

**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-FOURTH REPORT OF THE MONITOR
ALVAREZ & MARSAL CANADA INC.
AUGUST 30, 2016**

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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-three reports with the Canadian Court. Capitalized terms used but not otherwise defined in this report (the "**Twenty-Fourth 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 business formerly operated by the

Arctic Glacier Parties continues to be carried on by the Purchaser. 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, 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 On November 13, 2015, the Canadian Court issued an order (the "**Stay Extension Order**") extending the Stay Period to September 30, 2016.
- 1.13 The purpose of this Twenty-Fourth Report is to provide the Canadian Court, the U.S. Court, Affected Creditors, Unitholders and other interested parties with an update regarding:
- a) the Unitholder Claims Process;

- b) post-Plan implementation steps to be completed by the Arctic Glacier Parties and the Monitor;
- c) the U.S. Sales Tax Issue;
- d) the Claims Process;
- e) the Arctic Glacier Parties' receipts and disbursements for the period from November 1, 2015 to August 12, 2016; and
- f) the Monitor's activities since the date of the Twenty-Third Report (November 9, 2015).

1.14 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-subsidiaries> (the "**Website**").

2.0 TERMS OF REFERENCE

- 2.1 In preparing this Twenty-Fourth 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-Fourth 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-Fourth Report are expressed in United States dollars, which is the Arctic Glacier Parties' common reporting currency.

3.0 THE UNITHOLDER CLAIMS PROCESS

3.1 As described in paragraph 5.6 of the Twenty-Second Report, certain Persons had contacted AGIF and/or the Monitor shortly after the Plan Implementation Date to assert that they did not receive a portion of the Initial Distribution despite being entitled to it. In particular, 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**"). The Unitholder Claims Process was established 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. As set out above, on June 2, 2015, the Canadian Court issued an order approving the Unitholder Claims Process.

3.2 On July 8, 2015, the U.S. Court recognized the Unitholder Claims Procedure Order (the "**U.S. Unitholder Claims Procedure Recognition Order**") on the following terms:

- a) the Brodski Parties, separately or together, were required to submit an Initial Distribution Proof of Claim or an O&T Proof of Claim in accordance with the Unitholder Claims Procedure Order before the Unitholder Claims Bar Date;
- b) the Monitor was required to ask the Honourable Mr. Justice Ground to, in his capacity as Unitholder Claims Officer, mediate any disputes in respect of any claims brought by the Brodski Parties; and
- c) the entry of the U.S. Unitholder Claims Procedure Order and the Unitholder Claims Procedure Order would be without prejudice to the Brodski Parties' ability to commence an adversary proceeding in the U.S. Court as long as such proceeding was commenced on or before October 30, 2015.

The Unitholder Claims

- 3.3 The Unitholder Claims Bar Date was established as July 28, 2015. As described in the Twenty-Third Report, the Brodski Parties are the only Persons who continue to advance claims under the Unitholder Claims Process (the “**Brodski Claims**”). The Brodski Parties have asserted Initial Distribution Claims and O&T Claims, both in the amount of \$1,966,568.18 plus interest and costs.
- 3.4 In accordance with the U.S. Unitholder Claims Procedure Recognition Order, the Monitor asked the Honourable Mr. Justice Ground, in his capacity as Unitholder Claims Officer, to mediate any disputes in respect of any Initial Distribution Claims or O&T Claims brought by the Brodski Parties. The Honourable Mr. Justice Ground agreed to do so.
- 3.5 The mediation proceeded on October 15, 2015 but was not successful.

- 3.6 Following the unsuccessful mediation, the Brodski Parties commenced an adversary proceeding (the “**Brodski Proceeding**”) on October 30, 2015, by filing a complaint in the U.S. Court (the “**Brodski Complaint**”). The Brodski Parties named AGIF as well as the individual Trustees of AGIF as defendants in the Brodski Complaint. The Brodski Parties asserted damages of almost \$2 million, plus reasonable attorney’s fees and costs, prejudgement interest, punitive damages, treble damages and allowance of the Brodski Claims and a distribution pursuant to the Plan.
- 3.7 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**”). The parties fully briefed the Motion to Dismiss and on April 19, 2016, the U.S. Court heard oral arguments.
- 3.8 On July 13, 2016, the U.S. Court issued a Memorandum Opinion addressing the Motion to Dismiss and an order granting the Motion to Dismiss in its entirety (the “**Dismissal Order**”). A copy of the Dismissal Order and the Memorandum Opinion are attached as **Appendix “B”**.
- 3.9 The Brodski Parties filed a Notice of Appeal on July 19, 2016 to appeal the Dismissal Order (the “**Brodski Appeal**”).
- 3.10 On July 21, 2016, the U.S. Court issued an oral order (the “**Brodski Appeal Oral Order**”) pursuant to the U.S. Court’s standing order dated September 11, 2012, regarding procedures to govern mediation of all appeals from the U.S. Court, which places such appeals in mandatory mediation. The Brodski Appeal Oral Order required the parties to advise the U.S. Court in a joint written submission of their respective positions regarding mediation. The Brodski Appeal Oral Order provides that should the parties jointly

request the matter be removed from the mandatory mediation requirement, they are to provide a briefing schedule and/or advise whether they believe a teleconference with a Magistrate Judge would be of assistance.

3.11 On August 4, 2016, the parties filed their joint written submission (the “**Joint Submission**”) with the U.S. Court indicating that they do not believe that a mediation would be successful or productive and noting that the parties had previously participated in a mediation that was not successful. The Joint Submission also proposed the following briefing schedule for the Brodski Appeal:

- i. September 23, 2016 – Appellants’ opening brief due;
- ii. October 21, 2016 – Appellees’ answering brief due; and
- iii. November 11, 2016 – Appellants’ reply brief due.

3.12 The proposed briefing schedule was accepted by an Order of the U.S. Court on August 18, 2016 (the “**Briefing Schedule Order**”), subject to the due date for the Appellants’ reply brief being changed to November 14, 2016. A copy of the Briefing Schedule Order is attached as **Appendix “C”**.

3.13 The Monitor will report further in respect of the Brodski Appeal in its next report.

Insurance Coverage in Respect of Brodski Complaint

3.14 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 and the insurer's reservation of rights.

4.0 POST-PLAN IMPLEMENTATION DATE TRANSACTIONS

- 4.1 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, as described in the Twenty-Third Report after the Plan Implementation Date.
- 4.2 Included among these steps, each of the Arctic Glacier Parties, in consultation with the Monitor, was to take all steps necessary to merge, wind-up, liquidate, terminate, and/or dissolve or undertake any other steps in connection therewith, including 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; and the Monitor, on behalf of the Arctic Glacier Parties, was to make any distributions, payments or transfers in connection therewith (the "**Post-Plan Implementation Date Transactions**").
- 4.3 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 which include 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.
- 4.4 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 and continue to do so. The

Post-Plan Implementation Date Transactions and Schedule B Steps must be completed in a specific order, thereby requiring ongoing actions to be taken by the Arctic Glacier Parties and their legal counsel, with the assistance of the Monitor.

- 4.5 The documents necessary to dissolve 22 of the 28 subsidiaries of AGII have been completed and filed. The tax returns for the U.S. Arctic Glacier Parties for the 2015 year-end have also been filed to continue the dissolution process for these companies. In certain cases, additional documentation will need to be completed and filed to effect the dissolutions.
- 4.6 The states in which the remaining 6 AGII subsidiaries are incorporated require that the respective final tax returns be filed prior to filing the documents necessary to dissolve those companies. The taxes for these companies are reported as part of a consolidated AGII tax return and could not be filed separately to commence the dissolution process. As the consolidated AGII tax return for the 2015 year-end has now been filed, the Arctic Glacier Parties are commencing the dissolution process for these remaining 6 subsidiaries.
- 4.7 The Monitor will provide further updates in respect of the Post-Plan Implementation Date Transactions and the Schedule B Steps in subsequent reports.

5.0 THE U.S. SALES TAX ISSUE

- 5.1 In accordance with the U.S. Plan Implementation Order, the Monitor, in its capacity as foreign representative of the Arctic Glacier Parties, contacted the Taxing Authorities for the purpose of resolving the U.S. Sales Tax Issue.

- 5.2 As at the date of the Twenty-Third Report, there were nine remaining Taxing Authorities who had been sent a calculation (the “**Tax Calculation**”) of the potential sales tax liability, including interest and penalties, of the Arctic Glacier Parties, if any, to the applicable Taxing Authority that was greater than nil (the “**Positive Balance Tax Calculations**”) and who had not responded to the Monitor’s notice to them in respect of same. The Positive Balance Tax Calculations for the nine remaining Taxing Authorities totaled \$11,593.
- 5.3 As reported in the Twenty-Third Report, on October 30, 2015 the Monitor contacted those parties (the “**Remaining Taxing Authorities**”) by letter (the “**Payment Letters**”) a second time. The original notices were attached to the respective Payment Letters which also included a cheque in the amount of the respective Tax Calculation for each of the Remaining Taxing Authorities. The Payment Letters indicated that, by cashing the cheque, the respective Taxing Authority would release the Identified AG Parties of any and all debts associated with the U.S. Sales Tax Issue and would accept the payment in full and final satisfaction of any and all sales tax liability, including penalties and interest, of the Identified AG Parties due and owing to the respective Taxing Authority.
- 5.4 Since the date of the Twenty-Third Report, five of the Remaining Taxing Authorities have cashed the cheques that were issued to them (totaling \$8,352). Three of the other Remaining Taxing Authorities returned the cheques that were sent to them (totaling \$388) to the Monitor with letters indicating that the respective Taxing Authority has no record of any sales tax liabilities owing by the indicated entities. In follow-up discussions with the Monitor, these three Remaining Taxing Authorities have indicated that they do not intend to cash the cheques issued to them because they do not have a record of any

sales tax liability from the entities indicated. The Monitor had multiple communications with the other Remaining Taxing Authority, which also indicated that its internal records do not reflect any sales tax liability owing by the relevant Identified AG Parties.

5.5 It is the Monitor's view that: (i) all of the obligations of the Monitor and of the Arctic Glacier Parties under the U.S. Plan Implementation Order as it relates to the U.S. Sales Tax Issue have been met (and that all necessary and appropriate efforts and steps were taken); (ii) all of the potential sales tax liabilities that formed the basis of the State Sales Tax Liability Caps that were reserved for in the Sales Tax Reserve have been resolved; (iii) the Arctic Glacier Parties have no further liabilities in respect of same; and (iv) the Sales Tax Reserve is no longer required.

5.6 At the next appropriate attendance before the U.S. Court, it is the Monitor's intention to request the U.S. Court to release and discharge the Sales Tax Reserve, which would thereby result in the remainder of the Sales Tax Reserve being available for the payment of Administrative Reserve Costs in accordance with the Plan. As the funds held by the Monitor in the estate bank accounts in respect of the Administrative Costs Reserve, after providing for the Sales Tax Reserve, will be sufficient to satisfy the estates' anticipated disbursements during the requested Stay Period, the Monitor does not believe that earlier attendance before the U.S. Court to deal with the Sales Tax Reserve is necessary.

6.0 THE CLAIMS PROCESS

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

6.2 As last described in the Twenty-Third Report, the Plan provides for the establishment and administration of the Unresolved Claims Reserve. Including interest, the amount of the Unresolved Claims Reserve is currently approximately \$14.01 million, being the amount, including interest up to the Plan Implementation Date, of the McNulty Claim, which is the last remaining Unresolved Claim. The NYC Claim, which was also an Unresolved Claim as at the date of the Twenty-Second Report, has since been withdrawn and is described further below.

6.3 In accordance with the Plan, once all Unresolved Claims have been finally determined in accordance with the Claims Procedure Order and the Claims Officer Order and when all Proven Claim Amounts have been paid, any balance that remains in the Unresolved Claims Reserve will be deemed to be transferred to the Administrative Costs Reserve.

The McNulty Claim

6.4 As last reported in the Twenty-First Report dated April 27, 2015, the Monitor, on or about October 12, 2012, received a Proof of Claim from McNulty, a former employee of the Applicants, in the amount of \$13.61 million (the “**McNulty Claim**”). The McNulty Claim relates to litigation against the Applicants, Home City, Reddy Ice, Corbin, Knowlton, and Riley commenced by McNulty in 2008, pending in the Michigan Court (the “**McNulty Action**”).

6.5 In both the McNulty Action and the McNulty Claim, McNulty alleges, among other things, that the Defendants engaged in an unlawful conspiracy and enterprise with certain individuals and competing distributors of packaged ice to boycott his employment in the packaged ice industry. McNulty also alleges that the Defendants violated the Racketeer

Influenced and Corrupt Organizations Act, 18 U.S.C. § 1961 et seq., by blackballing him from finding employment in the packaged ice industry in retaliation for his cooperation with the authorities in their investigations of the industry, as well as allegedly offering McNulty bribes to stop cooperating with the government.

- 6.6 After consulting with the CPS on behalf of the Applicants, as required by the Claims Procedure Order, the Monitor issued a Notice of Disallowance with respect to the McNulty Claim on September 12, 2013. The Monitor disallowed the McNulty Claim in its entirety because the evidence available to the Monitor did not support McNulty's allegations.
- 6.7 On September 19, 2013, in accordance with the Claims Procedure Order, McNulty filed a Dispute Notice with the Monitor. On December 9, 2013, in response to a request by the Monitor, McNulty filed a revised Dispute Notice with the Monitor.
- 6.8 After exploring whether a consensual resolution could be reached, the Monitor, in consultation with the Applicants and McNulty's counsel, concluded that the dispute raised in the Dispute Notice was not settled within a satisfactory time period or in a satisfactory manner. In accordance with the Claims Officer Order, on November 22, 2013, the Monitor referred the McNulty Claim to a Claims Officer, the Honourable Jack Ground, for adjudication.

Judicially Assisted Dispute Resolution

- 6.9 The parties have sought the assistance of a neutral third party to explore settling the McNulty Claim. The parties asked the Canadian Court to provide a date for the parties to participate in a Judicially Assisted Dispute Resolution mediation session ("JADR"). The

JADR mediation occurred on April 29, 2015, in Winnipeg, with the assistance of a Judge of the Canadian Court in Winnipeg. As reported in the Twenty-Second Report, although the Arctic Glacier Parties, McNulty, the Monitor and their respective counsel attended the JADR, it did not lead to a settlement of the McNulty Claim.

Appearance in Canadian Court

- 6.10 Since the Dispute Notice was filed, the McNulty Claim has required the Monitor and the Arctic Glacier Parties to participate in hearings in three different venues. First, counsel for McNulty asked the Honourable Jack Ground to decline hearing the McNulty Claim and ultimately brought a motion in the Canadian Court seeking an Order (a) striking the appointment of the Honourable John D. Ground as a Claims Officer in respect of the McNulty Claim; and (b) requiring the Monitor to consult with McNulty and Arctic Glacier in determining an appropriate process for resolving the McNulty Claim (the “**McNulty Motion**”). The Canadian Court heard the McNulty Motion on November 25, 2014. On November 26, 2014, the Canadian Court dismissed the McNulty Motion. A transcript of the Canadian Court’s decision is available on the Website and was included as Appendix “E” to the Monitor’s Twenty-First Report.

Appearance in Michigan Court

- 6.11 Second, McNulty filed in the Michigan Court: (i) a Motion to Sever for an order permitting him to conduct discovery and proceed against the Non-Bankrupt Defendants; and (ii) a Sealed Motion to Amend for, among other things, leave to amend his complaint in the McNulty Action to revive claims against Corbin and Knowlton (the “**Corbin/Knowlton Claims**”) that were previously dismissed by the Michigan Court. For

the reasons described in more detail in paragraphs 4.2 to 4.6 of the Twenty-First Report, the Monitor held the view that McNulty's filing of the McNulty Michigan Motions violated the Plan, the Sanction Order, and the Recognition Order. The Arctic Glacier Parties opposed the McNulty Michigan Motions on a similar basis. The Arctic Glacier Parties also sought to dismiss the Corbin/Knowlton Claims (to the extent not already dismissed) as such claims were released under the Plan and to dismiss the claims against the Arctic Glacier Parties as such claims are being addressed through the Claims Procedure (the "**Arctic Michigan Motions**").

- 6.12 The McNulty and Arctic Michigan Motions were heard by the Michigan Court on December 9, 2015.
- 6.13 On February 8, 2016, the Michigan Court dismissed the McNulty Michigan Motions and granted the Arctic Michigan Motions. A copy of the Opinion and Order (i) Granting Arctic Glacier and Charles Knowlton's Motion to Dismiss (ECF No. 256); (ii) Denying Plaintiff's Motion to Amend Complaint (ECF No. 250); and (iii) Denying as Moot (a) Plaintiff's Motion to Sever Bankrupt Defendants (ECF No. 249) and (b) Plaintiff's Motion to Exclude Testimony of Monitor (ECF No. 276) is attached to this Twenty-Fourth Report as **Appendix "D"**.
- 6.14 As a result of this Order and prior Orders dismissing certain of McNulty's claims, the only claim remaining before the Michigan Court was McNulty's Claim against Home City. Home City brought a motion for summary judgment in respect of McNulty's claims which was granted by the Michigan Court in its opinion and order issued on August 17, 2016 (the "**Michigan Court Decision**"). The Michigan Court Decision,

which is attached as **Appendix “E”**, dismissed McNulty’s claim filed in the Michigan Court.

Appearances Before Claims Officer Ground

6.15 Third, the Arctic Glacier Parties, McNulty and the Monitor have engaged in multiple appearances in writing, by telephone and in person before Claims Officer Ground to address procedural issues. A summary of the Orders made by Claims Officer Ground in respect of the McNulty Claim is set out below:

- a) February 12, 2015: Claims Officer Ground released his first Order related to the timetable and procedure to be used in the Claims Adjudication Process;
- b) March 27, 2015: Claims Officer Ground ordered that the McNulty Claim would be adjudicated in two phases. If the Arctic Glacier Parties succeed on all issues in Phase 1, then the McNulty Claim will have been fully adjudicated, subject to any appeals. If the Arctic Glacier Parties do not succeed on all issues in Phase 1, then the Claims Adjudication will proceed to Phase 2. Phase 1 will focus solely on causation and, in particular, will resolve the following questions:
 - i. Assuming that the defendants McNulty originally sued (Arctic Glacier, Reddy Ice, Home City Ice, Joseph Riley, Keith Corbin, and Charles Knowlton) entered into a conspiracy to blackball him from employment in the packaged ice industry, can McNulty prove that his claimed injuries were caused by the alleged conspiracy?

- ii. After February 2005, assuming that Arctic Glacier offered to rehire McNulty and pay him a bonus on condition that he agree to stop working with the authorities or that he participate in market allocation, and did that condition cause him to be unable to accept Arctic Glacier's offer of employment?
 - iii. Did McNulty have a reasonable expectation of employment from a packaged ice company? If so, assuming that Arctic Glacier was aware of that expectancy, did Arctic Glacier take any step resulting in that expectation not being realized?
- c) April 27, 2015: Claims Officer Ground granted McNulty's motion for leave to amend his Claim by adding an antitrust claim. The order permitting the amended Complaint was made on May 6, 2015;
 - d) June 1, 2015: After hearing submissions of the parties, Claims Officer Ground amended the Timetable Order to resolve certain disputes about the scope of discovery;
 - e) August 31, 2015: After hearing submissions of the parties, Claims Officer Ground clarified each party's entitlement to serve further interrogatories, the timing of such service, and the approach to searching for documents;
 - f) February 19, 2016: On consent of the parties, Claims Officer Ground ordered that the Implied Undertaking Rule applies to all documents produced in the Claims Adjudication;

- g) May 9, 2016: Claims Officer Ground restated the Timetable Order. A copy of the May 9, 2016, Timetable Order is attached to this Twenty-Fourth Report as **Appendix “F”**;
- h) June 6, 2016: Claims Officer Ground ordered the parties to appear in Toronto for a hearing to resolve any issues outstanding related to the discovery process; and
- i) June 27, 2016: Claims Officer Ground made orders resolving the outstanding issues related to the discovery process as well as certain issues related to the evidence to be used to adjudicate Phase 1 of the McNulty Claim.

6.16 A telephonic case conference is scheduled to occur before Claims Officer Ground on September 16, 2016, to discuss and resolve any outstanding issues related to the steps outlined in the May 9, 2016, Timetable Order. The Timetable Order contemplates that Claims Officer Ground will receive all of the materials in respect of Phase 1 by December 3, 2016. The period of time Claims Officer Ground will require to consider the materials filed and release his decision is uncertain.

The City of New York Claim

6.17 As last described in the Twenty-Third Report, the Claim submitted by the City of New York (the “**NYC Claim**”) was for \$218,025 and was comprised of:

- general corporate taxes of \$60,750 in respect of the Applicant, Diamond Ice Cube Company Inc. (“**Diamond Ice**”); commercial rent tax of \$135,000 in respect of the Applicant, Arctic Glacier New York Inc.; and commercial motor vehicle tax

of \$1,620 in respect of Arctic Glacier Losquadro Inc., a predecessor company to the Applicant, Arctic Glacier New York Inc., all for the period January 1, 2008 to February 22, 2012;

- general corporate taxes of \$20,250 in respect of the Applicant, AGII for the period January 1 to February 22, 2012; and
- commercial motor vehicle taxes of \$405 in respect of Diamond Ice for the period June 1 to 20, 2009.

6.18 The City of New York, the Arctic Glacier Parties and the Monitor entered into a settlement agreement dated January 25, 2016 to fully and finally resolve the NYC Claim (the “**NYC Settlement Agreement**”).

6.19 The NYC Settlement Agreement provides, among other things, that the Monitor shall accept the NYC Claim in the aggregate amount of \$2,025 and that the City of New York shall have a Distribution Claim of \$2,093 (the “**NYC Distribution Claim**”). In accordance with the NYC Settlement Agreement, the NYC Distribution Claim has been paid by the Monitor on behalf of the Arctic Glacier Parties. The NYC Settlement Agreement provides that upon payment of the NYC Distribution Claim, the NYC Claim is deemed withdrawn and the City of New York will take no further action upon that Claim.

7.0 RECEIPTS AND DISBURSEMENTS SINCE THE TWENTY-THIRD REPORT

- 7.1 During the period from November 1, 2015 to August 12, 2016 (the “**Reporting Period**”), the Applicants had Canadian dollar net cash flows of approximately \$283,000 and U.S. dollar net cash outflows of approximately \$2.66 million.
- 7.2 Excluding transfers between the Monitor’s U.S. and Canadian dollar trust bank accounts, receipts during the Reporting Period were approximately CAD\$38,000 and \$49,700 and consisted of tax and insurance refunds and deposit interest.
- 7.3 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 \$1.1 million and Canadian dollar professional fees and expenses of approximately CAD\$1.4 million, 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 a remittance in the amount of CDN\$53,555 to CRA for source deductions, including interest and penalties in respect of certain payments made by the Monitor to a Trustee that the Trustee intends to dispute with CRA; the penalties and interest may be refunded to the estate if the Trustee succeeds in his dispute with CRA. Also included in disbursements are other expenses comprised of income taxes, payments to Taxing Authorities in respect of the U.S. Sales Tax Issue, fees paid to Directors and Trustees, certain settled Claim amounts, and disbursements of an administrative nature totaling approximately \$158,400 and CAD\$360,000.

- 7.4 As at August 12, 2016, the Monitor is holding approximately \$20.9 million and CAD\$544,000, all of which is being held in interest-bearing accounts in the name of the Monitor, on behalf of the Applicants.
- 7.5 As discussed in Paragraph 3.14 of this Twenty-Fourth Report, the Arctic Glacier Parties' insurer has confirmed coverage of the Brodski Complaint, subject to all terms and conditions of the insurance policy, including payment by the Arctic Glacier Parties of the Retention (deductible) amount and the insurer's reservation of rights.
- 7.6 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 August 12, 2016, are divided among the reserves and cash pools as follows: Unresolved Claims Reserve, approximately \$14.01 million; Insurance Reserve, approximately \$721,000; and Administrative Costs Reserve, approximately \$6.2 million, and CAD\$544,000.

8.0 THE STAY EXTENSION

- 8.1 Pursuant to the Initial Order and subsequent Orders of the Canadian Court, the Stay Period was granted and extended until September 30, 2016. The Monitor requests an extension of the Stay Period to April 21, 2017.
- 8.2 The Monitor believes that an extension of the Stay Period until April 21, 2017 is appropriate, as it will allow additional time for the Monitor, in consultation with the Applicants, to, among other things continue:
- a) implementing the steps contemplated by the Plan;

b) working towards a resolution of the McNulty Claim, the last remaining Unresolved Claim; and

c) working towards a resolution of the Brodski Proceeding.

8.3 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.

9.0 ACTIVITIES OF THE MONITOR

9.1 In addition to the activities of the Monitor described above, the Monitor's activities from the date of the Twenty-Third Report, being November 9, 2015, 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 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-Fourth 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 November Stay Extension Motion;
- attending the McNulty Michigan Motions and the Arctic Michigan Motions;
- arranging for the preparation and filing of extension requests in respect of the U.S. tax returns for the year ended December 31, 2015;
- arranging for the preparation and filing of the tax returns for the year ended December 31, 2015 for the Arctic Glacier Parties;
- preparing and filing various statutory returns in respect of deductions at source withheld, as required, from distributions made during 2015 to certain former employees and to the Directors/Trustees in respect of their Claims, as well as in respect of certain of the amounts distributed, as appropriate;
- 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; and
- preparing and filing monthly 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 30th day of August, 2016.

**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