; or
- a sale of the Property.

7.4 The SISP is appended to the McMahon Affidavit and is described in detail therein. A summary of the timeline and the provisions of the SISP are presented in the following table:

Arctic Glacier Summary of the SISP (Certain capitalized terms below have the meanings ascribed in the SISP)		
Phase/Event	Timeline	Description of Activities
Publication Notice	Within 5 Business Days after the granting of the Initial Order	<ul style="list-style-type: none"> • The Monitor will cause a notice of the SISP to be published in certain newspapers listed in the SISP.
Phase 1	For a period 35 days after the granting of the Initial Order	<ul style="list-style-type: none"> • The Financial Advisor, with the assistance of the CPS and the Applicants, under the supervision of the Monitor, will solicit non-binding letters of intent ("LOI"s). • Qualified Bidders will receive the CIM and access to a preliminary electronic data room, upon execution of an NDA.
Phase 1 Bid Deadline	5:00pm CT on the 35 th day following the granting of the Initial Order	<ul style="list-style-type: none"> • LOIs must be delivered to the Financial Advisor for consideration as "Qualified LOIs". Qualified LOIs must meet certain criteria as set out in the SISP, including that the purchase price or funds to be invested must be in an amount sufficient to pay the Lender Claims in full and in cash (i.e. all the indebtedness of the Lenders, including the First Lien Debt, the Second Lien Debt and the DIP Facility (as defined below) indebtedness). • The Lenders do not have to submit an LOI or Credit Bid at the Phase 1 Bid Deadline in order participate in the SISP as a Qualified Bidder.

Arctic Glacier Summary of the SISP (Certain capitalized terms below have the meanings ascribed in the SISP)		
Phase/Event	Timeline	Description of Activities
Assessment of Qualified LOIs and Continuation or Termination of the SISP	Within 5 days following the Phase 1 Bid Deadline (or such later date as may be determined by the Monitor, in consultation with the Financial Advisor, the CPS and the Lenders)	<ul style="list-style-type: none"> • Qualified LOIs received during Phase 1 are assessed by the Monitor, in consultation with the Financial Advisor, the CPS and the Applicants to determine whether there is a reasonable prospect of obtaining a "Qualified Bid".¹ • If a Qualified LOI(s) is received and the Monitor, in consultation with the Financial Advisor, the CPS and Arctic Glacier, determines there is a reasonable prospect of obtaining a Qualified Bid(s) (other than a Credit Bid), the Monitor will recommend to the Special Committee that the SISP continue for a further 45 days (Phase 2 of the SISP). If the Special Committee accepts the Monitor's recommendation, the SISP shall continue for a further 45 days. If the Special Committee does not accept the Monitor's recommendation, the Monitor will seek the advice and directions of the Court. • If: (a) one or more Qualified LOIs are received; and (b) the Monitor, in its reasonable business judgement, in consultation with the Financial Advisor, the CPS and the Applicants, determines that another Qualified Bidder's LOI has a reasonable prospect of becoming a Qualified Bid, the Monitor may designate such LOI as a Qualified LOI.

¹ A Qualified Bid is defined in the SISP as: (i) a Credit Bid from the Lenders; or (ii) a third party offer or combination of third party offers, in the form of a Sale Proposal(s) or an Investment Proposal(s) (both in prescribed form) or including elements of both, the aggregate purchase price or funds to be invested are in an amount sufficient to pay the Lender Claims in full, in cash.

Arctic Glacier Summary of the SISP (Certain capitalized terms below have the meanings ascribed in the SISP)		
Phase/Event	Timeline	Description of Activities
Assessment of Qualified LOIs and Continuation or Termination of the SISP	Within 5 days following the Phase 1 Bid Deadline (or such later date as may be determined by the Monitor, in consultation with the Financial Advisor, the CPS and the Lenders)	<ul style="list-style-type: none"> • If the Monitor, after consultation with the Financial Advisor, the CPS and Arctic Glacier, determines that (a) no Qualified LOI has been received, (b) there is no reasonable prospect for a Qualified LOI to result in a Qualified Bid, and (c) the Lenders have not yet elected to make a Credit Bid by the Phase 1 Bid Deadline, the Financial Advisor shall provide copies of the LOIs received by the Phase 1 Bid Deadline to the Lenders. Within 5 Business Days, the Lenders may, in their sole and absolute discretion, (a) designate one or more LOIs as a Qualified LOI and/or (b) elect to make a Credit Bid. If the Lenders do not designate an LOI as a Qualified LOI or do not make a Credit Bid, any of the Lenders, the Monitor, or Arctic Glacier may apply to the Court for advice and directions.
Phase 2	Period of 45 days after the identification of Qualified LOIs (or such other period as determined by the Monitor, in consultation with the Financial Advisor, the CPS and the Applicants, to a maximum of 60 days).	<ul style="list-style-type: none"> • Qualified Bidders conduct due diligence and prepare irrevocable Final Bids. • During Phase 2, Qualified Bidders will be given access to a more complete data room and the opportunity to meet with management and tour the Company's facilities. • At any time during Phase 2, the Monitor, in consultation with the Financial Advisor, the CPS and the Applicants, may extend Phase 2 by an additional 15 days (provided that in no event shall Phase 2 be longer than 60 days in total).
Phase 2 Bid Deadline	5:00 pm CT on the 45 th day after the commencement of Phase 2 (to a maximum of 60 days)	<ul style="list-style-type: none"> • Qualified Bids must be received in accordance with these SISP Procedures prior to the Phase 2 Bid Deadline. • If the Lenders choose to submit a Credit Bid involving aggregate consideration in excess of the Lender Claims (other than in the form of assumed liabilities), such Credit Bid will only be a Qualified Bid if received on or prior to the Phase 2 Bid Deadline.

Arctic Glacier Summary of the SISP (Certain capitalized terms below have the meanings ascribed in the SISP)		
Phase/Event	Timeline	Description of Activities
Evaluation and Selection of the Successful Bid	As soon as possible after the selection of the most favourable Qualified Bid, if any	<ul style="list-style-type: none"> • The Monitor, in consultation with the Financial Advisor, the CPS and Arctic Glacier will seek to clarify the terms and evaluate any Qualified Bid received, and in consultation with the above parties, the Monitor will make a recommendation to the Special Committee, that the most favourable Qualified Bid, if any, be selected and that the Financial Advisor, the Monitor, Arctic Glacier and their advisors, negotiate and settle the terms of an agreement. If the Special Committee does not accept the Monitor's recommendation, the Monitor will seek advice and directions of the Court. • If no Qualified Bids are received and the Lenders have not made a Credit Bid, the Financial Advisor shall provide copies of the Final Bids received by the Phase 2 Deadline, if any, to the Lenders. Within 5 Business Days, the Lenders may, in their sole and absolute discretion, (i) designate one or more of those Final Bids as a Qualified Bid <u>and/or</u> (ii) submit a Credit Bid. • Once a definitive agreement has been negotiated and settled in respect of the Qualified Bid as selected by the Special Committee in accordance with the provisions of the SISP, such bid will become the "Successful Bid". • If a Qualified Bid is not received or a bid is not designated as a Qualified Bid by the Lenders, there is no Successful Bid or the Lenders decide not to submit a Credit Bid, any of the Lenders, the Monitor or Arctic Glacier may apply to the Court for further advice and direction regarding the continuation or termination of the SISP.
Closing of any Successful Bid	No later than 45 days after the Phase 2 Bid Deadline.	<ul style="list-style-type: none"> • Closing of transaction.

Proposed Monitor's Comments and Observations Regarding the SISP

Timeline

7.5 The SISP timeline is summarized, below:

	<u>Days</u>
Phase 1	35
Evaluation of LOIs	5
Phase 2	45 ²
Period to closing	45 ³
Total SISP timeline, as designed	<u>130⁴</u>

- a) The Proposed Monitor has the following comments regarding the proposed SISP timeline:

Phase 1 Period (35 days)

A&M was initially concerned that the proposed length of Phase 1 of the SISP, being 35 days, was relatively short and that it may not provide the Company with sufficient time to contact interested parties and settle non-disclosure agreements with such parties.

In conjunction with the development of the timelines in the SISP, A&M considered comparable sale and investment processes conducted pursuant to Canadian restructuring proceedings over the last twenty-four months. The majority of the companies and businesses included in the comparisons were of similar size and

² This can be extended by the Monitor in consultation with the Financial Advisor, the CPS and the Applicants to a maximum of 60 days.

³ This is based on a requirement of the SISP that a Qualified Bid must be irrevocable to the earlier of (A) approval by Court of a Successful Bid and (B) 45 days following the Phase 2 Bid Deadline.

⁴ The period from the anticipated filing date February 22, 2012 to the Outside Date is 160 days.

complexity to the Applicants. The "Phase 1" periods in the comparable processes had an average of 41 days. The Proposed Monitor notes that one of the delays that can occur in the initial phase of a sale or investment solicitation process is the process of negotiating and settling non-disclosure agreements with prospective bidders. The Proposed Monitor has been advised that sufficient resources from the two legal firms advising the Applicants have been allocated for this purpose. It is also noted that many of the prospective bidders identified by the Financial Advisor participated previously in the Company's Strategic Review Process, and are therefore familiar with the Company. Based upon the foregoing advice given to the Proposed Monitor concerning the anticipated process to settle non-disclosure agreements, the Proposed Monitor is satisfied with the length of Phase 1.

b) Phase 2 timeline (45 days)

Of the comparable processes reviewed by the Proposed Monitor, the second phase (generally comparable to Phase 2 of the SISP), had an average of 24 days. However, the Financial Advisor has indicated that in this case, the SISP's proposed Phase 2 timeline of 45 days could be somewhat short, given the amount of due diligence likely required and the amount of time interested parties might require to arrange any definitive financing. Should this prove to be the case, the SISP allows for the potential to extend Phase 2 by up to an additional 15 days.

c) Period to Close/Court Approval (up to 45 days)

Qualified Bids received in Phase 2 are, among other things, required to be irrevocable until the earlier of: (a) Court approval of a transaction; and (b) 45 days following the Phase 2 Bid Deadline. Using 45 days as a proxy for the estimated time

to obtain Court approval and close the transaction, the Proposed Monitor notes that this timeframe is within the range of the comparable processes reviewed and in excess of the average of 30 days. Nonetheless, there could be a need for a longer than average period to negotiate a definitive agreement depending on the complexity of any transaction.

- d) The total length of the SISP before considering any possible extensions in the timeline is contemplated to be 130 days. The Proposed Monitor notes that the period from the expected CCAA filing date to the Outside Date (July 31, 2012) is 160 days. The Proposed Monitor also notes that one of the criteria to be used in evaluating Qualified Bids is whether it has a reasonable prospect of being completed by the Outside Date.
- e) The SISP timeline was developed by way of extensive negotiations among the Applicants, the Financial Advisor, the CPS, the Lenders and their respective legal advisors. The Proposed Monitor was also involved in discussions regarding the SISP. All participants were cognizant of the liquidity issues facing the Applicants in determining the timelines for the SISP. The SISP and its timeline are supported by all of the aforementioned parties, and was developed to take into account the balance between the time required to administer all phases of a commercially reasonable sale/investment process and the available financial resources and business imperatives of the Applicants.

Transparency of Process and Involvement of Lenders

- 7.6 The Proposed Monitor makes the following observations regarding the transparency of the SISP and the roles of the various participants in the proposed process:

7.6.1. Process supervision and stewardship

The Monitor will supervise the SISP and in particular, will supervise the Financial Advisor's performance pursuant to its engagement by Arctic Glacier. The CPS will also provide significant input with respect to the SISP and report to the Special Committee. The Financial Advisor will manage the day-to-day execution of the SISP. Arctic Glacier is required to assist and support the efforts of the Monitor, the Financial Advisor and the CPS as provided for in the SISP. In the event that clarification is required with respect to the SISP, the Monitor or the Applicants will seek the advice and direction of the Court.

7.6.2. Lender Claims

In order to be a Qualified LOI or a Qualified Bid, prospective purchasers and/or investors must indicate that their bid will be of an amount sufficient to pay the Lender Claims in full and in cash. The Lender Claims comprise the obligations due under the First Lien Credit Agreement and Second Lien Credit Agreement, as well as the DIP Facility. As the obligations under the DIP Facility as at a closing date will not be known with certainty at the time LOIs or bids are made, prospective purchasers and investors will need to obtain an understanding of the forecast obligations to the Lenders at a projected closing date in order to ascertain the minimum threshold amount that would "qualify" their LOI or bid. To that end, the Proposed Monitor has been advised that a rolling cash flow forecast which extends to and beyond the Outside Date will be available to participants in the due diligence data room shortly after the commencement of the SISP.

7.6.3. Ability of the Lenders to designate LOIs as Qualified LOIs

The SISP provides a mechanism whereby the Lenders can designate one or more LOIs as a Qualified LOI and/or elect to make a Credit Bid. If such a designation is made by the Lenders, the Proposed Monitor believes that at that time the Lenders will need to give consideration to clearly stating their intentions as to whether they will or will not be submitting a Credit Bid. This will allow prospective purchasers or investors to have that information prior to committing to the time and cost of Phase 2 due diligence and bid/investment preparation. It is the view of the Proposed Monitor that this will have to be dealt with at the Phase 1 Bid Deadline, in the case where no Qualified LOIs are received.

7.6.4. Ability of the Lenders to designate bids as Qualified Bids

If no Qualified Bids are received and the Lenders have not made a Credit Bid, the Lenders will be provided with copies of the Final Bids received at the Phase 2 Bid Deadline. At that point, the Lenders may designate one or more of the Final Bids as Qualified Bids and/or submit a Credit Bid. Before such a designated Qualified Bid becomes the Selected Qualified Bid, the Lenders must decide whether they are going to participate in the sale/investment process if they have not elected to participate prior to this time (or submit a Credit Bid to a maximum of the Lender Claims). This will provide existing bidders who reach a definitive agreement with the Company, and whose bids have been "qualified" by the Lenders, with the assurance that they cannot be outbid by the Lenders going forward after the Lenders have had access to the Phase 2 bids.

7.6.5. *The Lenders can acquire the Business at various points and otherwise participate in the SISP*

The SISP provides for certain flexibility to the Lenders, at various points, should Qualified LOIs (at the Phase 1 Bid Deadline) or Qualified Bids (at the Phase 2 Deadline) not be received. At both the Phase I Bid Deadline and Phase 2 Bid Deadline, if interest is not expressed (in the case of Qualified LOIs) or consideration is not sufficient (in the case of Qualified Bids) to pay the Lender Claims in full and in cash, then the Lenders can acquire the Business by way of a Credit Bid. If such minimum bid amounts are not achieved and the Lenders elect to Credit Bid and not qualify any of the LOI's or bids, the SISP will effectively end with the Lenders' decision to acquire the Property of the Applicants, and a definitive agreement will then be settled between the Applicants and the Lenders.

Overall comments on the proposed SISP

7.7 As indicated above, the proposed SISP was developed through extensive negotiations among the Company, its Financial Advisor and the Lenders. At certain points in the SISP, continued negotiation and discussion will be required among those parties. The Proposed Monitor has been involved with the development of the SISP and believes such parties have been and will continue to act reasonably to achieve a going concern transaction for the Business. Accordingly, the Proposed Monitor believes that the timeline and mechanics established by the SISP are commercially reasonable and should allow for a process to be conducted to identify and close a transaction that will result in either (a) a sale of the Property; or (b) an investment in the Property by a third party purchaser/investor or the Lenders.

- 7.8 The SISP considers the urgent need of the Applicants to effect a transaction which will result in the continuation of the Business as a going concern, and considers the Company's available financial resources. As noted in the Cash Flow Forecast, the Company is facing a looming liquidity crisis, will deplete its cash resources in the near future, and requires the DIP Facility in order to continue going concern operations and run the SISP.
- 7.9 The process provides for flexibility to the Lenders should the Lender Claims not be satisfied in full as a result of the offers received from the conduct of the process, while at the same time, allows for a fair and transparent process for third party participants.
- 7.10 The Lenders have expressed their serious interest in acquiring the Business should the SISP not result in satisfactory offers by third parties.

8.0 CASH MANAGEMENT SYSTEM

- 8.1 Arctic Glacier maintains a centralized cash management system (the "**Cash Management System**"), which is used to manage cash for all of the Applicants. The Cash Management System is managed centrally out of the Head Office.
- 8.2 The Applicants' Canadian and U.S. bank accounts are maintained and controlled by Senior Management, utilizing cash management systems established at TD Bank and Wells Fargo Bank, respectively. There are 140 bank accounts at 20 financial institutions in Canada and the U.S., including TD Bank and Wells Fargo Bank. Each operating location in Canada and the U.S. maintains a "deposit only" account into which customer collections are deposited daily. These regional accounts are either swept, or funds are transferred electronically on a regular basis into the main Canadian or U.S. operating account, respectively.

8.3 In addition, the Applicants have 14 customers (3 in Canada and 11 in the U.S.) which are serviced to varying degrees by “co-packers” (third parties who service the Applicants’ customers in areas where the Applicants do not have manufacturing or distribution facilities). The Applicants maintain a separate bank account in respect of each customer serviced by the co-packers into which remittances from those customers are deposited. In turn, the Applicants and co-packers are paid from these same bank accounts.

8.4 Other bank accounts include foreign exchange, payroll and term deposit accounts.

8.5 The Applicants intend to continue using the existing Cash Management system, and are seeking the approval of this Honourable Court to do so.

9.0 CASH FLOW FORECAST FOR THE PERIOD ENDING MAY 18, 2012

9.1 The Applicants, with the assistance of the Proposed Monitor, have prepared the consolidated cash flow forecast of the Company (the “**Cash Flow Forecast**”) for the 13-week period ending May 18, 2012 (the “**Cash Flow Period**”).

9.2 A copy of the Cash Flow Forecast and the prescribed report of the Proposed Monitor is attached to this report as **Appendix “C”**. For reference purposes, the Cash Flow Forecast also includes the Canadian and U.S. regional cash flow forecasts which form the consolidated Cash Flow Forecast.

9.3 A summary of the Cash Flow Forecast is set out in the table below.

Arctic Glacier Unaudited Summary of Forecast Cash Flow (Note 1) For the 13-Week Period Ending May 18, 2012 (US\$000's)			
	AG Companies (Consolidated)	Canadian Applicants	U.S. Applicants
Forecast Cash Inflow			
Customer collections	26,363	4,444	21,919
Forecast Total Receipts	<u>26,363</u>	<u>4,444</u>	<u>21,919</u>
Forecast Cash Outflow			
Supplier payments, vehicle, occupancy, selling and general	34,291	7,275	27,016
Payroll and benefits, including KERP	16,710	5,538	11,172
Insurance	3,665	551	3,114
Capital expenditures	6,366	-	6,366
Interest and financing fees	2,400	1,937	463
Professional fees	11,215	11,215	-
Total Forecast Outflow	<u>74,647</u>	<u>26,516</u>	<u>48,131</u>
Net Cash Flow, prior to DIP Financing	(48,284)	(22,072)	(26,212)
DIP financing - advances	45,000	22,000	23,000
Net Cash Flow	<u>(3,284)</u>	<u>(72)</u>	<u>(3,212)</u>
Cash, beginning of period (February 18, 2012)	6,525	2,184	4,341
Cash, end of period (May 18, 2012)	<u>3,241</u>	<u>2,112</u>	<u>1,129</u>
Note 1 Readers are cautioned to read the Terms of Reference as set out previously in this report for information regarding the preparation of the Cash Flow Forecast.			
Note 2 The KERP is defined and described further herein.			

9.4 The Proposed Monitor notes the following with respect to the Cash Flow Forecast:

- a) The Applicants currently expect to have consolidated cash resources of approximately \$6.5 million in the week the CCAA Proceedings are commenced (the week ending February 24, 2012). Senior Management advises that the Company requires minimum cash reserves of \$2 million to \$3 million in order to manage the payment cycle of the Business, including timing differences that can occur in customer receipts, and the funding of major disbursement items such as payroll, occupancy and other costs.

- b) Over the course of the Cash Flow Period, the Applicants forecast a net cash outflow of approximately \$48.3 million, comprised of the following by geographic region:

Canada – \$22.1 million

U.S. – \$26.2 million

- c) The Cash Flow Forecast reflects advances under the DIP Facility of \$45.0 million in the Cash Flow Period, of which \$22.0 million is expected to be drawn by the Canadian Applicants, and \$23.0 million by the U.S. Applicants.
- d) The Cash Flow Forecast includes the continued payment of debt service costs on the debt owing under the First Lien Credit Agreement.
- e) Senior Management expects to fund the cash flow requirements of the Businesses with forecast cash resources and drawdowns under the DIP Facility.

9.5 Senior Management's Representation Letter and the Proposed Monitor's report to this Honourable Court regarding the adequacy of the Cash Flow Forecast, are attached to the Report as **Appendix "D"** and **Appendix "E"**, respectively.

10.0 DEBTOR IN POSSESSION FINANCING

Overview

10.1 The Applicants have negotiated an interim CCAA financing facility (the **"DIP Facility"**) with CPPIB and WF (the **"DIP Lenders"**). The DIP Facility is expected to provide sufficient funding to allow the Applicants to reorganize their affairs in these proceedings, including pursuing a transaction in accordance with the SISP. Senior Management and the Company's advisors believe that the DIP Facility is the only realistic source of funding available, given the urgency of the proposed filing, the prominent position of the Lenders in

the capital structure of the Company and the minimal level of Arctic Glacier's existing cash on hand. The first DIP loan drawdown of \$7 million is forecast to occur in the initial week of the CCAA filing.

Summary of DIP Facility Terms

10.2 The DIP Facility is attached to the McMahon Affidavit and is summarized in the table below. Terms capitalized in the table have the meaning ascribed in the DIP Facility.

Arctic Glacier Summary of DIP Facility Terms	
Total Availability	<ul style="list-style-type: none"> • Combined availability of US\$24 million and CDN\$26 million, available in two stages. Stage 1 availability is US\$10 million and CDN\$14 million, and Stage 2 availability is US\$ 15 million and CDN\$11 million.
Effective Date	<ul style="list-style-type: none"> • Stage 1 – effective when the Initial Order and a Temporary Restraining Order (“TRO”) from the U.S. Court have been obtained; • Stage 2 – effective when a Recognition Order from the U.S. Court is obtained and provides for (i) recognition of CCAA Proceeding as a “foreign main proceeding”; (ii) approval of DIP Facility; and (iii) recognition of DIP Charge.
Borrowers	<ul style="list-style-type: none"> • AGI and AGII. The remainder of the Applicants are guarantors. AGII only becomes a Borrower at Stage 2.
Drawdowns	<ul style="list-style-type: none"> • Both Thresholds are subject to maximum weekly drawings specified in Schedule 2 to the DIP Facility Term Sheet.
Purpose/Permitted Payments	<ul style="list-style-type: none"> • Limited to amounts set out in Approved Budgets to be agreed to by DIP Lender and Borrowers.
Significant Terms	<ul style="list-style-type: none"> • Non-revolving; • Subject to the deadlines set out in the SISP, without amendment or extension; • Voluntary pre-payments result in permanent reduction of the DIP Facility; • Cash in excess of \$10 million to be immediately paid to the DIP Lender to reduce balances outstanding under the DIP Facility; • Proceeds of asset sales (not in the normal course) to be paid to the DIP Lender to reduce balances outstanding under the DIP Facility; • Borrowers must engage (and continue to engage) the CPS; and • Other covenants which appear customary under the circumstances.
Financial Covenants	<ul style="list-style-type: none"> • Maintenance of minimum trailing twelve month normalized EBITDA of \$38 million, to be tested monthly.

Arctic Glacier Summary of DIP Facility Terms	
Fees and Interest	<ul style="list-style-type: none"> • Interest Rate per annum: Stage 1: Prime + 7.5%; Stage 2: Prime + 5.5% • Default Interest Rate per annum: An additional 2% in each stage. • Other fees set out in Fee Letter agreed to between the Company and the Lenders, including an Agency Fee, Upfront Fee and Standby Fee.
Security	<ul style="list-style-type: none"> • All assets and property of the Borrowers and Guarantors and DIP Charge.
Maturity	<ul style="list-style-type: none"> • The earliest of: (i) August 8, 2012; (ii) completion of a transaction in compliance with the SISP; and (iii) a default.
DIP Charge	<ul style="list-style-type: none"> • DIP Charge to rank subordinate only to the Administration Charge, the Financial Advisor Charge, the Directors' Charge and \$1 million of the Critical Supplier Charge (all further defined herein). DIP Charge in amount of CDN\$ 28.6 million and US\$ 26.4 million to ensure fees, costs and expenses are covered.

10.3 Senior Management has advised the Proposed Monitor that it believes the Company can abide by all of the terms of the DIP Facility.

10.4 The DIP Facility requires that the existing security for the existing secured debt will be amended to secure obligations under the DIP Facility. It also provides that the U.S. Applicants provide a lien in favour of AGI for any amounts advanced by AGI to the U.S. Applicants. The Applicants are seeking the authority to make such advances under the Initial Order and the granting of a charge in respect of these advances. The Applicants are also seeking the authority to have the U.S. Applicants make advances to AGI and the granting of a charge in respect of these advances (collectively, the “**Inter-Company Balances Charge**”).

10.5 The Proposed Monitor observes that the costs of the DIP Facility are not insignificant, but fall within a wide range of costs that the Proposed Monitor has reviewed in other recent comparable DIP loans. The DIP Facility costs reflect the circumstances of this cross-border financing, particularly in the first stage of lending, as the DIP Charge over the collateral of the U.S. Applicants will have yet to be recognized in the Chapter 15 Proceedings. The

Proposed Monitor notes that the cost of financing in Stage 1 is at the same rate as under the First Lien Credit Agreement once demand has been made on the loan.

10.6 The Proposed Monitor notes that funding under the DIP Facility is required on an urgent basis. The quantum of the DIP Facility reflects the fact that the Applicants' cash position is lower in the run up to the Company's busy summer season. In addition, having the DIP Facility provided by the Company's current secured lenders, who are familiar with the Business, should result in efficiencies in communications and reporting during the CCAA Proceedings.

10.7 The Proposed Monitor notes that there are a number of terms and conditions of the DIP Facility that provide the Lenders with significant discretion and flexibility over the financing of the Company in these CCAA Proceedings. In light of the quantum of the Lenders' pre-filing debt and their position in the Company's capital structure, it is expected that the DIP Facility will be administered in a manner that furthers the goals of this proceeding.

11.0 OTHER MATTERS

Key Employee Retention Plan (the "KERP")

11.1 On February 16, 2012, the Applicants approved a Key Employee Retention Plan (the "KERP") with certain employees who are considered by the Applicants to be critical to the successful completion of the CCAA Proceedings (the "KERP Participants"). The KERP is subject to the approval of this Honourable Court. Under the provisions of the KERP, each of the KERP Participants will receive a set amount, payable in increments upon certain milestones in the CCAA Proceedings, as follows:

- a) 25% payable on the earlier of:
 - i. The Phase 1 Bid Deadline; and
 - ii. August 15, 2012 (the “**KERP Outside Date**”);
- b) 25% payable on the earliest of:
 - i. The Phase 2 Bid Deadline;
 - ii. The closing of the transaction contemplated by the SISP (“**Closing**”); and
 - iii. The KERP Outside Date;
- c) 50% payable on the earlier of:
 - i. Closing; and
 - ii. The KERP Outside Date.

The maximum aggregate amount of payments under the KERP is approximately CAD \$2.6 million.

- 11.2 The KERP, which includes the identification of the participants and their respective amounts payable, is appended to the McMahon Affidavit filed under seal with this Honourable Court.
- 11.3 The Proposed Monitor is of the view that the provisions of the proposed KERP are generally consistent with the terms and range of retention amounts in comparable CCAA cases and are reasonable in the circumstances.
- 11.4 The Proposed Monitor notes that the KERP Outside Date, being the latest date on which the KERP Participants will receive their final payments under the KERP, is consistent with the timeline set out in the SISP. However, if no transaction has been closed by the KERP Outside Date, further discussions may be required with the Lenders and the KERP Participants.

Engagement of Chief Process Supervisor (“CPS”)

- 11.5 The proposed Initial Order contemplates the appointment of Bruce K. Robertson, through 7088418 Canada Inc. (operating as Grandview Advisors) as CPS of the Applicants. The terms of the engagement of the CPS are set out in the engagement letter between the CPS and the Applicants (the “**CPS Engagement Letter**”). The CPS Engagement Letter is appended to the McMahon Affidavit.
- 11.6 It is proposed that the CPS will provide assistance to, and work with, the Applicants, the Financial Advisor and the Monitor to facilitate the SISP.
- 11.7 The CPS has significant experience in carrying out the functions that are described in the CPS Engagement Letter and will be involved in the execution of the SISP. The retention of the CPS will allow Senior Management to concentrate their efforts on overseeing the operation of the Business while it is marketed for sale.

12.0 PROPOSED INITIAL ORDER

- 12.1 A&M has reviewed the proposed initial CCAA order in these proceedings (the “**Initial Order**”) and provides comments on certain provisions below. It is noted that matters relating to the DIP Facility as referenced in the Initial Order are referred to in the previous section of the Report.

Cash Management System

- 12.2 It is proposed that the Applicants shall be entitled to continue to utilize the existing Cash Management System, or replace it with another substantially similar central cash management system.

- 12.3 In the Proposed Monitor's view, the maintenance of the existing Cash Management System is important to ensure that cash receipts continue to be received and swept to central bank accounts regularly, and that payments are made, in accordance with established terms, to all relevant stakeholder groups who are entitled to receive payments in the CCAA Proceedings.

Pre-Filing Obligations

- 12.4 The Proposed Order authorizes, but does not require the Applicants to pay certain payroll-related expenses, which may have arisen prior to the date of the Initial Order. The Proposed Order further provides that the Applicants shall not pay such expenses unless such payment is contemplated by the Cash Flow Forecast.
- 12.5 The Proposed Monitor notes that it is the intent of the Applicants to pay the pre-filing obligations of its existing trade creditors, to the extent that such suppliers continue to provide goods and/or services to the Company. Such payments are reflected in the Cash Flow Forecast. According to Senior Management, the pre-filing trade obligations are less than \$2 million and comprise thousands of small suppliers throughout North America, many of whom are critical to the continued operations of the Business. Therefore, the pre-filing payments are proposed to be made primarily for efficiency reasons as the costs of staying and making arrangements for continued supply would outweigh the benefits of staying the payables. The Proposed Monitor has been advised that the Lenders support the payment of the aforementioned pre-filing obligations.

Proposed Court Ordered Charges Over the Assets of the Applicants

KERP Charge

- 12.6 It is proposed that the KERP Participants shall be entitled to the benefit of a charge (the “**KERP Charge**”) on the Property of the Applicants, which charge shall not exceed the amount of CDN\$ 2.6 million as security for all amounts becoming payable to the KERP Participants pursuant to the KERP.

Financial Advisor Charge

- 12.7 It is proposed that the Financial Advisor shall be entitled to the benefit of a charge (the “**Financial Advisor Charge**”) on the Property in the maximum amount of \$2 million. Such charge shall be security for all amounts due to be paid to the Financial Advisor pursuant to the terms of an engagement letter dated September 16, 2010 between the Financial Advisor and the Applicants, as amended (the “**Engagement Letter**”). The Financial Advisor Charge shall not secure any indemnity for fees or expenses incurred by the Financial Advisor in connection with any right of indemnity included in the Engagement Letter. The Proposed Monitor is of the view that the quantum of the Financial Advisor Charge is reasonable in light of the fees owing under the Engagement Letter. The Engagement Letter is an Exhibit to the McMahon Affidavit and has been filed under seal.

Critical Supplier Charge

- 12.8 Attached as an Appendix to the proposed Initial Order are entities which AGI has identified as critical suppliers and fall within the definition contemplated by Section 11.4 of the CCAA (each, a “**Critical Supplier**”). The Critical Suppliers generally comprise truck lessors, other transportation services, utilities, bag suppliers and other suppliers of

production goods and services. All of these suppliers are necessary to the production and distribution of ice and the interruption of supply by such suppliers could have an adverse impact on the operations of the Company and the achievability of the Cash Flow Forecast.

12.9 The Applicants are seeking an Order under Section 11.4 of the CCAA requiring Critical Suppliers to continue supplying AGI on terms and conditions consistent with existing supply arrangements. It is proposed that each Critical Supplier be entitled to the benefit of a collective charge (the “**Critical Supplier Charge**”) on the Property of AGI, in an amount equal to the value of the goods and/or services supplied to AGI by such Critical Supplier and received by the Applicants after the date of the Initial Order, less amounts paid to such Critical Supplier in respect of such goods and/or services.

12.10 Based on information provided by the Applicants, the Proposed Monitor estimates that the maximum amount outstanding from time to time that would be subject to the Critical Supplier Charge would be approximately \$1 million. The Proposed Monitor is of the view that the Critical Supplier Charge should provide adequate security for the credit advanced by the Critical Suppliers, considering the proposed ranking of the Critical Supplier Charge in these proceedings.

Indemnification of Trustee, Directors and Officers and Directors' Charge

12.11 It is proposed that the Applicants indemnify their trustees, directors and officers against obligations and liabilities that they may incur after the commencement of the proceedings, except to the extent that the obligation or liability was incurred as a result of the trustee's, director's or officer's gross negligence or willful misconduct.

12.12 It is also proposed that the trustees, directors and officers of the Applicants be entitled to the benefit of a charge (the “**Directors’ Charge**”) in the amount of \$2.7 million against the Property of the Applicants as security for the indemnity provided.

12.13 The Company analyzed the potential exposure to the Directors, Officers and Trustees for certain potential statutory liabilities and concluded this to be the appropriate coverage amount. This analysis is considered appropriate by the Proposed Monitor.

12.14 As set out in the McMahon Affidavit, the Applicants maintain D&O Insurance for their trustees, directors and officers. For the reasons set out in the McMahon Affidavit, the Proposed Monitor supports the Applicants’ request for a D&O Charge.

Inter-Company Balances Charge

12.15 As set out above, the Applicants are requesting an Inter-Company Balances Charge to secure any net advances between the U.S. Applicants and AGI. Since AGII and AGI are both borrowers under the DIP Facility and it is anticipated that AGI will borrow funds for its own account and AGII will borrow funds for the account of the U.S. Applicants, Senior Management does not expect a material inter-company balance to arise in these proceedings.

Administration Charge

12.16 It is proposed that the Monitor, the Monitor’s legal counsel, counsel for the directors of the Applicants, counsel for the trustees of AGIF, the CPS and the Applicants’ legal counsel be entitled to the benefit of a charge (the “**Administration Charge**”) on the Property in the amount of \$2.0 million, as security for their professional fees and disbursements incurred at their respective standard billing rates, both before and after the making of the Initial Order in respect of the CCAA Proceedings.

DIP Lender's Charge

12.17 It is proposed that the Applicants be authorized to borrow USD\$24 million and CDN\$26 million from the DIP Lender in accordance with the terms of the DIP Facility. As security for the DIP financing, it is proposed that the DIP Lender be granted a charge (the “**DIP Lender's Charge**”) on the Property. The DIP Lender's Charge shall not secure an obligation that exists before the Initial Order.

Priority of Charges Created by the Initial Order

12.18 The priorities of the Critical Supplier Charge, the Administration Charge, the Financial Advisor Charge, the Directors' Charge, the Inter-Company Balances Charge and the DIP Lender's Charge are proposed to be as follows:

- a) First – Administration Charge (to the maximum amount of \$2 million), and the Financial Advisor Charge (to the maximum amount of an additional \$2 million), on a *pari passu* basis;
- b) Second – Directors' Charge (to the maximum amount of \$2.7 million);
- c) Third – Critical Supplier Charge (to the maximum amount of CDN \$1 million, only as against the Property of AGI)
- d) Fourth - DIP Lender's Charge (to the maximum amount of CDN \$27.5 million plus USD \$27.5 million);
- e) Fifth – the KERP Charge (to the maximum amount of CDN \$2.6 million) and the Critical Supplier Charge (for any amounts above CDN\$1 million) on a *pari passu* basis (with the Critical Supplier Charge as against the Property of AGI only); and
- f) Sixth – the Inter-Company Balances Charge.

12.19 In summary, the Proposed Monitor has reviewed the calculations that support the Administration Charge, the Financial Advisor Charge, the Directors' Charge, the Critical Supplier Charge, the DIP Lender's Charge, the Inter-Company Balances Charge and the KERP Charge, and believes the amounts are reasonable in the circumstances. The Proposed Monitor notes the quantum and priority ranking of all proposed charges is supported by the Lenders.

13.0 PROPOSED MONITOR'S RECOMMENDATIONS

13.1 The Proposed Monitor's recommendations are summarized below:

CCAA Proceedings and Cash Flow Forecast

13.2 The Proposed Monitor concurs with the Applicants' view that they are insolvent and are facing near term liquidity issues which supports the need to undertake the restructuring as contemplated by the CCAA Proceedings.

13.3 The Cash Flow Forecast of Arctic Glacier indicates that it has a reasonable amount of liquidity, provided the DIP Financing is authorized pursuant to the Initial Order, and is available for the Cash Flow Period. The first drawdown on the proposed DIP Facility is required on or about February 22, 2012.

DIP Facility

13.4 The Proposed Monitor has concluded that the DIP Facility is required in order for the Applicants to continue to operate on an uninterrupted basis through the projected restructuring period.

13.5 The DIP Facility represents the necessary financing which will afford the Applicants the opportunity to implement the transaction(s) contemplated by the SISP, which in turn, will

facilitate Arctic Glacier continuing as a going concern. The Proposed Monitor believes that there is no reasonable prospect of obtaining similar interim financing in the circumstances.

SISP

- 13.6 The Proposed Monitor believes that the timeline and mechanics established by the SISP are commercially reasonable and should allow for a process to be conducted to identify and close a transaction that will result in either (a) a sale of the Property; or (b) an investment in the Business by a third party purchaser/investor or the Lenders.

KERP

- 13.7 The Proposed Monitor concurs with the position of Senior Management that the departure of KERP Participants would be detrimental to the Business, and could impair the ability to achieve a successful outcome to the CCAA Proceedings. The approval of the KERP is expected to provide sufficient incentive for the KERP Participants to remain in their employment for the duration of the restructuring process and support the operations of the Business. As previously noted, the terms and quantum of the KERP are considered reasonable in the circumstances by A&M.

Engagement of CPS

- 13.8 The Proposed Monitor believes that the retention of Mr. Robertson as CPS, will add value to the implementation and supervision of the SISP. The retention of the CPS will also allow Senior Management to focus on managing the operations of the Business.

14.0 CCAA RELIEF SOUGHT

- 14.1 The Applicants are insolvent, and the Proposed Monitor considers the relief sought in the Initial Order to be reasonable in the circumstances.

14.2 The Applicants are also seeking, and the Proposed Monitor supports their request, to continue to operate the Cash Management System in substantially the same manner as prior to the commencement of the CCAA Proceedings should an Initial Order be granted.

14.3 The Proposed Monitor also supports:

- The Applicants taking such steps as are required to implement the SISP in furtherance of a sale transaction and/or the development of a Plan;
- The Applicants' requesting authorization to commence the Chapter 15 Proceedings in the United States and agrees (if appointed Monitor) to act as foreign representative in such proceedings;
- the amounts and rankings of the Court-ordered charges and the financial thresholds proposed in the draft Initial Order, namely:
 - a) First – Administration Charge (to the maximum amount of \$2 million) and the Financial Advisor Charge (to the maximum amount of an additional \$2 million) on a *pari passu* basis;
 - b) Second – Directors' Charge (to the maximum amount of \$2.7 million);
 - c) Third – Critical Supplier Charge (to the maximum amount of CDN \$1 million, only as against the Property of AGI)
 - d) Fourth - DIP Lenders' Charge (to the maximum amount of CDN \$27.5 million plus US \$27.5 million);

- e) Fifth – KERP Charge (in the amount of CDN \$2.6 million) and the Critical Supplier Charge (for any amounts above CDN \$1 million) on a *pari passu* basis (with the Critical Supplier Charge as against the Property of AGI only); and
- f) Sixth – Inter-Company Balances Charge.

All of which is respectfully submitted to this Honourable Court this 21st day of February, 2012.

**Alvarez & Marsal Canada Inc., in its capacity
as Proposed Monitor of Arctic Glacier Income Fund,
Arctic Glacier Inc., Arctic Glacier International Inc. and
the other Applicants listed on Appendix "A".**



Per: Richard A. Morawetz
Senior Vice President

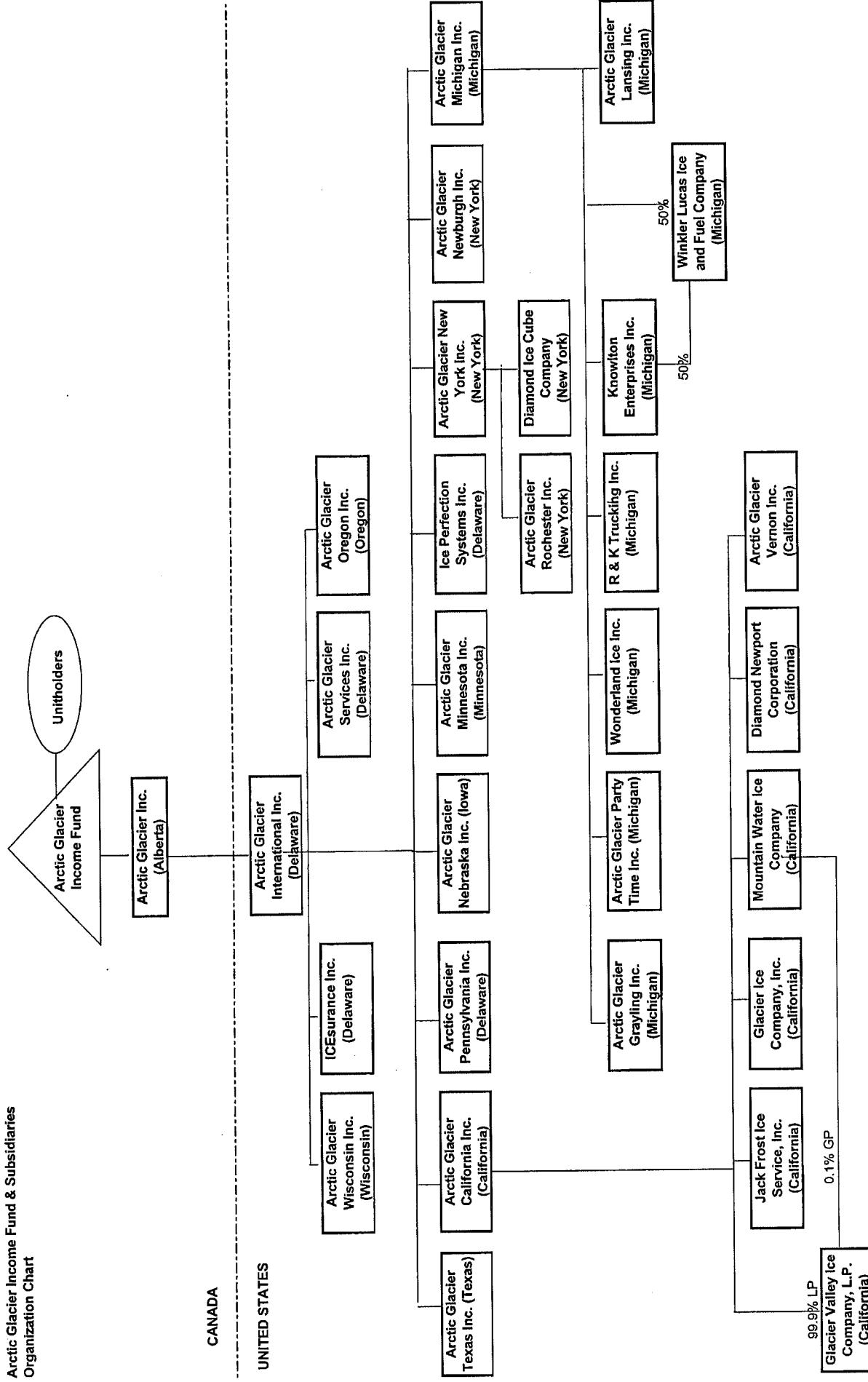
Appendix “A”

List of Applicants

Arctic Glacier California Inc.
Arctic Glacier Grayling Inc.
Arctic Glacier Lansing Inc.
Arctic Glacier Michigan Inc.
Arctic Glacier Minnesota Inc.
Arctic Glacier Nebraska Inc.
Arctic Glacier Newburgh Inc.
Arctic Glacier New York Inc.
Arctic Glacier Oregon Inc.
Arctic Glacier Party Time Inc.
Arctic Glacier Pennsylvania Inc.
Arctic Glacier Rochester Inc.
Arctic Glacier Services Inc.
Arctic Glacier Texas Inc.
Arctic Glacier Vernon Inc.
Arctic Glacier Wisconsin Inc.
Diamond Ice Cube Company Inc.
Diamond Newport Corporation
Glacier Ice Company, Inc.
Ice Perfection Systems Inc.
ICEsurance Inc.
Jack Frost Ice Service, Inc.
Knowlton Enterprises, Inc.
Mountain Water Ice Company
R&K Trucking, Inc.
Winkler Lucas Ice and Fuel Company
Wonderland Ice, Inc.

Appendix “B”

Arctic Glacier Income Fund & Subsidiaries
Organization Chart



Appendix “C”

Arctic Glacier

CONSOLIDATED weekly cash flow forecast
For the 13-week period ending May 18, 2012
(Unaudited, in \$'000 USD)

	Week 1 24-Feb	Week 2 2-Mar	Week 3 9-Mar	Week 4 16-Mar	Week 5 23-Mar	Week 6 30-Mar	Week 7 6-Apr	Week 8 13-Apr	Week 9 20-Apr	Week 10 27-Apr	Week 11 4-May	Week 12 11-May	Week 13 18-May	13-week total
Receipts														
Customer collections	1,186	1,196	1,401	1,751	1,751	1,751	2,091	2,147	2,147	2,147	2,570	3,062	3,062	26,364
Total Receipts	1,186	1,196	1,401	1,751	1,751	1,751	2,091	2,147	2,147	2,147	2,570	3,062	3,062	26,364
Disbursements														
Supplier payments	695	628	532	507	424	432	809	700	625	554	877	939	884	8,606
Vehicle & fuel costs	1,757	1,785	1,798	541	575	81	783	685	588	680	401	795	1,095	11,564
Payroll and related payments	1,602	559	1,648	1,078	1,745	574	2,108	194	2,016	206	1,718	2,141	1,121	16,711
Facility costs & utilities	1,439	1,663	1,346	317	608	730	440	172	706	580	728	267	702	9,699
Insurance	551	1,038	-	-	-	1,038	-	-	-	-	1,038	-	-	3,665
Capital expenditures	747	741	727	425	425	425	489	488	423	423	353	349	349	6,366
Selling, general and administration	391	466	454	371	224	165	513	293	334	257	353	284	318	4,423
Professional fees	3,880	3,390	-	100	-	1,945	-	100	-	1,700	-	100	-	11,715
Total Disbursements	11,063	10,270	6,504	3,339	4,002	5,391	5,141	2,633	4,693	4,400	5,469	4,875	4,469	72,249
Net Cash Flow Before Debt Service Costs	(9,877)	(9,074)	(5,103)	(1,588)	(2,251)	(3,640)	(3,050)	(486)	(2,546)	(2,252)	(2,798)	(1,813)	(1,407)	(45,885)
Debt service costs (including DIP facility)	1,030	263	-	-	-	-	596	-	-	-	511	-	-	2,400
Net Cash Flow After Debt Service Costs	(10,907)	(9,337)	(5,103)	(1,588)	(2,251)	(3,640)	(3,646)	(486)	(2,546)	(2,252)	(3,309)	(1,813)	(1,407)	(48,285)
Opening Cash Balance	6,525	2,617	2,280	2,177	4,590	2,339	2,699	3,052	2,567	3,021	2,769	4,459	2,647	6,525
Net cash flow	(10,907)	(9,337)	(5,103)	(1,588)	(2,251)	(3,640)	(3,646)	(486)	(2,546)	(2,252)	(3,309)	(1,813)	(1,407)	(48,285)
DIP facility advances/(repayments), net	7,000	9,000	5,000	4,000	-	4,000	4,000	-	3,000	2,000	5,000	-	2,000	45,000
Ending Cash Balance	2,617	2,280	2,177	4,590	2,339	2,699	3,052	2,567	3,021	2,769	4,459	2,647	3,240	3,240
Permitted DIP facility cumulative draw	10,000	18,000	23,000	27,000	27,000	31,000	35,000	35,000	37,000	40,000	45,000	45,000	47,000	
DIP facility cumulative draw	7,000	16,000	21,000	25,000	25,000	29,000	33,000	33,000	36,000	38,000	43,000	43,000	45,000	
Net DIP facility availability	3,000	2,000	-2,000	2,000	2,000	2,000	2,000	2,000	1,000	2,000	2,000	2,000	2,000	2,000

To be read in conjunction with the attached Notes and Summary of Assumptions

Arctic Glacier

UNITED STATES weekly cash flow forecast
For the 13-week period ending May 18, 2012
(Unaudited, in \$'000 USD)

	Week 1 24-Feb	Week 2 2-Mar	Week 3 9-Mar	Week 4 16-Mar	Week 5 23-Mar	Week 6 30-Mar	Week 7 6-Apr	Week 8 13-Apr	Week 9 20-Apr	Week 10 27-Apr	Week 11 4-May	Week 12 11-May	Week 13 18-May	13-week total
Receipts														
Customer collections	920	939	1,167	1,483	1,483	1,483	1,783	1,810	1,810	1,810	2,214	2,518	2,518	21,919
Total Receipts	920	939	1,167	1,483	1,483	1,483	1,783	1,810	1,810	1,810	2,214	2,518	2,518	21,919
Disbursements														
Supplier payments	648	584	511	407	355	428	395	573	542	408	722	782	744	7,098
Vehicle & fuel costs	1,443	1,452	1,521	502	473	37	515	629	489	537	323	649	983	9,553
Payroll and related payments	1,196	391	1,254	329	1,282	423	1,630	82	1,599	61	968	835	1,121	11,172
Facility costs & utilities	1,081	1,461	1,085	293	550	639	285	117	480	500	542	142	648	7,821
Insurance	-	1,038	-	-	-	1,038	-	-	-	-	1,038	-	-	3,114
Capital expenditures	747	741	727	425	425	425	489	488	423	423	353	349	349	6,366
Selling, general and administration	261	263	336	189	153	96	205	204	202	162	143	142	188	2,544
Professional fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Disbursements	5,376	5,931	5,433	2,145	3,239	3,087	3,518	2,093	3,734	2,091	4,089	2,900	4,033	47,669
Net Cash Flow Before Debt Service Costs	(4,456)	(4,991)	(4,266)	(662)	(1,755)	(1,604)	(1,755)	(283)	(1,924)	(281)	(1,875)	(382)	(1,515)	(25,749)
Debt service costs (including DIP facility)	-	57	-	-	-	-	216	-	-	-	190	-	-	453
Net Cash Flow After Debt Service Costs	(4,456)	(5,048)	(4,266)	(662)	(1,755)	(1,604)	(1,971)	(283)	(1,924)	(281)	(2,064)	(382)	(1,515)	(26,212)
Opening Cash Balance	4,341	885	836	570	1,908	153	1,549	1,578	1,295	1,371	2,090	2,025	1,643	4,341
Net cash flow	(4,456)	(5,048)	(4,266)	(662)	(1,755)	(1,604)	(1,971)	(283)	(1,924)	(281)	(2,064)	(382)	(1,515)	(26,212)
DIP facility advances/(repayments), net	1,000	5,000	4,000	2,000	-	3,000	2,000	-	2,000	1,000	2,000	-	1,000	23,000
Ending Cash Balance	885	836	570	1,908	153	1,549	1,578	1,295	1,371	2,090	2,025	1,643	1,128	1,128

To be read in conjunction with the attached Notes and Summary of Assumptions

Arctic Glacier
CANADA weekly cash flow forecast
For the 13-week period ending May 18, 2012
(Unaudited, in \$'000 USD)

	Week 1 24-Feb	Week 2 2-Mar	Week 3 9-Mar	Week 4 16-Mar	Week 5 23-Mar	Week 6 30-Mar	Week 7 6-Apr	Week 8 13-Apr	Week 9 20-Apr	Week 10 27-Apr	Week 11 4-May	Week 12 11-May	Week 13 18-May	13-week total
Receipts														
Customer collections	266	257	235	268	268	268	268	327	337	337	456	544	544	4,444
Total Receipts	266	257	235	268	268	268	268	327	337	337	456	544	544	4,444
Disbursements														
Supplier payments	48	45	21	100	69	4	415	127	84	146	155	156	140	1,508
Vehicle & fuel costs	314	333	277	38	102	44	288	57	99	143	79	146	112	2,011
Payroll and related payments	406	188	394	749	463	151	477	113	417	145	750	1,305	-	5,539
Facility costs & utilities	358	202	262	25	59	91	155	56	226	80	186	125	54	1,878
Insurance	551	-	-	-	-	-	-	-	-	-	-	-	-	551
Capital expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Selling, general and administration	131	203	118	182	71	69	308	88	132	95	210	142	130	1,879
Professional fees	3,880	3,390	-	100	-	1,945	-	100	-	1,700	-	100	-	11,215
Total Disbursements	5,687	4,340	1,071	1,194	763	2,304	1,623	540	959	2,309	1,380	1,975	436	24,580
Net Cash Flow Before Debt Service Costs	(5,422)	(4,083)	(836)	(926)	(495)	(2,036)	(1,295)	(203)	(622)	(1,971)	(924)	(1,431)	108	(20,136)
Debt service costs (including DIP facility)	1,030	206	-	-	-	-	380	-	-	-	321	-	-	1,937
Net Cash Flow After Debt Service Costs	(6,452)	(4,289)	(836)	(926)	(495)	(2,036)	(1,676)	(203)	(622)	(1,971)	(1,245)	(1,431)	108	(22,073)
Opening Cash Balance	2,184	1,733	1,444	1,607	2,681	2,186	1,150	1,474	1,272	1,650	679	2,434	1,003	2,184
Net cash flow	(6,452)	(4,289)	(836)	(926)	(495)	(2,036)	(1,676)	(203)	(622)	(1,971)	(1,245)	(1,431)	108	(22,073)
DIP facility advances/(repayments), net	6,000	4,000	1,000	2,000	-	1,000	2,000	-	1,000	1,000	3,000	-	1,000	22,000
Ending Cash Balance	1,733	1,444	1,607	2,681	2,186	1,150	1,474	1,272	1,650	679	2,434	1,003	2,112	2,112

To be read in conjunction with the attached Notes and Summary of Assumptions

Arctic Glacier

Weekly cash flow forecast

Notes and Summary of Assumptions

- Note 1** Customer collections are comprised of accounts receivable and forecast sales. Forecast sales volumes and related expenses are projected on the basis of 'normal' weather conditions in markets serviced by Arctic Glacier. Variations from 'normal' weather conditions may lead to material fluctuations in sales volumes and related expenses which could have a material impact on actual cash flows.
- Note 2** Supplier payments include disbursements for packaging, pallets and other related products.
- Note 3** Vehicle & fuel costs include disbursements for leases, rentals, fuel and repairs & maintenance. Fuel costs are forecast based on average fuel prices in Arctic Glacier's markets as at February 2012.
- Note 4** Payroll and related payments include salaries, wages, remittances, pension costs, accrued 2011 bonus payments and other benefits and amounts disbursed in accordance with the Key Employee Retention Plan.
- Note 5** Facility costs include lease payments, property taxes and repairs & maintenance. Utilities are incurred primarily in the production of ice.
- Note 6** Insurance includes vehicle, workers compensation, property & liability and directors & officers insurance.
- Note 7** Capital expenditures are forecast based on Arctic Glacier's existing capital plan and include disbursements for sustaining and growth expenditures.
- Note 8** Selling, general and administration disbursements relate to office costs and other disbursements.
- Note 9** Professional fees include recurring fees in connection with ongoing operations of the business as well as CCAA professional fees.
- Note 10** Debt service costs include commitment fees and interest on the First Lien Credit Agreement and the DIP Facility.
- Note 11** The Cash Flow Forecast does not provide for any litigation settlement payments, including the DOJ Settlement, settlements under the U.S. Civil Class Actions and the U.S. Direct Purchaser Settlement (as defined in the McMahon Affidavit) and a \$2.0 million obligation relating to a settlement made with certain Canadian direct purchasers (the "Canadian Direct Purchaser Settlement").
- Note 12** The Can\$/US\$ exchange rate is forecast at C\$1:US\$1 throughout the period.

Appendix “D”



ARCTIC GLACIER INCOME FUND

625 Henry Avenue, Winnipeg, Manitoba R3A 0V1
Phone: 204.772.2473 • Fax: 204.783.9857

February 21, 2012

Alvarez & Marsal Canada Inc.
Royal Bank Plaza, South Tower
200 Bay Street, Suite 2900
Toronto, ON M5J 2J1

Attention: Richard Morawetz

Dear Sirs

**Re: Proceedings under the *Companies' Creditors Arrangement Act* ("CCAA")
Responsibilities/Obligations and Disclosure with Respect to Cash Flow Projections**

In connection with the application by Arctic Glacier Income Fund, Arctic Glacier Inc., Arctic Glacier International Inc. and the entities listed on Schedule A (collectively, "Arctic Glacier") for the commencement of proceedings under the CCAA in respect of Arctic Glacier, the management of Arctic Glacier ("**Management**") has prepared the attached Cash Flow Statement and the assumptions on which the Cash Flow Statement is based.

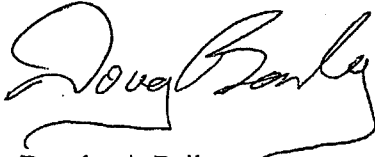
Arctic Glacier confirms that:

1. The Cash Flow Statement and the underlying assumptions are the responsibility of Arctic Glacier;
2. All material information relevant to the Cash Flow Statement and to the underlying assumptions has been made available to Alvarez & Marsal Canada Inc. in its capacity as Monitor; and

3. Management has taken all actions that it considers necessary to ensure:

- a. that the individual assumptions underlying the Cash Flow Statement are appropriate in the circumstances; and
- b. that the individual assumptions underlying the Cash Flow Statement, taken as a whole, are appropriate in the circumstances.

Yours Truly,

A handwritten signature in black ink, appearing to read "Doug Bailey", with a stylized flourish at the end.

Douglas A. Bailey
Chief Financial Officer

(Authorized director or officer of Arctic Glacier Income Fund,
Arctic Glacier Inc., Arctic Glacier International Inc.
and the entities listed on Schedule A)

Schedule "A"

Additional Applicants

Arctic Glacier California Inc.
Arctic Glacier Grayling Inc.
Arctic Glacier Lansing Inc.
Arctic Glacier Michigan Inc.
Arctic Glacier Minnesota Inc.
Arctic Glacier Nebraska Inc.
Arctic Glacier Newburgh Inc.
Arctic Glacier New York Inc.
Arctic Glacier Oregon Inc.
Arctic Glacier Party Time Inc.
Arctic Glacier Pennsylvania Inc.
Arctic Glacier Rochester Inc.
Arctic Glacier Services Inc.
Arctic Glacier Texas Inc.
Arctic Glacier Vernon Inc.
Arctic Glacier Wisconsin Inc.
Diamond Ice Cube Company Inc.
Diamond Newport Corporation
Glacier Ice Company, Inc.
Ice Perfection Systems Inc.
ICESurance Inc.
Jack Frost Ice Service, Inc.
Knowlton Enterprises, Inc.
Mountain Water Ice Company
R&K Trucking, Inc.
Winkler Lucas Ice and Fuel Company
Wonderland Ice, Inc.
Glacier Valley Ice Company, L.P.

Arctic Glacier
CONSOLIDATED weekly cash flow forecast
For the 13-week period ending May 18, 2012
(Unaudited, in \$'000 USD)

	Week 1 24-Feb	Week 2 9-Mar	Week 3 16-Mar	Week 4 23-Mar	Week 5 30-Mar	Week 6 6-Apr	Week 7 13-Apr	Week 8 20-Apr	Week 9 27-Apr	Week 10 4-May	Week 11 11-May	Week 12 18-May	Week 13 Total
Receipts													
Customer collections	1,186	1,196	1,401	1,751	1,751	1,751	2,091	2,147	2,147	2,147	2,570	3,062	25,364
Total Receipts	1,186	1,196	1,401	1,751	1,751	1,751	2,091	2,147	2,147	2,147	2,570	3,062	25,364
Disbursements													
Supplier payments	695	628	532	507	424	432	809	700	625	554	877	939	8,606
Vehicle & fuel costs	1,757	1,785	1,798	541	575	81	783	685	588	680	401	795	11,564
Payroll and related payments	1,602	559	1,648	1,078	1,745	574	2,108	194	2,016	206	1,718	2,141	16,711
Facility costs & utilities	1,439	1,663	1,346	317	608	730	440	172	706	580	728	267	9,699
Insurance	551	1,038	-	-	-	1,038	-	-	-	-	1,038	-	3,665
Capital expenditures	747	741	727	425	425	425	489	488	423	423	353	349	6,366
Selling, general and administration	391	486	454	371	224	165	513	293	334	257	353	284	4,423
Professional fees	3,880	3,390	-	100	-	1,945	-	100	-	1,700	-	100	11,215
Total Disbursements	11,063	10,270	6,504	3,339	4,002	5,391	5,141	2,633	4,693	4,400	5,469	4,875	72,249
Net Cash Flow Before Debt Service Costs	(9,877)	(9,074)	(5,103)	(1,588)	(2,251)	(3,640)	(3,050)	(486)	(2,546)	(2,252)	(2,798)	(1,813)	(45,885)
Debt service costs (including DIP facility)	1,030	263	-	-	-	-	596	-	-	-	511	-	2,400
Net Cash Flow After Debt Service Costs	(10,907)	(9,337)	(5,103)	(1,588)	(2,251)	(3,640)	(3,646)	(486)	(2,546)	(2,252)	(3,309)	(1,813)	(48,285)
Opening Cash Balance	6,525	2,617	2,280	2,177	4,590	2,339	2,699	3,052	2,567	3,021	2,769	4,459	6,525
Net cash flow	(10,907)	(9,337)	(5,103)	(1,588)	(2,251)	(3,640)	(3,646)	(486)	(2,546)	(2,252)	(3,309)	(1,813)	(48,285)
DIP facility advances/(repayments), net	7,000	9,000	5,000	4,000	-	4,000	4,000	-	3,000	2,000	5,000	-	45,000
Ending Cash Balance	2,617	2,280	2,177	4,590	2,339	2,699	3,052	2,567	3,021	2,769	4,459	2,647	3,240
Permitted DIP facility cumulative draw	10,000	18,000	23,000	27,000	27,000	31,000	35,000	35,000	37,000	40,000	45,000	45,000	47,000
DIP facility cumulative draw	7,000	16,000	21,000	25,000	25,000	29,000	33,000	33,000	36,000	38,000	43,000	43,000	45,000
Net DIP facility availability	3,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	1,000	2,000	2,000	2,000	2,000

To be read in conjunction with the attached Notes and Summary of Assumptions

Arctic Glacier
UNITED STATES weekly cash flow forecast
For the 13-week period ending May 18, 2012
(Unaudited, in \$'000 USD)

	Week 1 24-Feb	Week 2 2-Mar	Week 3 9-Mar	Week 4 16-Mar	Week 5 23-Mar	Week 6 30-Mar	Week 7 6-Apr	Week 8 13-Apr	Week 9 20-Apr	Week 10 27-Apr	Week 11 4-May	Week 12 11-May	Week 13 18-May	13-week total
Receipts														
Customer collections	920	939	1,167	1,483	1,483	1,483	1,763	1,810	1,810	1,810	2,214	2,518	2,518	21,919
Total Receipts	920	939	1,167	1,483	1,483	1,483	1,763	1,810	1,810	1,810	2,214	2,518	2,518	21,919
Disbursements														
Supplier payments	648	584	511	407	355	428	395	573	542	408	722	782	744	7,098
Vehicle & fuel costs	1,443	1,452	1,521	502	473	37	515	629	489	537	323	649	983	9,553
Payroll and related payments	1,196	391	1,254	329	1,282	423	1,630	82	1,599	61	968	835	1,121	11,172
Facility costs & utilities	1,081	1,461	1,085	293	550	639	285	117	480	500	542	142	648	7,821
Insurance	-	1,038	-	-	-	1,038	-	-	-	-	1,038	-	-	3,114
Capital expenditures	747	741	727	425	425	425	489	488	423	423	353	349	349	6,366
Selling, general and administration	261	263	336	189	153	96	205	204	202	162	143	142	188	2,544
Professional fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Disbursements	5,376	5,931	5,433	2,145	3,239	3,087	3,518	2,093	3,734	2,091	4,089	2,900	4,033	47,669
Net Cash Flow Before Debt Service Costs	(4,456)	(4,991)	(4,266)	(662)	(1,755)	(1,604)	(1,755)	(283)	(1,924)	(281)	(1,875)	(382)	(1,515)	(25,749)
Debt service costs (including DIP facility)	-	57	-	-	-	-	216	-	-	-	190	-	-	483
Net Cash Flow After Debt Service Costs	(4,456)	(5,048)	(4,266)	(662)	(1,755)	(1,604)	(1,971)	(283)	(1,924)	(281)	(2,064)	(382)	(1,515)	(26,212)
Opening Cash Balance	4,341	885	836	570	1,908	153	1,549	1,578	1,295	1,371	2,090	2,025	1,643	4,341
Net cash flow	(4,456)	(5,048)	(4,266)	(662)	(1,755)	(1,604)	(1,971)	(283)	(1,924)	(281)	(2,064)	(382)	(1,515)	(26,212)
DIP facility advances/(repayments), net	1,000	5,000	4,000	2,000	-	3,000	2,000	-	2,000	1,000	2,000	-	1,000	23,000
Ending Cash Balance	885	836	570	1,908	153	1,549	1,578	1,295	1,371	2,090	2,025	1,643	1,128	1,128

To be read in conjunction with the attached Notes and Summary of Assumptions

Arctic Glacier
CANADA weekly cash flow forecast
For the 13-week period ending May 18, 2012
(Unaudited, in \$'000 USD)

	Week 1 24-Feb	Week 2 2-Mar	Week 3 9-Mar	Week 4 16-Mar	Week 5 23-Mar	Week 6 30-Mar	Week 7 6-Apr	Week 8 13-Apr	Week 9 20-Apr	Week 10 27-Apr	Week 11 4-May	Week 12 11-May	Week 13 18-May	13-week total
Receipts														
Customer collections	266	257	235	268	268	268	327	337	337	337	456	544	544	4,444
Total Receipts	266	257	235	268	268	268	327	337	337	337	456	544	544	4,444
Disbursements														
Supplier payments	48	45	21	100	69	4	415	127	84	146	155	156	140	1,508
Vehicle & fuel costs	314	333	277	38	102	44	268	57	99	143	79	146	112	2,011
Payroll and related payments	406	168	394	749	463	151	477	113	417	145	750	1,305	-	5,539
Facility costs & utilities	358	202	262	25	59	91	155	56	226	80	186	125	54	1,878
Insurance	551	-	-	-	-	-	-	-	-	-	-	-	-	551
Capital expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Selling, general and administration	131	203	118	182	71	69	308	88	132	95	210	142	130	1,879
Professional fees	3,880	3,390	-	100	-	1,945	-	100	-	1,700	-	100	-	11,215
Total Disbursements	5,687	4,340	1,071	1,194	763	2,304	1,623	540	959	2,309	1,380	1,975	436	24,580
Net Cash Flow Before Debt Service Costs	(5,422)	(4,083)	(836)	(926)	(495)	(2,036)	(1,295)	(203)	(622)	(1,971)	(924)	(1,431)	108	(20,136)
Debt service costs (including DIP facility)	1,030	206	-	-	-	-	380	-	-	-	321	-	-	1,937
Net Cash Flow After Debt Service Costs	(6,452)	(4,289)	(836)	(926)	(495)	(2,036)	(1,676)	(203)	(622)	(1,971)	(1,245)	(1,431)	108	(22,073)
Opening Cash Balance	2,184	1,733	1,444	1,607	2,681	2,186	1,150	1,474	1,272	1,650	679	2,434	1,003	2,184
Net cash flow	(6,452)	(4,289)	(836)	(926)	(495)	(2,036)	(1,676)	(203)	(622)	(1,971)	(1,245)	(1,431)	108	(22,073)
DIP facility advances/(repayments), net	6,000	4,000	1,000	2,000	-	1,000	2,000	-	1,000	1,000	3,000	-	1,000	22,000
Ending Cash Balance	1,733	1,444	1,607	2,681	2,186	1,150	1,474	1,272	1,650	679	2,434	1,003	2,112	2,112

To be read in conjunction with the attached Notes and Summary of Assumptions

Arctic Glacier

Weekly cash flow forecast

Notes and Summary of Assumptions

- Note 1** Customer collections are comprised of accounts receivable and forecast sales. Forecast sales volumes and related expenses are projected on the basis of 'normal' weather conditions in markets serviced by Arctic Glacier. Variations from 'normal' weather conditions may lead to material fluctuations in sales volumes and related expenses which could have a material impact on actual cash flows.
- Note 2** Supplier payments include disbursements for packaging, pallets and other related products.
- Note 3** Vehicle & fuel costs include disbursements for leases, rentals, fuel and repairs & maintenance. Fuel costs are forecast based on average fuel prices in Arctic Glacier's markets as at February 2012.
- Note 4** Payroll and related payments include salaries, wages, remittances, pension costs, accrued 2011 bonus payments and other benefits and amounts disbursed in accordance with the Key Employee Retention Plan.
- Note 5** Facility costs include lease payments, property taxes and repairs & maintenance. Utilities are incurred primarily in the production of ice.
- Note 6** Insurance includes vehicle, workers compensation, property & liability and directors & officers insurance.
- Note 7** Capital expenditures are forecast based on Arctic Glacier's existing capital plan and include disbursements for sustaining and growth expenditures.
- Note 8** Selling, general and administration disbursements relate to office costs and other disbursements.
- Note 9** Professional fees include recurring fees in connection with ongoing operations of the business as well as CCAA professional fees.
- Note 10** Debt service costs include commitment fees and interest on the First Lien Credit Agreement and the DIP Facility.
- Note 11** The Cash Flow Forecast does not provide for any litigation settlement payments, including the DOJ Settlement, settlements under the U.S. Civil Class Actions and the U.S. Direct Purchaser Settlement (as defined in the McMahon Affidavit) and a \$2.0 million obligation relating to a settlement made with certain Canadian direct purchasers (the "Canadian Direct Purchaser Settlement").
- Note 12** The Can\$/US\$ exchange rate is forecast at C\$1:US\$1 throughout the period.

Appendix “E”

IN THE COURT OF THE QUEEN'S BENCH (WINNIPEG CENTRE)

**IN THE MATTER OF THE *COMPANIES' CREDITORS*
ARRANGEMENT ACT, R.S.C. 1985, c. C36, AS AMENDED**

**AND IN THE MATTER OF A PROPOSED PLAN OF
COMPROMISE OR ARRANGEMENT WITH RESPECT TO
ARCTIC GLACIER INCOME FUND, ARCTIC GLACIER INC.,
ARCTIC GLACIER INTERNATIONAL INC. AND THE ADDITIONAL APPLICANTS
LISTED ON SCHEDULE "A"
(COLLECTIVELY, "THE APPLICANTS")**

**REPORT OF THE PROPOSED MONITOR
ALVAREZ & MARSAL CANADA INC.
ON THE CASH FLOW FORECAST**



The attached statement of projected cash flow (the “**Cash Flow Forecast**”) of the Applicants as at the 21st day of February, 2012, consisting of the 13-week period from February 18, 2012 to May 18, 2012, has been prepared by the management of the Applicants for the purpose of setting out the liquidity requirements of the Applicants during the 13-week period projected, using the assumptions set out in the Notes and Summary of Assumptions set out in notes 1 to 12 of the Cash Flow Forecast (the “**Notes and Assumptions**”).

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by certain of the management and employees of the Applicants. Since the Notes and Assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. We have also reviewed the support provided by management of the Applicants for the Notes and Assumptions, and the preparation and presentation of the Cash Flow Statement.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

- a) the Notes and Assumptions are not consistent with the purpose of the Cash Flow Forecast;
- b) as at the date of this report, the Notes and Assumptions are not reasonably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Cash Flow Forecast, given the Notes and Assumptions; or
- c) the Cash Flow Statement does not reflect the Notes and Assumptions.



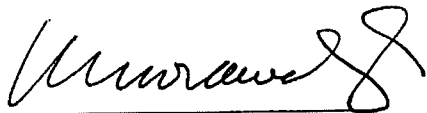
Since the Cash Flow Forecast is based on Assumptions regarding future events, actual results will vary from the information presented even if the Notes and Assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the Cash Flow Forecast will be achieved. We express no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, of relied upon by us in preparing this report.

The Cash Flow Forecast has been prepared solely for the purpose of reflecting management's best estimate of the cash flow of the Applicants in its CCAA proceedings, and readers are cautioned that it may not be appropriate for other purposes.

Dated at Winnipeg, this 21st day of February, 2012.

Alvarez & Marsal Canada Inc.

in its capacity as Proposed Monitor of Arctic Glacier Income Fund,
Arctic Glacier Inc., Arctic Glacier International Inc. and
the Additional Applicants listed on Schedule "A".



Per: Richard Morawetz
Senior Vice President



Schedule "A"

Additional Applicants

Arctic Glacier California Inc.
Arctic Glacier Grayling Inc.
Arctic Glacier Lansing Inc.
Arctic Glacier Michigan Inc.
Arctic Glacier Minnesota Inc.
Arctic Glacier Nebraska Inc.
Arctic Glacier Newburgh Inc.
Arctic Glacier New York Inc.
Arctic Glacier Oregon Inc.
Arctic Glacier Party Time Inc.
Arctic Glacier Pennsylvania Inc.
Arctic Glacier Rochester Inc.
Arctic Glacier Services Inc.
Arctic Glacier Texas Inc.
Arctic Glacier Vernon Inc.
Arctic Glacier Wisconsin Inc.
Diamond Ice Cube Company Inc.
Diamond Newport Corporation
Glacier Ice Company, Inc.
Ice Perfection Systems Inc.
ICESurance Inc.
Jack Frost Ice Service, Inc.
Knowlton Enterprises, Inc.
Mountain Water Ice Company
R&K Trucking, Inc.
Winkler Lucas Ice and Fuel Company
Wonderland Ice, Inc.

Arctic Glacier
CONSOLIDATED weekly cash flow forecast
For the 13-week period ending May 18, 2012
(Unaudited, in \$'000 USD)

	Week 1 24-Feb	Week 2 2-Mar	Week 3 9-Mar	Week 4 16-Mar	Week 5 23-Mar	Week 6 30-Mar	Week 7 6-Apr	Week 8 13-Apr	Week 9 20-Apr	Week 10 27-Apr	Week 11 4-May	Week 12 11-May	Week 13 18-May	13-week total
Receipts														
Customer collections	1,186	1,196	1,401	1,751	1,751	1,751	2,091	2,147	2,147	2,147	2,670	3,062	3,062	26,364
Total Receipts	1,186	1,196	1,401	1,751	1,751	1,751	2,091	2,147	2,147	2,147	2,670	3,062	3,062	26,364
Disbursements														
Supplier payments	695	628	532	507	424	432	809	700	625	554	877	939	884	8,606
Vehicle & fuel costs	1,757	1,785	1,798	541	575	81	783	685	588	680	401	795	1,095	11,564
Payroll and related payments	1,602	559	1,648	1,078	1,745	574	2,108	194	2,016	206	1,718	2,141	1,121	16,711
Facility costs & utilities	1,439	1,663	1,346	317	608	730	440	172	706	580	728	267	702	9,699
Insurance	551	1,038	-	-	-	1,038	-	-	-	-	1,038	-	-	3,665
Capital expenditures	747	741	727	425	425	425	489	488	423	423	353	349	349	6,366
Selling, general and administration	391	466	454	371	224	165	513	293	334	257	353	284	318	4,423
Professional fees	3,880	3,390	-	100	-	1,945	-	100	-	1,700	-	100	-	11,215
Total Disbursements	11,063	10,270	6,504	3,339	4,002	5,391	5,141	2,633	4,693	4,400	5,469	4,875	4,469	72,249
Net Cash Flow Before Debt Service Costs	(9,877)	(9,074)	(5,103)	(1,588)	(2,251)	(3,640)	(3,050)	(486)	(2,546)	(2,252)	(2,798)	(1,813)	(1,407)	(45,885)
Debt service costs (including DIP facility)	1,030	263	-	-	-	-	596	-	-	-	511	-	-	2,400
Net Cash Flow After Debt Service Costs	(10,907)	(9,337)	(5,103)	(1,588)	(2,251)	(3,640)	(3,646)	(486)	(2,546)	(2,252)	(3,309)	(1,813)	(1,407)	(48,285)
Opening Cash Balance	6,525	2,617	2,280	2,177	4,590	2,339	2,699	3,052	2,567	3,021	2,769	4,459	2,647	6,525
Net cash flow	(10,907)	(9,337)	(5,103)	(1,588)	(2,251)	(3,640)	(3,646)	(486)	(2,546)	(2,252)	(3,309)	(1,813)	(1,407)	(48,285)
DIP facility advances/(repayments), net	7,000	9,000	5,000	4,000	-	4,000	4,000	-	3,000	2,000	5,000	-	2,000	45,000
Ending Cash Balance	2,617	2,280	2,177	4,590	2,339	2,699	3,052	2,567	3,021	2,769	4,459	2,647	3,240	3,240
Permitted DIP facility cumulative draw	10,000	18,000	23,000	27,000	27,000	31,000	35,000	35,000	37,000	40,000	45,000	45,000	47,000	
DIP facility cumulative draw	7,000	16,000	21,000	25,000	25,000	29,000	33,000	33,000	36,000	38,000	43,000	43,000	45,000	
Net DIP facility availability	3,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	1,000	2,000	2,000	2,000	2,000	2,000

To be read in conjunction with the attached Notes and Summary of Assumptions

Arctic Glacier
UNITED STATES weekly cash flow forecast
For the 13-week period ending May 18, 2012
(Unaudited, in \$'000 USD)

	Week 1 24-Feb	Week 2 2-Mar	Week 3 9-Mar	Week 4 16-Mar	Week 5 23-Mar	Week 6 30-Mar	Week 7 6-Apr	Week 8 13-Apr	Week 9 20-Apr	Week 10 27-Apr	Week 11 4-May	Week 12 11-May	Week 13 18-May	13-week total
Receipts														
Customer collections	920	939	1,167	1,483	1,483	1,483	1,763	1,810	1,810	1,810	2,214	2,518	2,518	21,919
Total Receipts	920	939	1,167	1,483	1,483	1,483	1,763	1,810	1,810	1,810	2,214	2,518	2,518	21,919
Disbursements														
Supplier payments	648	584	511	407	355	428	395	573	542	408	722	782	744	7,098
Vehicle & fuel costs	1,443	1,452	1,521	502	473	37	515	629	489	537	323	649	983	9,553
Payroll and related payments	1,196	391	1,254	329	1,282	423	1,630	82	1,599	61	968	835	1,121	11,172
Facility costs & utilities	1,081	1,461	1,085	293	550	639	285	117	480	500	542	142	648	7,821
Insurance	-	1,038	-	-	-	1,038	-	-	-	-	1,038	-	-	3,114
Capital expenditures	747	741	727	425	425	425	489	488	423	423	353	349	349	6,366
Selling, general and administration	261	263	336	189	153	96	205	204	202	162	143	142	188	2,544
Professional fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Disbursements	5,376	5,931	5,433	2,145	3,239	3,087	3,518	2,093	3,734	2,091	4,089	2,900	4,033	47,668
Net Cash Flow Before Debt Service Costs	(4,456)	(4,991)	(4,266)	(662)	(1,755)	(1,604)	(1,755)	(283)	(1,924)	(281)	(1,875)	(382)	(1,515)	(25,749)
Debt service costs (including DIP facility)	-	57	-	-	-	-	216	-	-	-	190	-	-	463
Net Cash Flow After Debt Service Costs	(4,456)	(5,048)	(4,266)	(662)	(1,755)	(1,604)	(1,539)	(283)	(1,924)	(281)	(2,064)	(382)	(1,515)	(26,212)
Opening Cash Balance	4,341	885	836	570	1,908	153	1,549	1,578	1,295	1,371	2,090	2,025	1,643	4,341
Net cash flow	(4,456)	(5,048)	(4,266)	(662)	(1,755)	(1,604)	(1,571)	(283)	(1,924)	(281)	(2,064)	(382)	(1,515)	(26,212)
DIP facility advances/(repayments), net	1,000	5,000	4,000	2,000	-	3,000	2,000	-	2,000	1,000	2,000	-	1,000	23,000
Ending Cash Balance	885	836	570	1,908	153	1,549	1,578	1,295	1,371	2,090	2,025	1,643	1,128	1,128

To be read in conjunction with the attached Notes and Summary of Assumptions

Arctic Glacier
CANADA weekly cash flow forecast
For the 13-week period ending May 18, 2012
(Unaudited, in \$'000 USD)

	Week 1 24-Feb	Week 2 2-Mar	Week 3 9-Mar	Week 4 16-Mar	Week 5 23-Mar	Week 6 30-Mar	Week 7 6-Apr	Week 8 13-Apr	Week 9 20-Apr	Week 10 27-Apr	Week 11 4-May	Week 12 11-May	Week 13 18-May	13-week total
Receipts														
Customer collections	268	257	235	268	268	268	327	337	337	337	456	544	544	4,444
Total Receipts	268	257	235	268	268	268	327	337	337	337	456	544	544	4,444
Disbursements														
Supplier payments	48	45	21	100	89	4	415	127	84	146	155	156	140	1,508
Vehicle & fuel costs	314	333	277	38	102	44	268	57	99	143	79	146	112	2,011
Payroll and related payments	406	168	394	749	463	151	477	113	417	145	750	1,305	-	5,539
Facility costs & utilities	358	202	262	25	59	91	155	56	226	80	186	125	54	1,878
Insurance	551	-	-	-	-	-	-	-	-	-	-	-	-	551
Capital expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Selling, general and administration	131	203	118	182	71	69	308	88	132	95	210	142	130	1,879
Professional fees	3,880	3,390	-	100	-	1,945	-	100	-	1,700	-	100	-	11,215
Total Disbursements	5,687	4,340	1,071	1,194	763	2,304	1,623	540	959	2,309	1,380	1,975	436	24,580
Net Cash Flow Before Debt Service Costs	(5,422)	(4,083)	(836)	(926)	(495)	(2,036)	(1,295)	(203)	(622)	(1,971)	(924)	(1,431)	108	(20,136)
Debt service costs (including DIP facility)	1,030	206	-	-	-	-	380	-	-	-	321	-	-	1,937
Net Cash Flow After Debt Service Costs	(6,452)	(4,289)	(836)	(926)	(495)	(2,036)	(1,676)	(203)	(622)	(1,971)	(1,245)	(1,431)	108	(22,073)
Opening Cash Balance	2,184	1,733	1,444	1,607	2,681	2,186	1,150	1,474	1,272	1,650	679	2,434	1,003	2,184
Net cash flow	(6,452)	(4,289)	(836)	(926)	(495)	(2,036)	(1,676)	(203)	(622)	(1,971)	(1,245)	(1,431)	108	(22,073)
DIP facility advances/(repayments), net	6,000	4,000	1,000	2,000	-	1,000	2,000	-	1,000	1,000	3,000	-	1,000	22,000
Ending Cash Balance	1,733	1,444	1,607	2,681	2,186	1,150	1,474	1,272	1,650	679	2,434	1,003	2,112	2,112

To be read in conjunction with the attached Notes and Summary of Assumptions

Arctic Glacier

Weekly cash flow forecast

Notes and Summary of Assumptions

Note 1 Customer collections are comprised of accounts receivable and forecast sales. Forecast sales volumes and related expenses are projected on the basis of 'normal' weather conditions in markets serviced by Arctic Glacier. Variations from 'normal' weather conditions may lead to material fluctuations in sales volumes and related expenses which could have a material impact on actual cash flows.

Note 2 Supplier payments include disbursements for packaging, pallets and other related products.

Note 3 Vehicle & fuel costs include disbursements for leases, rentals, fuel and repairs & maintenance. Fuel costs are forecast based on average fuel prices in Arctic Glacier's markets as at February 2012.

Note 4 Payroll and related payments include salaries, wages, remittances, pension costs, accrued 2011 bonus payments and other benefits and amounts disbursed in accordance with the Key Employee Retention Plan.

Note 5 Facility costs include lease payments, property taxes and repairs & maintenance. Utilities are incurred primarily in the production of Ice.

Note 6 Insurance includes vehicle, workers compensation, property & liability and directors & officers insurance.

Note 7 Capital expenditures are forecast based on Arctic Glacier's existing capital plan and include disbursements for sustaining and growth expenditures.

Note 8 Selling, general and administration disbursements relate to office costs and other disbursements.

Note 9 Professional fees include recurring fees in connection with ongoing operations of the business as well as CCAA professional fees.

Note 10 Debt service costs include commitment fees and interest on the First Lien Credit Agreement and the DIP Facility.

Note 11 The Cash Flow Forecast does not provide for any litigation settlement payments, including the DOJ Settlement, settlements under the U.S. Civil Class Actions and the U.S. Direct Purchaser Settlement (as defined in the McMahon Affidavit) and a \$2.0 million obligation relating to a settlement made with certain Canadian direct purchasers (the "Canadian Direct Purchaser Settlement").

Note 12 The Can\$/US\$ exchange rate is forecast at C\$1:US\$1 throughout the period.