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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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 acquireror. 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 SISP 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	• 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	• 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 35th day following the granting of the Initial Order	• 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)	• 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)	• 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).	• 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 45th day after the commencement of Phase 2 (to a maximum of 60 days)	• 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 Qualfied Bid, if any	• 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 and/or (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.	• Closing of transaction.

Proposed Monitor's Comments and Observations Regarding the SISP

Timeline

7.5 The SISP timeline is summarized, below:

	Days
Phase 1	35
Evaluation of LOIs	5
Phase 2	45[2]
Period to closing	45[3]
Total SISP timeline, as designed	130[4]

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 particpate 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. *<u>The Lenders can acquire the Business at various points and otherwise participate in the SISP</u>*

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	26,363	4,444	21,919
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	74,647	26,516	48,131
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	(3,284)	(72)	(3,212)
Cash, beginning of period (February 18, 2012)	6,525	2,184	4,341
Cash, end of period (May 18, 2012)	3,241	2,112	1,129

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	• 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	• 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	• AGI and AGII. The remainder of the Applicants are guarantors. AGII only becomes a Borrower at Stage 2.
Drawdowns	• Both Thresholds are subject to maximum weekly drawings specified in Schedule 2 to the DIP Facility Term Sheet.
Purpose/Permitted Payments	• Limited to amounts set out in Approved Budgets to be agreed to by DIP Lender and Borrowers.
Significant Terms	• 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	• 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	• 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	• All assets and property of the Borrowers and Guarantors and DIP Charge.
Maturity	• The earliest of: (i) August 8, 2012; (ii) completion of a transaction in compliance with the SISP; and (iii) a default.
DIP Charge	• 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"

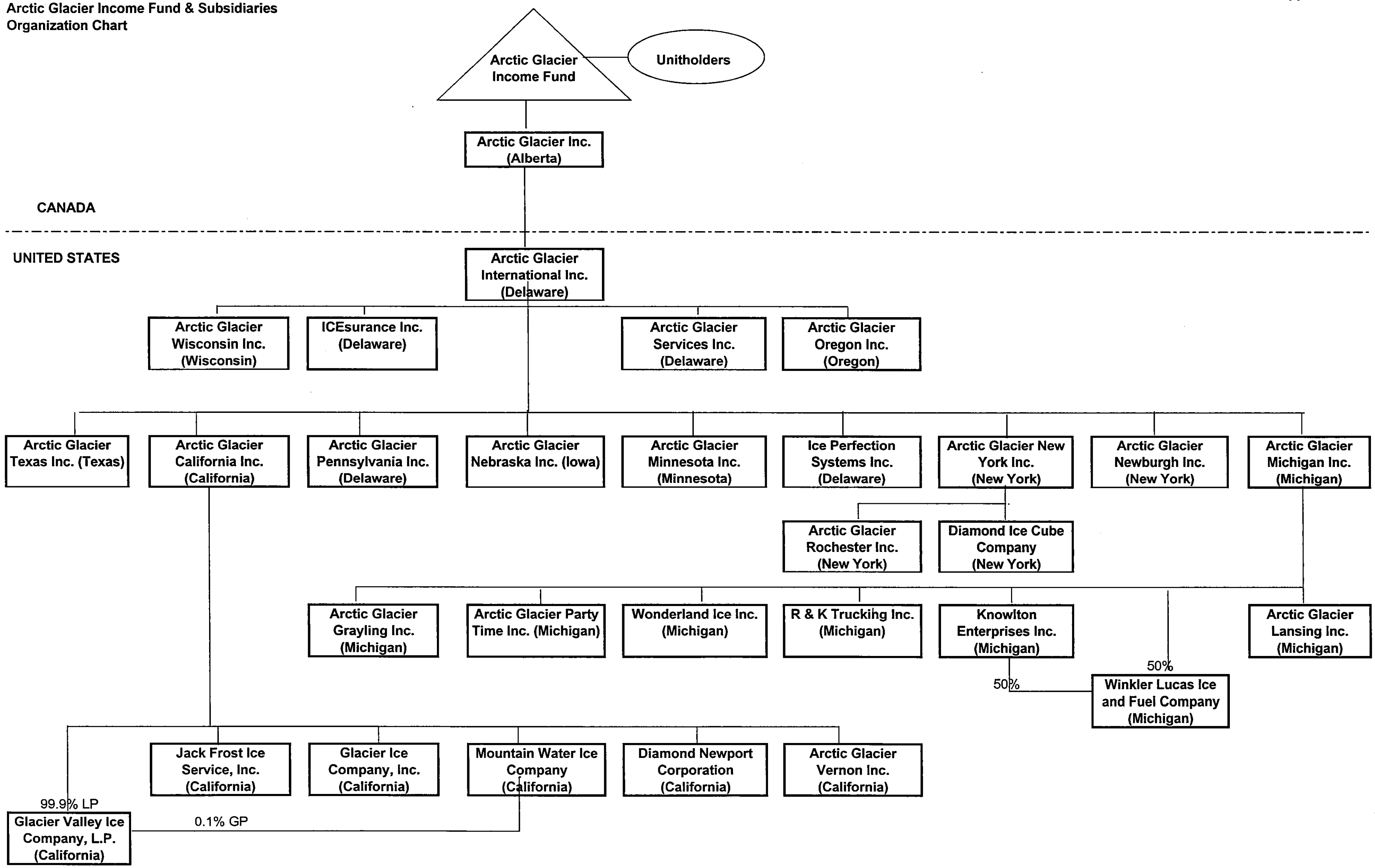
Appendix "A"

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	2,670	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**	

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	-	-	463
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 “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,

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* 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**	

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	-	-	463
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.

A&M

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**	

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	-	-	463
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.