

**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 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")**

**TWENTY-FIFTH REPORT OF THE MONITOR
ALVAREZ & MARSAL CANADA INC.
APRIL 3, 2017**

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1.0 INTRODUCTION

- 1.1 Pursuant to an order of The Court of Queen's Bench (Winnipeg Centre) (the "**Canadian 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 United States Bankruptcy Court for the District of Delaware (the "**U.S. Court**") recognized the CCAA Proceedings as a foreign main proceeding and appointed the Monitor as foreign representative of the Applicants by Order dated March 16, 2012.
- 1.2 The Monitor has previously filed twenty-four reports with the Canadian Court. Capitalized terms used but not otherwise defined in this report (the "**Twenty-Fifth Report**") are as defined in the orders previously granted by, or in the reports previously filed by the Monitor with, the Canadian Court, and the Applicants' consolidated plan of compromise or arrangement dated May 21, 2014, as amended on August 26, 2014 and January 21, 2015, as may be further amended, supplemented or restated from time to time in accordance with the terms therein (the "**Plan**").

- 1.3 The sale transaction for substantially all of the Arctic Glacier Parties' business and assets (the "**Sale Transaction**") closed on July 27, 2012. The Monitor continues to hold significant funds as a result of the Sale Transaction and other receipts.
- 1.4 On September 5, 2012, the Canadian Court issued an order approving a claims process to resolve claims against the Arctic Glacier Parties (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 an Order dated September 14, 2012. Eighty-three parties filed Proofs of Claim with the Monitor.
- 1.5 The Claims Procedure Order contemplated a further order of the Canadian Court to provide an appropriate process for resolving disputed Claims. Accordingly, on March 7, 2013, the Canadian Court issued such an Order (the "**Claims Officer Order**"). The Claims Officer Order, among other things, provided that in the event that a dispute raised in a Notice of Dispute was 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 would refer the dispute raised in the Notice of Dispute to either a Claims Officer or to the Canadian Court.
- 1.6 On May 21, 2014, the Canadian Court issued an order (the "**Meeting Order**") with respect to the Plan. 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 Following a meeting of the unitholders and a deemed meeting of the Affected Creditors, on September 5, 2014, the Canadian Court issued an order that, among other things, sanctioned and approved the Plan (the “**Sanction Order**”). On September 16, 2014, the U.S. Court entered an order recognizing and giving full force and effect to the Sanction Order in the United States.
- 1.8 The Monitor’s Nineteenth Report to Court dated November 7, 2014, described the Monitor’s discovery that certain U.S. sales tax returns may not have been filed and that certain associated sales taxes may not have been collected and remitted in certain U.S. states and localities (the “**Outstanding States**”) where the Arctic Glacier Parties had conducted business (the “**U.S. Sales Tax Issue**”). Also on November 7, 2014, A&M, in its capacity as Monitor and as foreign representative of the Applicants, served motion materials in the U.S. Court in connection with the U.S. Sales Tax Issue (the “**U.S. Sales Tax Motion**”).
- 1.9 The U.S. Sales Tax Motion was heard by the U.S. Court on December 12, 2014, and the U.S. Court granted an order (the “**U.S. Plan Implementation Order**”) that, among other things:
- a) established limits on the maximum potential claims of various U.S. state and local sales taxing authorities (the “**Taxing Authorities**”) in the Outstanding States for sales taxes and/or associated interest and penalties (the “**State Sales Tax Liability Caps**” and, individually, a “**State Sales Tax Liability Cap**”);

- b) authorized and directed the Monitor to establish a reserve from the Administrative Costs Reserve in the amount of \$2,000,828, being the aggregate amount of the State Sales Tax Liability Caps (the “**Sales Tax Reserve**”);
- c) approved deadlines for the Taxing Authorities to dispute the quantum of the State Sales Tax Liability Caps;
- d) approved the form and manner of notice provided to such Taxing Authorities; and
- e) declared that the process followed by the Monitor and the CPS to ascertain potential sales tax liabilities, and the steps taken by the Monitor and the CPS to address any outstanding sales tax obligations and liabilities were, among other things, sufficient to satisfy the condition precedent to Plan implementation set out in Section 10.3(d) of the Plan (together, the “**U.S. Sales Tax Liability Process**”), being that (i) all tax returns required to be filed by or on behalf of the Arctic Glacier Parties had been or would be duly filed in all appropriate jurisdictions; and (ii) all taxes required to be paid in respect thereof had been or would be paid.

1.10 On January 22, 2015 (the “**Plan Implementation Date**”), the Plan was successfully implemented after the Monitor certified that the conditions precedent set out in Section 10.3 of the Plan had been satisfied or waived in accordance with the Plan. Accordingly, on the Plan Implementation Date and pursuant to the Plan, the Monitor, on behalf of the Applicants, among other things:

- a) used the Available Funds to fund the reserves and distribution cash pools set out in the Plan;

- b) distributed the Affected Creditors' Distribution Cash Pool to each Affected Creditor in the amount of such creditor's Proven Claim; and
 - c) transferred \$54,498,863.58 (the "**Initial Distribution**") from the Unitholders' Distribution Cash Pool to the Transfer Agent for distribution to Registered Unitholders as of December 18, 2014 (the "**Initial Distribution Record Date**").
- 1.11 On June 2, 2015, the Canadian Court issued an order approving a claims process to identify and determine certain potential claims relating to the Initial Distribution (the "**Unitholder Claims Process**") and, among other things, authorizing, directing and empowering the Monitor to take such actions as contemplated by the Unitholder Claims Process (the "**Unitholder Claims Procedure Order**"). The Unitholder Claims Process provided for a Unitholder Claims Bar Date of July 28, 2015, in respect of claims against AGIF arising from any action or omission on or after the setting of the Initial Distribution Record Date in connection with the Initial Distribution ("**Initial Distribution Claims**"), or claims against AGIF's Officers or Trustees in connection with an action or omission occurring on or after the setting of the Initial Distribution Record Date in connection with or related to the Initial Distribution ("**O&T Claims**").
- 1.12 Following completion of the U.S. Sales Tax Liability Process, the fulfillment of all obligations of the Monitor thereunder, and the full and complete resolution of any potential liabilities thereunder, on December 6, 2016, the U.S. Court issued an order (the "**Sales Tax Reserve Release Order**").
- 1.13 The Sales Tax Reserve Release Order, among other things, declared that the Monitor and Debtors had fulfilled all obligations in connection with the U.S. Sales Tax Liability

Process and that the Debtors had no further liabilities in connection with the Potential Sales Tax Liability in the United States. In addition, the U.S. Court declared that the Sales Tax Reserve was released and the funds held therein were available to be used in accordance with the Amended Plan. A copy of the Sales Tax Reserve Release Order is attached hereto as **Appendix “B”**.

1.14 On September 8, 2016, the Canadian Court issued an order (the “**Stay Extension Order**”) extending the Stay Period to April 21, 2017.

1.15 The purpose of this Twenty-Fifth Report is to provide the Canadian Court, the U.S. Court, Affected Creditors, Unitholders and other interested parties with an update regarding:

- a) the Claims Process;
- b) the Unitholder Claims Process;
- c) post-Plan implementation steps to be completed by the Arctic Glacier Parties and the Monitor;
- d) the Arctic Glacier Parties’ receipts and disbursements for the period from August 13, 2016 to March 24, 2017; and
- e) the Monitor’s activities since the date of the Twenty-Fourth Report (August 30, 2016).

1.16 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 Twenty-Fifth Report, the Monitor has relied upon unaudited financial information, books and records and financial information of the Arctic Glacier Parties (collectively, the “**Information**”).
- 2.2 The Monitor has reviewed the information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards (“**CASs**”) pursuant to the *Chartered Professional Accountants Canada Handbook* and, accordingly, the Monitor expresses no opinion and does not provide any other form of assurance contemplated under CASs in respect of the Information.
- 2.3 The information contained in this Twenty-Fifth Report is not intended to be relied upon by any investor in any transaction with the Arctic Glacier Parties or in relation to any transfer or assignment of the Trust Units of AGIF.
- 2.4 Unless otherwise stated, all monetary amounts contained in this Twenty-Fifth Report are expressed in United States dollars, which is the Arctic Glacier Parties’ 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.
- 3.2 The McNulty Claim, the only Unresolved Claim as of the date of the Twenty-Fourth Report, has since been resolved through a settlement between the Arctic Glacier Parties and McNulty (the “**McNulty Claim Settlement**”), as announced by AGIF by way of press release issued January 24, 2017. Under the terms of the settlement, AGIF and its subsidiaries collectively paid \$400,000 in full satisfaction of all claims asserted by McNulty against the Applicants and their current and former officers, directors, employees, agents and attorneys. A copy of the press release is attached hereto as **Appendix “C”**.
- 3.3 In accordance with the McNulty Claim Settlement, on February 8, 2017 McNulty’s legal counsel filed a Motion for Voluntary Party Dismissal with the United States Court of Appeals for the Sixth Circuit to dismiss, with prejudice, his claim against certain former employees of the Arctic Glacier Parties in his suit against Reddy Ice Holdings, Inc. and Home City Ice Company, Incorporated.
- 3.4 As a result of the McNulty Claim Settlement and in accordance with the Amended Plan, \$400,000 (the Proven Claim Amount in respect of the McNulty Claim) was deemed to have been transferred from the Unresolved Claims Reserve to the Affected Creditors’ Distribution Cash Pool and then paid therefrom by the Monitor on behalf of the Arctic Glacier Parties as directed in the settlement.

3.5 As the McNulty Claim – the last Unresolved Claim – has been finally determined and all Proven Claim Amounts have been paid, in accordance with section 7.3 of the Amended Plan, the balance remaining in the Unresolved Claims Reserve is deemed to be transferred to the Administrative Costs Reserve. As a result, \$13,669,198 is deemed to have been transferred from the Unresolved Claims Reserve into the Administrative Costs Reserve and the Unresolved Claims Reserve is terminated.

4.0 THE UNITHOLDER CLAIMS PROCESS

4.1 As described in paragraphs 3.1 to 3.13 of the Twenty-Fourth Report:

- a) Certain persons contacted AGIF and/or the Monitor shortly after the Plan Implementation Date to assert that they were entitled to but did not receive a portion of the Initial Distribution.
- b) One unitholder asserted that he (and corporations controlled by him and certain family members) were entitled to, but did not receive, approximately \$2 million of the Initial Distribution (the “**Brodski Parties**”).
- c) On June 2, 2015, the Canadian Court issued an order approving the Unitholder Claims Process to identify and determine all Initial Distribution Claims, O&T Claims and O&T Indemnity Claims that may be asserted or made in whole or in part against AGIF and/or its Officers and Trustees, as the case may be. All claims were withdrawn except for those asserted by the Brodski Parties.

- d) On July 8, 2015, the U.S. Court recognized the Unitholder Claims Procedure Order (the “**U.S. Unitholder Claims Procedure Recognition Order**”), which enumerated several steps, culminating in the Brodski Parties commencing an adversary proceeding (the “**Brodski Proceeding**”) by filing a complaint in the U.S. Court (the “**Brodski Complaint**”). The Brodski Parties asserted Initial Distribution Claims and O&T Claims, both in the amount of \$1,966,568.18, plus reasonable attorney’s fees and costs, prejudgment interest, punitive damages, and treble damages, which have not been quantified (the “**Brodski Claims**”). The Brodski Parties named AGIF as well as the individual Trustees of AGIF as defendants in the Brodski Complaint.
- e) On January 21, 2016, the defendants in the Brodski Complaint filed a motion to dismiss in respect of the Brodski Complaint (the “**Motion to Dismiss**”). On April 19, 2016, the U.S. Court heard oral arguments.
- f) On July 13, 2016, the U.S. Court issued a Memorandum Opinion addressing the Motion to Dismiss and granting the Motion to Dismiss in its entirety (the “**Dismissal Order**”).
- g) The Brodski Parties filed a Notice of Appeal on July 19, 2016 to appeal the Dismissal Order (the “**Brodski Appeal**”).

4.2 Since the Twenty-Fourth Report, the parties have fully briefed the Appeal.

4.3 The District Court has the appeal under reserve. There are no timelines within which the Court must release its ruling.

Insurance Coverage in Respect of Brodski Complaint

- 4.4 As discussed in the Twenty-Fourth Report, both before and after approval and implementation of the Plan, the Arctic Glacier Parties took steps to ensure that the insurance coverage then in place was maintained for the protection of the Arctic Glacier Parties in the event that a claim (such as the Brodski Complaint) was advanced. Following the filing of the Brodski Complaint, notice was delivered to the Arctic Glacier Parties' insurer, which notice has been acknowledged. Coverage has been confirmed, subject to all terms and conditions of the insurance policy, including payment by the Arctic Glacier Parties of the Retention (deductible) amount of CDN\$150,000 and the insurer's reservation of rights.
- 4.5 To date, defense costs of approximately \$868,000 have been incurred in respect of the Brodski Complaint. As previously reported, the insurer has confirmed coverage of these costs subject to the limitations of the policy. It is anticipated that the vast majority of the defense costs will be covered. To date, invoices for approximately \$89,000 of these defense costs have been sent directly to the Arctic Glacier Parties' insurer for payment and have been paid in full directly by the insurer. The remaining defense costs of approximately \$779,000 incurred to date were paid by the Monitor on behalf of the Arctic Glacier Parties. Invoices for these defense costs have been supplied to the insurer with a request for reimbursement. The insurer is completing its review of these accounts. Any defense costs incurred going forward will be submitted directly to the insurer for review and payment directly of the covered portion.

5.0 POST-PLAN IMPLEMENTATION DATE TRANSACTIONS

- 5.1 Pursuant to the Plan, each of the Arctic Glacier Parties, or the Monitor on their behalf, as the case may be, were to take certain steps after the Plan Implementation Date (the “**Post-Plan Implementation Date Transactions**”).
- 5.2 In order to facilitate the satisfaction of Proven Claims and the distribution that was made to the Unitholders, Schedule “B” to the Plan lists a series of specific steps, assumptions, distributions, transfers, payments, contributions, reductions of capital, settlements and releases of various of the Arctic Glacier Parties (the “**Schedule B Steps**”) that are deemed to occur in the order and as provided for in the Plan.
- 5.3 Since the Plan Implementation Date, the Arctic Glacier Parties and their legal counsel, with the assistance of the Monitor, have been working to complete the Post-Plan Implementation Date Transactions and the Schedule B Steps. The Post-Plan Implementation Date Transactions and Schedule B Steps must be completed in a specific order, which requires the Arctic Glacier Parties and their legal counsel, with the assistance of the Monitor, to wait for regulatory or other authorities to complete their processes before the next step can be completed.
- 5.4 As of the date of this Report, all of the 28 subsidiaries of AGII have been dissolved and all tax filings completed, except for one subsidiary in Texas and four subsidiaries in New York. The documents necessary to dissolve the subsidiary in Texas have been filed and the Monitor is waiting for the Certificate of Dissolution to be issued in respect of same, and the Monitor has requested authorization from the State of New York to dissolve the

subsidiaries in New York and is awaiting a response to same. Once these subsidiaries are wound up, Step 12 of the Schedule B steps will have been completed.

5.5 The Monitor is preparing to complete the remaining Schedule B Steps so that they can be completed promptly once the States of Texas and New York confirm that the remaining AGII subsidiaries have been dissolved. These subsequent steps include winding up or dissolving AGII and AGI, making a final distribution, and causing AGIF's Trust Units to cease to be listed and traded on the Canadian Securities Exchange on (and for greater certainty, not prior to) the Final Distribution Date.

5.6 The Monitor will provide further updates in respect of the Post-Plan Implementation Date Transactions and the Schedule B Steps in subsequent reports.

6.0 RECEIPTS AND DISBURSEMENTS SINCE THE TWENTY-FOURTH REPORT

6.1 During the period from August 13, 2016 to March 24, 2017 (the "**Reporting Period**"), the Applicants had Canadian dollar net cash outflows of approximately \$367,000 and U.S. dollar net cash outflows of approximately \$1.2 million.

6.2 Excluding transfers between the Monitor's U.S. and Canadian dollar trust bank accounts, receipts during the Reporting Period were approximately CAD\$19,250 and \$46,600 and consisted of tax refunds and deposit interest.

6.3 Disbursements, also excluding transfers between the Monitor's U.S. and Canadian dollar trust bank accounts, consisted primarily of U.S. dollar professional fees and expenses totaling approximately \$300,000 and Canadian dollar professional fees and expenses of

approximately CAD\$950,000 (which collectively include fees and expenses paid to the Monitor, its legal counsel, the CPS, the Applicants' legal counsel, the Applicants' tax consultants, and other professionals involved with these CCAA Proceedings). In addition, disbursements include the payment of \$400,000 in respect of a settlement of the McNulty Claim, discussed above in Section 3.0 of this Twenty-Fifth Report. Also included in disbursements are other expenses comprised of income taxes, fees paid to Directors and Trustees, and disbursements of an administrative nature totaling approximately \$41,000 and CAD\$100,000.

- 6.4 As at March 24, 2017, the Monitor is holding approximately \$19.7 million and CAD\$179,000, all of which is being held in interest-bearing accounts in the name of the Monitor, on behalf of the Applicants.
- 6.5 The Plan provides that certain reserves and cash pools be maintained in respect of the remaining obligations of the estates. The funds held by the Monitor on behalf of the Applicants as at March 24, 2017, are divided among the reserves and cash pools as follows: Insurance Reserve, approximately \$721,000; and Administrative Costs Reserve, approximately \$18.97 million, and CAD\$178,700.
- 6.6 It is the Monitor's and the Arctic Glacier Parties' view that it is not appropriate to make a distribution until the Brodski Claims, which as indicated in Section 4.1 of this Twenty-Fifth Report are not quantifiable at present, have been resolved. It is the Monitor's intention to complete the Post-Plan Implementation Date Transactions and Schedule B Steps as quickly as possible to be in a position to make a Final Distribution once all such transactions and steps are completed and the Brodski Claims are finally resolved. Based

on the information currently available, the Monitor anticipates that making only a Final Distribution will maximize returns to Unitholders as it is more cost-effective.

7.0 THE STAY EXTENSION

7.1 Pursuant to the Initial Order and subsequent Orders of the Canadian Court, the Stay Period was granted and extended until April 21, 2017. The Monitor requests an extension of the Stay Period to December 15, 2017.

7.2 The Monitor believes that an extension of the Stay Period until December 15, 2017 is appropriate, as it will allow the Monitor, in consultation with the Applicants, to among other things, continue implementing the steps contemplated by the Plan and will provide time for the District Court to rule on the appeal in the Brodski Proceeding.

7.3 The Monitor believes that the Arctic Glacier Parties have acted and continue to act in good faith and with due diligence in advancing the administration of these CCAA Proceedings.

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 Twenty-Fourth Report, being August 30, 2016, have included the following:

- continuing to work through the ongoing Post-Plan Implementation Date Transactions, including the merger, wind-up, liquidation, termination and/or dissolution of certain of the Arctic Glacier Parties in accordance with the Plan;

- responding to inquiries from Unitholders and other stakeholders;
- continuing to make non-confidential materials filed with the Canadian Court and with the U.S. Court publicly available on the Website;
- preparing this Twenty-Fifth Report;
- continuing to act as foreign representative in the Chapter 15 Proceedings;
- continuing to fulfill the Monitor's responsibilities pursuant to the Claims Procedure Order and the Claims Officer Order;
- communicating with insurance adjusters and with various plaintiffs' counsel regarding certain open insurance claims;
- attending the September 2016 Stay Extension Motion;
- preparing and filing various statutory returns in respect of payments made to and deductions at source withheld, as required, from payments made during 2016 to Directors/Trustees;
- maintaining estate bank accounts, overseeing the 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;
- preparing the 2016 year-end accounting information required by the Companies' tax consultant in order to prepare and file the 2016 income tax returns;
- arranging for the preparation and filing of the annual Statement of Trust Income Allocation and Designation of AGIF for 2016; and

- preparing and filing GST/HST returns and various other statutory returns and communicating with CRA and certain government bodies in the United States, as appropriate in respect of same.

All of which is respectfully submitted to the Court of Queen's Bench this 3rd day of April, 2017.

**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: Alan J. Hutchens, Senior Vice-President

Appendix “A”

List of Applicants

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

Appendix “B”

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re	:	Chapter 15
ARCTIC GLACIER INTERNATIONAL INC.,	:	Case No. 12-10605 (KG)
<i>et al.</i> , ¹	:	(Jointly Administered)
Debtors in a Foreign Proceeding.	:	Ref. Docket Nos. 398 &
	:	
	:	
	:	

**ORDER AUTHORIZING THE RELEASE OF THE SALES TAX RESERVE IN
RESPECT OF THE POTENTIAL SALES TAX LIABILITY**

Upon consideration of the motion (the "Motion")² of Alvarez & Marsal Canada Inc., in its capacity as the court-appointed monitor and authorized foreign representative (the "Monitor") of the above-captioned debtors (collectively, the "Debtors") in the proceeding (the "Canadian Proceeding") commenced under Canada's *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") and pending before the Court of Queen's Bench Winnipeg Centre (the "Canadian Court"), for the entry of an order, pursuant to sections

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

² Capitalized terms used but not otherwise defined herein shall have the meaning ascribed to such terms in the Motion.

105(a), 1507, 1521, 1525, and 1527 of title 11 of the United States Code (the "Bankruptcy Code"): authorizing the release of the Sales Tax Reserve in respect of the Potential Sales Tax Liability; and due and sufficient notice of the Motion having been provided in the manner set forth in the Motion; and it appearing that no other or further notice is necessary or appropriate; and the Court having held a hearing to consider the Monitor's request for the relief set forth in the Motion; and no objections to the Motion having been filed or all such objections having been resolved or overruled; and the Court having found and determined that the relief sought in the Motion is consistent with the purposes of chapter 15 of the Bankruptcy Code; and the Court having reviewed and considered the Twenty-Third and Twenty-Fourth Report of the Monitor; and it appearing that the relief requested in the Motion is in the best interests of the Debtors and other parties in interest in these Chapter 15 Cases; and after due deliberation and sufficient cause appearing therefor,

THE COURT FINDS AND CONCLUDES THAT:

A. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334 and section 1501 of the Bankruptcy Code. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue is proper in this District pursuant to 28 U.S.C. § 1401(1).

B. On December 12, 2014, this Court entered the Sales Tax Order, which authorized the Monitor to set aside the Sales Tax Reserve in contemplation of settling any Potential Sales Tax Liability accrued and owing to any Taxing Authority where the Debtors conducted business and failed to pay sales tax.

C. In accordance with the Sales Tax Order, the Monitor reached out and mailed letters to the Taxing Authorities on or about March 13, 2015, requesting the Taxing Authorities to either accept the Monitor's Tax Calculation or to submit a written objection to

such Calculations with support documentation by no later than April 13, 2015. As of October 30, 2015, the Monitor had not received any objections from the 34 Taxing Authorities that were owed \$0 for past sales tax liabilities and an additional 16 Taxing Authorities had either accepted their respective Tax Calculation as the balance owed to them or settled at amounts greater than their respective Tax Calculation, but equal to or lower than their Individual State Reserve Cap.

D. On or about October 30, 2015, the Monitor sent follow-up letters (the "Follow-Up Letters") to the nine remaining Taxing Authorities (the "Remaining Taxing Authorities"), which included a check equal to the respective Tax Calculations owed to each Taxing Authority. The Follow-Up Letters explained that by cashing the check, the respective Taxing Authority would be releasing the Debtors of any and all debts associated with the Potential Sales Tax Liability and would be accepting the payment in full and final satisfaction of any and all sales tax liability, including penalties and interest, of the Debtors due and owing to the respective Taxing Authorities. From this process, five of the Remaining Taxing Authorities cashed the check sent to them and the Monitor initiated discussions with the remaining four Taxing Authorities, who all concluded that the Debtors did not owe any sales tax to the respective Taxing Authorities.

E. The relief granted herein is necessary and appropriate, in the interests of the public and international comity, consistent with the public policy of the United States, warranted pursuant to sections 105(a), 1507, 1521, 1525, and 1527 of the Bankruptcy Code, and will not cause hardship to any party in interest that is not outweighed by the benefits of the relief granted herein.

F. The release of the Sales Tax Reserve and other relief granted through this Order, will in accordance with section 1507(b) of the Bankruptcy Code reasonably assure:

(i) the just treatment of all administrative claims against or interests in the Debtors' property;
(ii) the protection of creditors still awaiting distributions under the CCAA Plan against prejudice and inconvenience in the processing of claims in the Canadian Proceeding; and (iii) the distribution of proceeds of the Debtors' property as set forth in the CCAA Plan, which is substantially in accordance with the order prescribed in the Bankruptcy Code.

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED THAT:

1. The Motion is granted as set forth herein.
2. The Monitor and the Debtors have fulfilled all obligations in connection with the Sales Tax Liability Process and took all necessary and appropriate efforts and steps in connection with same. The Potential Sales Tax Liabilities that formed the basis for the Sales Tax Reserve have been resolved and the Debtors do not have any further liabilities in connection with the Potential Sales Tax Liability in the United States.
3. Each Taxing Authority in an Outstanding State shall, to the fullest extent provided in the CCAA Plan, the Sanction Order, the Sanction Recognition Order, the Sales Tax Order, and this Order be forever barred, estopped, and enjoined from asserting a claim in connection with the Potential Sales Tax Liability against the Releasees (including each of the Debtors, and as such term is defined in the Sanction Recognition Order) and the Releasees' property shall be forever discharged from any and all indebtedness, liability, or obligation with respect to any claim for Potential Sales Tax Liability and shall not be entitled to any further distribution under the CCAA Plan.
4. By entry of this Order, the Sales Tax Reserve is hereby released and the funds in the Sales Tax Reserve are available under the Administrative Costs Reserve that is

being held by the Monitor, on behalf of the Arctic Glacier Parties, to be used in accordance with the CCAA Plan.

5. Subject to the terms and conditions of the Claims Procedure Order and the Claims Procedure Recognition Order, under which the Monitor's and the Debtors' rights are fully preserved, nothing in this Order shall impair, prejudice, waive, or otherwise affect the rights of the Monitor to seek further assistance of this Court, including, but not limited to, through the commencement of proceedings in this Court pursuant to sections 502(c) and/or 505 of the Bankruptcy Code, in resolving any future dispute between a Taxing Authority and the Monitor regarding the settlement reached by the parties with regards to any Potential Sales Tax Liability.

6. The Debtors, the Monitor, and the CPS, as the case may be, are authorized and directed to take all steps and actions necessary or appropriate to implement the terms of this Order, and all such steps and actions are approved.

7. This Court shall retain jurisdiction with respect to all matters relating to the interpretation or implementation of this Order.

Dated: Wilmington, Delaware
December 6, 2016


The Honorable Kevin Gross
United States Bankruptcy Judge

Appendix “C”

Arctic Glacier Income Fund Provides Update on Claims Litigation

Winnipeg, January 24, 2017 – Arctic Glacier Income Fund (CNSX: AG.UN) (“**Fund**”) announced that it has entered into a settlement agreement with Martin G. McNulty (“**McNulty**”). Under the terms of the settlement, the Fund and its subsidiaries (collectively, “**Applicants**”) will pay \$400,000 US (“**Settlement Proceeds**”) in full satisfaction of all claims asserted by McNulty against the Applicants and their current and former officers, directors, employees, agents and attorneys (“**Released Parties**”). In the settlement, McNulty releases and forever discharges and covenants not to sue the Released Parties. Following payment of the Settlement Proceeds, McNulty will dismiss all proceedings against the Released Parties.

More information about the Applicants’ proceedings under the *Companies’ Creditors Arrangement Act* can be found on the website maintained by Alvarez & Marsal Canada Inc., in its capacity as Monitor of the Applicants at <http://www.alvarezandmarsal.com/arctic-glacier-income-fund-arctic-glacier-inc-and-subsidiaries>.

Forward-Looking Statements

Certain statements included herein constitute “forward-looking statements”. All statements, other than statements of historical fact, included in this release that address future activities, events, developments or financial performance are forward-looking statements. These forward-looking statements can be identified by the use of forward-looking words such as “may”, “should”, “will”, “could”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “believe”, “future” or “continue” or the negative thereof or similar variations. These forward-looking statements are based on certain assumptions and analyses made by the Fund and its management, in light of their experiences and their perception of historical trends, current conditions and expected future developments, as well as other factors they believe are appropriate in the circumstances. Investors are cautioned not to put undue reliance on such forward-looking statements, which are not a guarantee of performance and are subject to a number of uncertainties, assumptions and other factors, many of which are outside the control of the Fund, which could cause actual results to differ materially from those expressed or implied by such forward-looking statements. Important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements include, among other things, the CCAA process. Readers are cautioned that the foregoing list is not exhaustive. Such forward-looking statements should, therefore, be construed in light of such factors. If any of these risks or uncertainties were to materialize or if the factors and assumptions underlying the forward-looking information were to prove incorrect, actual results could vary materially from those that are expressed or implied by the forward-looking information contained herein. All forward-looking statements attributable to the Fund, or persons acting on its behalf, are expressly qualified in their entirety by the cautionary statements set forth above. Readers are cautioned not to place undue reliance on the forward-

looking statements contained herein, which reflect the analysis of the management of the Fund, as appropriate, only as of the date of this release. For more information regarding these and other risks, readers should consult the Fund's reports on file with the applicable securities regulatory authorities accessible online by going to SEDAR at www.sedar.com. The Fund is under no obligation, and the Fund expressly disclaims any intention or obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

About the Fund

Arctic Glacier Income Fund trust units are listed on the Canadian National Stock Exchange under the trading symbol AG.UN. There are 350.3 million trust units outstanding.