

**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")**

**SEVENTEENTH REPORT OF THE MONITOR
ALVAREZ & MARSAL CANADA INC.
AUGUST 26, 2014**

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1.0 INTRODUCTION

- 1.1 Pursuant to an order of The Court of Queen's Bench (Winnipeg Centre) (the "**Court**") dated February 22, 2012 (the "**Initial Order**"), Alvarez & Marsal Canada Inc. ("**A&M**") was appointed as Monitor (the "**Monitor**") in respect of an application filed by Arctic Glacier Income Fund ("**AGIF**"), Arctic Glacier Inc. ("**AGI**"), Arctic Glacier International Inc. ("**AGII**") and those entities listed on **Appendix "A"**, (collectively the "**Applicants**", together with Glacier Valley Ice Company L.P., the "**Arctic Glacier Parties**") seeking certain relief under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"). The proceedings commenced by the Applicants under the Initial Order are referred to herein as the "**CCAA Proceedings**". The CCAA Proceedings were subsequently recognized as a foreign main proceeding by the United States Bankruptcy Court for the District of Delaware (the "**U.S. Court**").
- 1.2 The Monitor has previously filed sixteen reports with this Honourable Court. Capitalized terms not otherwise defined in this report (the "**Seventeenth Report**") are as defined in the orders previously granted by, or in the reports previously filed by the Monitor with, this Honourable Court; the Applicants' consolidated plan of compromise or arrangement dated May 21, 2014, as amended on August 26, 2014 and as may be further amended, supplemented or restated from time to time in accordance with the terms therein (the "**Plan**"); or the Meeting Order (as defined herein). A blackline of the Plan showing minor amendments is attached as **Appendix "B"**.
- 1.3 The Sale Transaction for substantially all of the Arctic Glacier Parties' business and assets closed on July 27, 2012 (the "**Closing**"). The business formerly operated by the

Arctic Glacier Parties continues to be carried on by the Purchaser. In anticipation of the Closing, the Applicants sought and obtained the Transition Order dated July 12, 2012 (the “**Transition Order**”). Among other things, the Transition Order provides that, on and after the Closing, the Monitor is empowered and authorized to take such additional actions and execute such documents, in the name of and on behalf of the Arctic Glacier Parties, as the Monitor considers necessary in order to perform its functions and fulfill its obligations as Monitor, or to assist in facilitating the administration of these CCAA Proceedings.

- 1.4 The Monitor continues to hold significant funds for distribution. On September 5, 2012, this Honourable Court issued an order approving a claims process (the “**Claims Process**”) and, among other things, authorizing, directing and empowering the Monitor to take such actions as contemplated by the Claims Process (the “**Claims Procedure Order**”). The Claims Procedure Order provided for a Claims Bar Date of October 31, 2012 in respect of the Proofs of Claim and the DO&T Proofs of Claim. The U.S. Court recognized the Claims Procedure Order by Order dated September 14, 2012.
- 1.5 The Claims Procedure Order contemplated a further order of the Court to provide an appropriate process for resolving disputed Claims. Accordingly, on March 7, 2013, this Honourable Court issued an order (the “**Claims Officer Order**”) to that effect. The Claims Officer Order, among other things, provided that, in the event that a dispute raised in a Notice of Dispute is not settled within a time period or in a manner satisfactory to the Monitor, in consultation with the Arctic Glacier Parties and the applicable Creditor, the Monitor shall refer the dispute raised in the Notice of Dispute to either a Claims Officer or to the Court.

- 1.6 On May 21, 2014, this Honourable Court issued an order (the “**Meeting Order**”), attached as **Appendix “C”**, (i) authorizing the Applicants to call a meeting of their Affected Creditors (the “**Creditors’ Meeting**”) that would be deemed to occur on August 11, 2014, and authorizing a deemed vote of Affected Creditors in favour of a resolution to approve the Plan; (ii) authorizing the Applicants to call, hold and conduct a meeting of the Unitholders of Arctic Glacier Income Fund (the “**Unitholders’ Meeting**”) to consider and vote on a resolution to, among other things, approve the Plan; and (iii) approving the notice to be given and the procedures to be followed with respect to the calling and conduct of the Creditors’ Meeting and the Unitholders’ Meeting. On June 6, 2014, the U.S. Court entered an Order recognizing and giving full force and effect in the United States to the Meeting Order.
- 1.7 The Meeting Order also permitted the Applicants to file the Plan with the Court. The Fifteenth Report of the Monitor dated May 14, 2014 (the “**Fifteenth Report**”), which describes the Plan, is attached to this Seventeenth Report without appendices as **Appendix “D”**.
- 1.8 The stay of proceedings provided for in the Initial Order (the “**Stay**”), as extended by subsequent orders, currently expires on September 26, 2014 (the “**Stay Period**”).
- 1.9 The purpose of this Seventeenth Report is to:
- (i) Provide the Court, Affected Creditors, Unitholders and other interested parties with an update in respect of:
 - a) the deemed Creditors’ Meeting and the deemed vote of Affected Creditors in favour of a resolution to approve the Plan;

- b) the Unitholders' Meeting that took place on August 11, 2014, at which the Unitholders voted on a resolution to, among other things, approve the Plan (the "**Plan Resolution**", a copy of which is attached as **Appendix "E"**);
 - c) the results of the vote on the motion to approve the Plan Resolution at the Unitholders' Meeting;
 - d) information in respect of certain amendments made to the Plan after the Creditors' Meeting and Unitholders' Meeting;
 - e) information in respect of the status of condition precedents to Plan implementation; and
 - f) matters relating to the Applicants' estates since the Fifteenth Report dated May 14, 2014, and the Sixteenth Report, dated August 7, 2014 (the "**Sixteenth Report**", a copy of which is attached as **Appendix "F"**); and
- (ii) Provide information in support of the Applicants' motion returnable September 5, 2014 for an order, among other things:
- a) sanctioning and approving the Plan;
 - b) extending the Stay Period to November 28, 2014; and
 - c) approving the Sixteenth Report, this Seventeenth Report, and the Monitor's activities described herein and in the Sixteenth Report.

1.10 Further information regarding these CCAA Proceedings and the concurrent Chapter 15 Proceedings, and all previous reports of the Monitor, can be found on the Monitor's

website at <http://www.alvarezandmarsal.com/arctic-glacier-income-fund-arctic-glacier-inc-and-subsiidiaries> (the “**Website**”).

2.0 TERMS OF REFERENCE

- 2.1 In preparing this Seventeenth Report, the Monitor has necessarily relied upon unaudited financial and other information supplied, and representations made, by certain former senior management of the Arctic Glacier Parties (“**Senior Management**”). Although this information has been subject to review, the Monitor has not conducted an audit or otherwise attempted to verify the accuracy or completeness of any of the information of the Applicants. Accordingly, the Monitor expresses no opinion and does not provide any other form of assurance on or relating to the accuracy of any information contained in this Seventeenth Report, or otherwise used to prepare this Seventeenth Report.
- 2.2 Certain of the information referred to in this Seventeenth Report consists of “forward-looking information” within the meaning of applicable securities laws, including financial forecasts and/or projections or refers to 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. The future-oriented financial information and forward-looking statements are not guarantees of future events and involve risks and uncertainties that are difficult to predict. Future-oriented financial information referred to in this Seventeenth Report was, in part, 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 Seventeenth Report is not intended to be relied upon by any investor in any transaction with the Applicants or in relation to any transfer or assignment of the units of AGIF.

2.4 Unless otherwise stated, all monetary amounts contained in this Seventeenth Report are expressed in United States dollars, which is the Applicants' common reporting currency.

3.0 THE CLAIMS PROCESS

3.1 In this section, all capitalized terms not defined elsewhere have the meaning ascribed to them in the Claims Procedure Order and Claims Officer Order.

Summary of Claims Received and Status of Claims Process

3.2 As reported in the Fifteenth Report, the Monitor received 83 Proofs of Claim, including the Deemed Proven Claims of the DOJ and the Direct Purchaser Claimants, and received 4 DO&T Proofs of Claim.

3.3 The Claims against the Arctic Glacier Parties received by the Monitor and their current status are summarized, by category, in the table below.

THE ARCTIC GLACIER PARTIES - PROOF OF CLAIM SUMMARY							
	No. of Claims Filed	Claim Amount (\$000's) (note 1)	No. of Proven Claims	Proven Amount of Claim (\$000's)	Amount Disallowed, Withdrawn or Compromised (\$000's)	No of Unresolved Claims	Unresolved Claim Amount (\$000's)
Claims from current and former management (primarily regarding Change of Control Payments)	8	10,203	8	8,778	1,425	-	-
Claims from current and former Board members (primarily regarding Change of Control Payments)	7	3,835	7	2,234	1,601	-	-
Claims from litigation claimants potentially covered by insurance	28	9,313	-	-	8,988	1	325
Canadian Direct Purchaser Claim	1	2,000	1	2,000	-	-	-
Indirect Purchaser Claim (note 2)	1	463,578	1	2,487	461,091	-	-
McNulty Claim	1	13,610	-	-	-	1	13,610
Claims from government agencies (excluding CRA and IRS)	24	2,658	1	1	245	2	2,412
Canada Revenue Agency marker claim	1	-	-	-	-	-	-
Internal Revenue Service marker claim	1	-	-	-	-	-	-
Indemnity claims - antitrust litigation	3	-	-	-	-	-	-
DOJ Deemed Proven Claim	1	7,032	1	7,032	-	-	-
Direct Purchasers' Deemed Proven Claim	1	10,000	1	10,000	-	-	-
Johnson Claim	1	12,259	1	500	11,759	-	-
Other Claims	5	13,064	2	499	12,565	-	-
Grand Total	83	547,552	23	33,531	497,674	4	16,347
Note 1 - Amounts shown are combined US\$ and CDN\$ (blended currency) and assume a US\$/CDN\$ exchange rate at par. While this is not reflective of the current exchange rate between U.S. and Canadian dollars, the majority of the value of the Claims received is in U.S. dollars.							
Note 2 - The Proven Claim Amount is \$3.95 million. The amount of \$2.487 million represents the payable amount of the claim, which is net of the amount retained under the Settlement Agreement (\$1.463 million).							

3.4 As shown in the table above, of the 83 Claims summarized:

- 23 Claims have been proven in amounts totalling approximately \$33.5 million (the “**Proven Claims**”);
- 4 Claims totalling approximately \$16.3 million are yet to be resolved (the “**Unresolved Claims**”); and

- Approximately \$497.7 million of the total amount of Claims filed has been disallowed, withdrawn or compromised.

The Indirect Purchaser Claim

- 3.5 As described in the Sixteenth Report, pursuant to the terms of the Settlement Agreement, it is estimated that the Monitor will retain \$1.463 million for distribution to the Arctic Glacier Parties' stakeholders in accordance with a Distribution Order (as defined in the Settlement Agreement) of this Honourable Court. The Distribution Order requirement shall be satisfied if this Honourable Court grants an order sanctioning the Plan at the CCAA Sanction Hearing. The Monitor understands that the Claims Administrator has not incurred any additional costs since the date of the Sixteenth Report that would affect the estimated amount available for distribution.

The Unresolved Claims

- 3.6 The four Unresolved Claims are summarized in the following table:

The Arctic Glacier Parties - Summary of Unresolved Claims	
	Amount of Claim (\$000's)
McNulty Claim	13,610
State of California Franchise Tax Board	2,194
Geysir Sales Corporation, Inc.	325
City of New York	218
TOTAL	16,347

- 3.7 As described below, the Plan includes a reserve for the Unresolved Claims (the “**Unresolved Claims Reserve**”). Including interest, the amount of the Unresolved Claims Reserve is currently approximately \$16.83 million. Since the date of the Fifteenth Report, the Monitor or certain third parties continue to collect and prepare information necessary

to advance the resolution of the claims filed by the State of California Franchise Tax Board, Geysir Sales Corporation, Inc. and the City of New York.

Claim Submitted by Martin McNulty

- 3.8 Further to the information provided in the Fifteenth Report, a motion before this Honourable Court has been scheduled to be heard on November 25, 2014, in which McNulty intends to seek this Court's direction on the issue of whether the Honourable Jack Ground will adjudicate the McNulty Claim.

4.0 DEEMED CREDITORS' MEETING AND UNITHOLDERS' MEETING

Meeting Order

- 4.1 The Meeting Order set out, *inter alia*, the requirements for giving notice of the Creditors' Meeting and the Unitholders' Meeting, the Unitholder solicitation process, the delivery of proxies, the conduct of the Unitholders' Meeting and the voting procedures for the Unitholders' Meeting, each of which is described in further detail in the Fifteenth Report.
- 4.2 The Meeting Order provided that the Creditors' Meeting shall be deemed to have been duly called and held on August 11, 2014 and set June 16, 2014 as the record date (the "**Unitholder Record Date**") for the purposes of determining which Unitholders were entitled to receive notice of, and vote at, the Unitholders' Meeting.
- 4.3 The Meeting Order requires the Monitor to report to the Court no later than ten (10) calendar days prior to the CCAA Sanction Motion with respect to:
- a) the deemed vote at the Creditors' Meeting with respect to the resolution to approve the Plan;

- b) the results of the voting at the Unitholders' Meeting on the resolution to, among other things, approve the Plan; and
- c) whether the Plan Resolution received affirmative votes of more than 66 2/3% of the votes attached to the Trust Units represented at the Unitholders' Meeting and cast in accordance with the Meeting Order (the "**Required Unitholder Majority**").

Notice to Affected Creditors

- 4.4 Pursuant to the Meeting Order, on May 27, 2014, the Monitor sent copies of the Notice to Affected Creditors to each Known Affected Creditor to the address provided by each such Affected Creditor in its Proof of Claim, or to such other address subsequently provided by such Affected Creditor to the Monitor.

Notice to Unitholders

- 4.5 The Meeting Order provides that Registered Unitholders holding one or more Trust Units solely for and on behalf of themselves and each Beneficial Unitholder (collectively, "**Unitholders**") as of the Unitholder Record Date were entitled to receive notice of and vote at the Unitholders' Meeting. Furthermore, the Meeting Order approved the form of Notice to Unitholders which was sent to the Unitholders as provided therein.
- 4.6 Pursuant to the Meeting Order, on June 23, 2014 Computershare Trust Company of Canada (the "**Transfer Agent**") sent copies of the Notice to Unitholders to Broadridge Financial Solutions Inc. ("**Broadridge**") and to each Registered Unitholder, as of the Unitholder Record Date, that the Transfer Agent was aware of and had contact information in respect of, (a) for such Registered Unitholders in respect of Trust Units

held by any such Registered Unitholder solely for and on behalf of itself; or (b) for distribution by Broadridge to the Beneficial Unitholders as of the Unitholder Record Date.

- 4.7 Pursuant to the Meeting Order, Broadridge sent copies of the Notice to Unitholders and Voting Instruction Forms (the “VIFs”) to Beneficial Unitholders located in Canada and the U.S. on June 26, 2014 and June 27, 2014, respectively.

Meeting Materials and Advertising of Meetings

- 4.8 Pursuant to the Meeting Order, the Monitor posted electronic copies of the Plan, the Meeting Order, the Notice to Affected Creditors, the Notice to Unitholders, the Voting Instructions to Unitholders, a blank copy of the form of Unitholders’ Proxy, a blank copy of the form of Master Ballot, a blank copy of the form of Nominee Ballot, a blank copy of the form of VIF and the Fifteenth Report (collectively, the “**Meeting Materials**”) on the Website on May 30, 2014 and provided written copies of such materials to those Affected Creditors and Unitholders that so requested.
- 4.9 Furthermore, pursuant to the Meeting Order, the Monitor caused shortened versions of the Notice to Affected Creditors and the Notice to Unitholders to be published for a period of one calendar day in *The Globe and Mail* (National Edition), the *Wall Street Journal* (National Edition) and the *Winnipeg Free Press* on May 27, 2014 and July 16, 2014.

Deemed Creditors’ Meeting and Deemed Voting

- 4.10 Pursuant to the Meeting Order, the Creditors’ Meeting was deemed to have been duly called and held on August 11, 2014, for the purpose of voting on a resolution to approve

the Plan. Pursuant to the Meeting Order, every Affected Creditor was deemed to have voted unanimously in favour of the resolution to approve the Plan at the Creditors' Meeting and this deemed vote is binding on all Affected Creditors.

- 4.11 To the extent that any Affected Creditor does not approve of the proposed approach to calculating and paying interest on the Affected Creditors' Proven Claims, which proposed approach is described in the Fifteenth Report, such Affected Creditor can make submissions at the CCAA Sanction Hearing.

Conduct of the Unitholders' Meeting

- 4.12 Pursuant to the Meeting Order, the Trustees were deemed to have called a special meeting of Unitholders, and the Unitholders held and conducted such special meeting, at the offices of Osler, Hoskin & Harcourt LLP in Toronto, Ontario, Canada, M5X 1B8 on August 11, 2014 commencing at approximately 10:00 a.m. (Toronto Time), for the purpose of considering and voting on the Plan Resolution.
- 4.13 As prescribed by the Meeting Order, only Unitholders or their proxies were entitled to vote at the Unitholders' Meeting. Each of the Unitholders entitled to vote on the Plan Resolution was entitled to one vote for each Trust Unit held by such Unitholder on the Unitholder Record Date.
- 4.14 In accordance with the Meeting Order, Richard Morawetz, a Senior Vice President and a representative of the Monitor, acted as Chair of the Unitholders' Meeting.
- 4.15 The Meeting Order provides that:
- a) the Monitor may appoint scrutineers (the "**Scrutineers**") to supervise and tabulate the attendance, quorum and votes cast at the Unitholders' Meeting; and

b) a Person designated by the Monitor is to act as secretary (the “**Secretary**”) at the Unitholders’ Meeting.

- 4.16 Accordingly, the Monitor appointed Jamie Bajzik, an employee of the Transfer Agent, to act as the Scrutineer of the Unitholders’ Meeting, and appointed Melanie MacKenzie, a Senior Manager of A&M, to act as the Secretary of the Unitholders’ Meeting.
- 4.17 After consultation with the Scrutineer, the Chair declared that a quorum was present in accordance with the Meeting Order, as at least one Registered Unitholder or Beneficial Unitholder was present at the Unitholders’ Meeting, in person or by proxy, in accordance with the terms of the Meeting Order, and in each case was entitled to vote on the Plan Resolution.
- 4.18 The Scrutineer’s report with respect to attendance is attached as **Appendix “G”** to this Seventeenth Report.

Result of Voting at the Unitholders’ Meeting

- 4.19 Unitholders or their proxies, as applicable, voted as a single class, as provided for in the Meeting Order and the Plan. The Scrutineer tabulated the votes cast in respect of the Plan Resolution and the Chair reported the results at the Unitholders’ Meeting. The Scrutineer’s report regarding votes cast in respect of the Plan Resolution, attached as **Appendix “H”**, showed that the motion to approve the Plan Resolution had been duly carried by 99.81% of the votes cast at the meeting.
- 4.20 A summary of the votes cast by Unitholders is set out in the table below:

Arctic Glacier Income Fund Summary of Votes Cast by Unitholders		
	Number of Units	Percent of Total Issued and Outstanding Units
Votes in favour of Plan Resolution	229,822,350	99.81%
Votes against Plan Resolution	426,221	0.19%
TOTAL	230,248,571	100%

- 4.21 Accordingly, the Chair declared that the Required Unitholder Majority required by the Meeting Order had been obtained and that the motion to approve the Plan Resolution was carried. Minutes of the Unitholders' Meeting are attached as **Appendix "I"**.

Additional Considerations Regarding Voting at the Unitholders' Meeting

- 4.22 Pursuant to the Meeting Order, each Nominee or its agent was required to transfer Beneficial Unitholder voting and proxy instructions received from Broadridge to a Nominee Ballot and return the Nominee Ballot to the Transfer Agent. Certain Nominees did not provide Nominee Ballots to the Transfer Agent. However, this Beneficial Unitholder voting information was provided directly by Broadridge to the Transfer Agent. Accordingly, the Transfer Agent was able to collect the votes of all Beneficial Unitholders who voted.
- 4.23 The Monitor notes that 8,396,816 Beneficial Unitholder votes (the "**Non-Compliant Votes**") out of the total of 230,116,168 proxy votes were not accounted for in the Nominee Ballots and therefore were received in a manner that did not strictly comply with the process prescribed in the Meeting Order. These Non-Compliant Votes represent only 3.6% of the total votes received at the Unitholders' Meeting.

4.24 Accordingly, the Transfer Agent also calculated hypothetical results for the vote excluding the Non-Compliant Votes, and determined that the Non-Compliant Votes do not impact whether the Plan Resolution was approved by the Required Unitholder Majority. The Transfer Agent's report on the Non-Compliant Votes is attached as **Appendix "J"**.

4.25 As set out in the Minutes of the Unitholders' Meeting, during the Unitholders' Meeting, the Chair advised as to the status and impact of the Non-Compliant Votes to those in attendance.

5.0 THE PROPOSED CONSOLIDATED CCAA PLAN OF ARRANGEMENT

Summary of the Plan

5.1 As set out in the Fifteenth Report, the Plan was developed by the Monitor, the Arctic Glacier Parties and their respective counsel and financial advisors, including KPMG LLP. Capitalized terms not otherwise defined in this section of the Seventeenth Report shall have the meanings ascribed to them in the Plan.

5.2 The Fifteenth Report provides detailed information about the Plan, including:

- a) A summary of the Plan and the treatment of stakeholders;
- b) The anticipated timeline for Plan implementation;
- c) A summary of the Reserves and Distribution Cash Pools;
- d) Payment of interest on Affected Creditors' Claims;
- e) Conditions Precedent and the Plan Implementation Date;
- f) Plan releases;

- g) Reviewable Transactions;
- h) Plan amendments; and
- i) The CCAA Sanction Motion.

5.3 Updated information in respect of certain of these topics is provided in this Seventeenth Report.

Amendments to the Plan

5.4 One minor amendment was made to the Plan after the Creditors' Meeting and Unitholders' Meeting by changing the date of the Creditors' Meeting and Unitholders' Meeting in sections 3.4, 3.5, and 4.3 from August 12, 2014 to August 11, 2014. In addition, certain technical amendments were made to the Plan after the Creditors' Meeting and Unitholders' Meeting to clarify distribution and payment mechanics. The Monitor has been advised by the Arctic Glacier Parties that all of the amendments made to the Plan are of an administrative nature and are required to give better effect to the implementation of the Plan and the Sanction Order. In addition, all such amendments were made with the consent of the Monitor.

Conditions Precedent and Plan Implementation Date

- 5.5 To date, the events and dates described in the anticipated timeline for Plan implementation as set out in paragraph 4.13 of the Fifteenth Report have occurred on schedule.
- 5.6 The implementation of the Plan is conditional upon the satisfaction or waiver (if permitted) of certain conditions on or prior to the Plan Implementation Date. As of the date of this Report, the following conditions precedent have been satisfied:

- a) the Affected Creditors' Class has been deemed to have unanimously voted in favour of the Plan at the Creditors' Meeting; and
- b) the Plan has been approved at the Unitholders' Meeting by the Required Unitholder Majority.

5.7 The Monitor and the Arctic Glacier Parties have made arrangements and are making continuing efforts to address the remaining outstanding conditions precedent, including:

- a) seeking the Sanction Order;
- b) scheduling a hearing before the U.S. Court on September 16, 2014 (earlier than the September 22, 2014 date set out in the Fifteenth Report), to seek an Order recognizing the Sanction Order, if granted by this Honourable Court; and
- c) taking steps to satisfy the CPS and the Monitor that (a) all tax returns required to be filed by, or on behalf of, the Arctic Glacier Parties have, or will be, duly filed in all appropriate jurisdictions; and (b) all taxes required to be paid in respect thereof have or will be paid.

5.8 With respect to the condition precedent described in paragraph 5.7(c), the Monitor and the CPS are taking steps to meet the condition in a timely manner. In particular, the Arctic Glacier Parties have retained a U.S. tax consultant to review the sales tax position and past sales tax return filing and reporting practices of the Arctic Glacier Parties in certain U.S. states. The Arctic Glacier Parties, the Monitor and the CPS, with the assistance of the tax consultant, are working diligently to understand and resolve certain issues that have been recently identified. Based on the enquiries made to date, it has come to the Monitor's attention that the Arctic Glacier Parties did not file sales tax returns (and

obtain associated documents in respect thereof) or pay sales taxes in certain states where the Arctic Glacier Parties conducted business. The Monitor and the Arctic Glacier Parties are investigating whether such sales tax returns ought to have been filed and what measures, if any, are necessary to ensure that the condition precedent is satisfied. Although the tax consultant's work is ongoing, it appears that the Arctic Glacier Parties, with the assistance of the Monitor, will file sales tax returns for at least some of the Applicants in certain states and may make payments in respect of such tax returns.

- 5.9 The Monitor intends to file a report just prior to the Plan Implementation Date that will provide an update with respect to the status of the Unresolved Claims and the cash position of the Applicants. In addition, the report will provide an update in respect of the sales tax issue described above and its impact, if any, on the various reserves contemplated in the Plan; any consequent delay in the anticipated Plan Implementation Date of October 15, 2014 as set out in the Fifteenth Report; and any consequent reduction in the amount of the first Unitholder Distribution described below. As noted above in paragraph 5.8, the Monitor is considering what measures will be necessary to ensure the satisfaction or waiver of the condition precedent described in paragraph 5.7(c). Such measures may include retaining all or a portion of the net amount of \$12,188,000 that was previously earmarked in the Fifteenth Report as being reserved in respect of the Johnson Claim in order to assist in satisfying the outstanding condition precedent set out in paragraph 5.7(c) above.

Reserves and Distribution Cash Pools

- 5.10 As described in the Fifteenth Report, the reserves and distribution cash pools contemplated by the Plan are comprised of the Available Funds and will be used to fund

the Administrative Costs Reserve, the Insurance Deductible Reserve, the Unresolved Claims Reserve, the Affected Creditors' Distribution Cash Pool, and the Unitholders' Distribution Cash Pool.

- 5.11 As described in the Sixteenth Report, the Johnson Claim has settled. As a result, \$500,000 of the amount that was previously earmarked in the Fifteenth Report as being reserved in respect of the Johnson Claim will be transferred to the Affected Creditors' Distribution Cash Pool. As described in paragraph 5.9 above, the remainder of the net amount of \$12,188,000 that was previously earmarked in the Fifteenth Report as being reserved in respect of the Johnson Claim may form part of the Unitholders' Distribution Cash Pool or may be required to satisfy the outstanding condition precedent as set out in paragraph 5.7(c) above. In accordance with the Plan, the Unresolved Claims Reserve is to be calculated on the Plan Implementation Date and may change if further unresolved claims arise or are contemplated, or are settled or otherwise resolved prior to the Plan Implementation Date.
- 5.12 The anticipated amount of the Affected Creditors' Distribution Cash Pool has changed since the date of the Fifteenth Report from approximately US\$20.72 million and CDN\$13.55 million to approximately US\$19.2 million and CDN\$14.06 million. The differences since the date of the Fifteenth Report are due to the settlement of the Johnson Claim and the completion of the class action claims process in respect of the IPP Claim, plus applicable interest in respect of both.
- 5.13 The other components of the Available Funds described above remain unchanged since the date of the Fifteenth Report.

Monitor's Approach to Withholding Taxes and Distributions to Unitholders Not Resident in Canada

- 5.14 The Monitor and its advisors have considered whether Canadian withholding tax would be exigible in respect of distributions made by the Monitor on behalf of AGIF to Unitholders not resident in Canada. The Monitor has concluded that, based on the information available as of the date of this Seventeenth Report, no Canadian withholding tax would be exigible in respect of such distributions. Before distributions are made to Unitholders, the Monitor will update its inquiries to confirm that such withholding tax is not exigible as of the date of any distribution.

6.0 RECEIPTS AND DISBURSEMENTS SINCE THE FIFTEENTH REPORT

- 6.1 As discussed in the Fifteenth Report, on May 2, 2014, the Monitor was holding approximately \$117.04 million on behalf of the Applicants.
- 6.2 During the period from May 3 to August 26, 2014 (the “**Reporting Period**”), the Applicants’ net cash outflows totaled approximately \$1.1 million, comprised of receipts of approximately \$833,000 and disbursements of approximately \$1.9 million. The receipts are primarily comprised of tax refunds.
- 6.3 The disbursements of \$1.9 million during the Reporting Period are primarily comprised of professional fees and expenses totaling approximately \$1.8 million, which include the fees and expenses paid to the Monitor, its legal counsel, the CPS, the Applicants’ legal counsel, and other professionals retained by the Applicants to assist with these CCAA Proceedings; and other disbursements of approximately \$121,000, including fees and

expenses paid to the Directors and Trustees, taxes, and other disbursements of an administrative nature.

- 6.4 As at August 26, 2014, the Monitor is holding approximately \$115.9 million, \$100 million of which is invested in U.S. dollar term deposits held in a Canadian bank and the remaining \$15.9 million of which is being held in interest-bearing bank accounts in the name of the Monitor, on behalf of the Applicants. Included in the funds held in interest-bearing accounts is \$7.08 million, which includes interest, held in a U.S. escrow account in the name of the Monitor pursuant to the DOJ Stipulation.

7.0 FUNDS AVAILABLE FOR DISTRIBUTION TO UNITHOLDERS

- 7.1 As described in the Fifteenth Report and updated herein, there are a number of unresolved matters that will affect the amount of funds available to be ultimately allocated to the Unitholders' Distribution Cash Pool on the Plan Implementation Date. Accordingly, it is not currently possible to calculate the Unitholders' Distribution Cash Pool. At the Plan Implementation Date, the Monitor will undertake a calculation in the form set out in the table below. The table below also illustrates the effect of possibly retaining the net amount of \$12,188,000 that was previously earmarked in the Fifteenth Report as being reserved in respect of the Johnson Claim to assist in satisfying the outstanding condition precedent set out in paragraph 5.7(c), if necessary.
- 7.2 The Monitor notes that certain figures in this table will change before the Plan Implementation Date. The amounts in this table are based upon assumptions about future events and conditions that are not ascertainable. Actual results will vary and any such variations could be material. As a result, the table does not reflect the amount of funds

that will actually be allocated to the Unitholders' Distribution Cash Pool on the Plan Implementation Date.

THE ARCTIC GLACIER PARTIES FORMULA TO CALCULATE FINANCIAL POSITION ON THE PLAN IMPLEMENTATION DATE		
	Amount	
	(US\$000's)	(CDN\$000's)
Funds held by the Monitor at August 26, 2014	115,573	347
Less:		
Administrative Costs Reserve	10,000	-
Insurance Deductible Reserve	850	-
Unresolved Claims Reserve	16,825	-
Recovered Fees	-	426
Affected Creditors Distribution Cash Pool	19,202	14,061
Estimated Unitholders' Distribution Cash Pool, not taking into account ongoing administration costs of the CCAA Proceedings to be incurred and/or paid between the Reporting Period and the Plan Implementation Date and excluding any foreign exchange effect on the conversion of U.S. dollars into Canadian dollars that may be required in order to meet Canadian dollar obligations (net total in combined currency)	54,556	
Estimated Unitholders' Distribution Cash Pool, if one of the measures to address the outstanding conditions precedent is the retention of the net amount formerly earmarked in respect of the Johnson Claim	42,438	

8.0 ACTIVITIES OF THE MONITOR

8.1 In addition to the activities of the Monitor described above, the Monitor's activities from the date of the Fifteenth Report (May 14, 2014) have included the following:

- Preparing for, attending and acting as Chair and Secretary of the Unitholders' Meeting;

- Continuing to participate in conference calls between the Monitor, the Monitor's legal counsel, the Applicants' legal counsel, and the CPS to discuss the status of various outstanding matters;
- Continuing to provide for non-confidential materials filed with this Honourable Court and with the U.S. Court to be publicly available on the Website in respect of these CCAA Proceedings and the Chapter 15 Proceedings;
- Drafting the Sixteenth and this Seventeenth Report;
- Participating in a Board Meeting held by conference call on June 4, 2014;
- Continuing to act as foreign representative in the Chapter 15 Proceedings;
- Communicating with insurance adjusters and with plaintiffs' counsel regarding certain open insurance claims and regarding a potential buy-out policy to cover any and all remaining insurance deductibles;
- Continuing to fulfill the Monitor's responsibilities pursuant to the Claims Procedure Order and the Claims Officer Order;
- Attending the May 21, 2014 Stay extension and Meeting Order Court hearing;
- Together with the Monitor's counsel, the Applicants' counsel, and the CPS, participating in numerous calls with the Transfer Agent and Broadridge to discuss and coordinate their respective roles in the Plan and the Unitholders' Meeting and providing notice as required by the Meeting Order;

- Reviewing and following up with KPMG, the Purchaser and the respective tax authorities in respect of various corporate tax assessments received related to the 2012 tax year as well as prior years, and related communications with the CPS;
- Communicating with KPMG in respect of the preparation of the 2013 year-end financial information and tax returns of the U.S. Applicants;
- Arranging for the preparation and filing of the AGI tax return for the year ended December 31, 2013;
- Arranging for the preparation and filing of the U.S. Return of Partnership Income and associated Schedules;
- Investigating whether (i) all tax returns required to be filed by, or on behalf of, the Arctic Glacier Parties have, or will be, duly filed in all appropriate jurisdictions; and (ii) all taxes required to be paid in respect thereof have or will be paid;
- Maintaining estate bank accounts, overseeing and accounting for the Applicants' receipts and disbursements pursuant to the Transition Order, and reviewing professional fee invoices and providing same to the CPS for review and discussion;
- Preparing and filing monthly GST/HST returns and various other statutory returns; and
- Responding to enquiries from Unitholders and other stakeholders, including addressing questions or concerns of parties who contacted the Monitor or the CPS on the toll-free hotline number established by the Monitor.

9.0 THE STAY EXTENSION

- 9.1 Pursuant to the Initial Order and subsequent orders of the Court, a stay of proceedings was granted and extended until September 26, 2014 (the “**Stay Period**”).
- 9.2 The Applicants are requesting an extension of the Stay Period to November 28, 2014. The Monitor supports an extension of the Stay Period to November 28, 2014 and believes that the Applicants have acted and continue to act in good faith and with due diligence.
- 9.3 The Monitor believes that an extension of the Stay Period until November 28, 2014 is appropriate, as it will allow additional time for the Monitor, in consultation with the Applicants, to continue working towards a resolution of the Unresolved Claims and to implement the process contemplated by the Meeting Order and the Plan, including (i) seeking the recognition by the U.S. Court of the Sanction Order (if granted by this Honourable Court) at a hearing presently scheduled to be heard by the U.S. Court on September 16, 2014; and (ii) working to satisfy or waive the remaining conditions precedent to the implementation of the Plan.
- 9.4 Accordingly, the Monitor believes that the proposed extension is fair and reasonable in the circumstances.

10.0 REQUEST FOR SANCTION OF THE PLAN

- 10.1 For reasons provided in the Fifteenth Report and this Seventeenth Report, the Monitor remains of the view that the Plan is fair and reasonable. In addition, nothing has come to the attention of the Monitor that would suggest that the Arctic Glacier Parties have not

been in compliance with the terms of the Initial Order, subsequent orders of the Court or the CCAA generally.

10.2 As described above, 99.81% of Unitholders present in person or by proxy and voting at the Unitholders' Meeting, voted in favour of the Plan Resolution, and the Plan Resolution was therefore approved by the Required Unitholder Majority.

10.3 The Plan satisfies the requirements of the CCAA, in particular the requirements contained in section 6 thereof.

11.0 THE MONITOR'S COMMENTS AND RECOMMENDATIONS

11.1 The Monitor believes that the Plan is advantageous to the Affected Creditors and the Unitholders. The Monitor also believes that the Arctic Glacier Parties have acted and continue to act in good faith and with due diligence and have not breached any requirements under the CCAA or any Order of the Court. Accordingly, the Monitor recommends that this Honourable Court grant the requested Sanction Order, including the granting of the requested extension of the Stay Period.

11.2 The Applicants have not operated their business since July 2012. Therefore, the Applicants and the Monitor have not prepared an extended cash flow forecast. The Monitor, on behalf of the Applicants, intends to continue to satisfy any amounts properly incurred in respect of the ongoing administration of the estate from the funds that will be transferred to the Administrative Costs Reserve on the Plan Implementation Date. The Monitor continues to anticipate that such amounts will be primarily limited to fees and expenses of the Directors and Trustees, insurance-related expenses, taxes, professional

fees and expenses, and any incidental fees and costs. The funds held by the Monitor in its estate bank accounts will be sufficient to satisfy such disbursements.

- 11.3 For the reasons set out in this Seventeenth Report, the Monitor hereby respectfully recommends that this Honourable Court grant the relief being requested by the Applicants in their Notice of Motion.

All of which is respectfully submitted to this Honourable Court, this 26th day of August, 2014.

**Alvarez & Marsal Canada Inc., in its capacity
as 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