

THE QUEEN'S BENCH

Winnipeg Centre

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

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

(collectively, the "APPLICANTS")

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

AFFIDAVIT OF KEITH MCMAHON,

SWORN MARCH 28, 2012

(Stay Extension)

DATE OF HEARING: TUESDAY, APRIL 3, 2012 AT 10 A.M.
BEFORE THE HONOURABLE MADAM JUSTICE SPIVAK

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HERETO (collectively, the "APPLICANTS")

AFFIDAVIT OF KEITH MCMAHON, SWORN MARCH 28, 2012 (Stay Extension)

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

1. I am the chief executive officer of the Applicant Arctic Glacier Inc. ("**AGI**"), and a director of AGI and the Applicant Arctic Glacier International Inc. As such, I have personal knowledge of the facts to which I depose.
2. In this affidavit, I will refer to the Applicants (which term includes the Additional Applicants listed on Schedule "A" hereto) and Glacier Valley Ice Company, L.P. collectively as "**Arctic Glacier**" or the "**Arctic Glacier Parties**". Capitalized terms that are not otherwise defined herein have the meaning ascribed to them in the Initial Order in these proceedings made by this Honourable Court on February 22, 2012 (the "Initial Order").

CCAA Orders and U.S. Recognition

3. In the Initial Order, the Court, among other things:
 - (a) granted a stay of proceedings as against the Arctic Glacier Parties (the "**Stay Period**") to March 23, 2012;
 - (b) authorized and empowered the Arctic Glacier Parties to obtain and borrow under a credit facility (the "**DIP Loan**") from their secured lenders (the "**Secured**

Lenders") in an amount not to exceed a combined total of C\$26 million and US\$24 million on terms set forth in a February 21, 2012 commitment letter (the "**Commitment Letter**"), and to execute and deliver definitive documents contemplated by the Commitment Letter (the "**Definitive Documents**");

- (c) directed the Arctic Glacier Parties to commence a Sale and Investor Solicitation Process attached to the Initial Order (the "**SISP**") for the purpose of offering the opportunity for potential investors to purchase or invest in the business and operations of the Arctic Glacier Parties as a going concern or to sponsor a Plan;
- (d) appointed Alvarez & Marsal Canada Inc. as the monitor (the "**Monitor**") and directed the Monitor to act as a foreign representative of the Arctic Glacier Parties and apply to the United States Bankruptcy Court for relief pursuant to Chapter 15 of the *United States Bankruptcy Code*;
- (e) approved the engagement of TD Securities Inc. as financial advisor (the "**Financial Advisor**") to the Arctic Glacier Parties and appointed 7088418 Canada Inc. o/a Grandview Advisors as Chief Process Supervisor (the "**CPS**"); and,
- (f) authorized the Arctic Glacier Parties (subject to the terms of and availability under the Commitment Letter and Definitive Documents) to pay reasonable expenses, including paying for goods or services supplied to an Arctic Glacier Party prior to the date of the Order, with the consent of the Monitor, and goods or services supplied to an Arctic Glacier Party following the date of the Order.

4. On February 23, 2012, the United States Bankruptcy Court for the District of Delaware (the "**US Bankruptcy Court**") entered an Order under Chapter 15 of title 11 of the United States Code granting provisional relief upon a motion by the Monitor, in its capacity as foreign representative of the Applicants, for an order recognizing and enforcing the Initial Order in the United States on a provisional basis (the "**US Provisional Relief Order**").

5. On March 15, 2012, the CCAA Court granted an extension of the Stay Period to April 5, 2012.

6. On March 16, 2012, the Honourable Kevin Gross of the US Bankruptcy Court granted the Monitor's petitions for recognition of these CCAA proceedings as a foreign main proceeding and for enforcement of the Initial Order in the United States on a final basis (the "**US Recognition Order**"). The Recognition Order was made after considering and dismissing objections filed by certain plaintiffs involved in class action litigation against Arctic Glacier; subsequently, such parties filed a Notice of Appeal in the Chapter 15 proceedings. Attached hereto as **Exhibit "A"** is a copy of the US Recognition Order.

7. Among other things, the US Bankruptcy Court found or ordered as follows in the US Recognition Order:

- (a) The Monitor is the duly appointed "foreign representative" of the Arctic Glacier Parties;
- (b) The Arctic Glacier CCAA proceeding is a "foreign proceeding" entitled to recognition by the US Bankruptcy Court;
- (c) Canada is the centre of main interest of each Arctic Glacier Party and, accordingly, the CCAA proceeding is a "foreign main proceeding";
- (d) The DIP Loan and the DIP Charge created in the Initial Order are granted comity and given full force and effect in the United States to the same extent they are given effect in Canada, and the Arctic Glacier Parties are authorized to borrow up to US\$24 million and C\$26 million in accordance with the Commitment Letter or Definitive Documents;
- (e) The Initial Order, including any extensions, amendments or modifications thereto, is enforced on a final basis and given full force and effect in the United States; and
- (f) A stay of proceedings against the assets of the Arctic Glacier Parties, effective in the United States, is granted.

DIP Loan

8. The DIP Loan was structured in two stages: 1) availability up to US\$10 million and C\$15 million was permitted in Stage 1, which commenced after the Initial Order was obtained; 2) an additional US\$14 million and C\$11 million was made available in Stage 2, which commenced when the Stage 2 conditions were met, including entry of the US Recognition Order.

9. The Stage 2 conditions were met and AGII was deemed to be a borrower under the DIP Loan on March 16, 2012 when the US Recognition Order was entered.

10. On March 20, 2012, the parties formally entered into Definitive Documents, including a DIP Credit Agreement, in accordance with the DIP Term Sheet and the Initial Order. A copy of the DIP Credit Agreement, excluding schedules, is attached hereto as **Exhibit "B"**.

SISP

11. The SISP was commenced shortly after the Initial Order was obtained. Arctic Glacier has been working with the Financial Advisor, CPS and the Monitor to implement the SISP since that time.

12. Participants in the SISP are required to submit non-binding letters of intent ("LOIs") to the Financial Advisor by 5:00 p.m. CT on March 28, 2012 (the "**Phase 1 Bid Deadline**"). At the time of swearing this affidavit, that deadline has not yet occurred; however, based on the level of interest among potential bidders, Arctic Glacier expects to receive several LOIs by the Phase 1 Bid Deadline.

13. The SISP provides that the Monitor, in consultation with the Financial Advisor, the CPS and Arctic Glacier, will assess the "Qualified" LOIs received by the Phase 1 Bid Deadline within 5 business days or such later date as may be determined. Then, if the Monitor, in consultation with the Financial Advisor, the CPS and Arctic Glacier, determines there is a reasonable prospect of obtaining a Qualified Bid (as defined in the SISP), the Monitor will recommend to the Special Committee that the SISP continue for a further 45 days, which can be extended an additional 15 days pursuant to the SISP. This additional time period is described as "Phase 2" in the SISP.

Activities Post Initial Order: Stay Extension is Appropriate

14. In keeping with its obligations and consistent with the conduct described in my affidavit of March 9, 2012, Arctic Glacier has acted and is continuing to act in good faith and with due diligence in these CCAA proceedings including that it, among other things, has:

- (a) continued to operate the business and pay for goods and services in the normal course with the benefit of the stay of proceedings and the DIP Loan, which have

provided stability to the business and alleviated the liquidity crisis that Arctic Glacier had faced at the time of filing the application for the Initial Order;

- (b) continued to communicate and work with stakeholders, with the benefit of the public support of the Secured Lenders and other stakeholders, coupled with the court supervision of the SISP;
- (c) been working closely with the Financial Advisor, CPS and Monitor in relation to the SISP;
- (d) worked with the Monitor to obtain the US Recognition Order and respond to objections in the US to the Chapter 15 recognition;
- (e) negotiated and entered into Definitive Documents with the Secured Lenders in accordance with the Commitment Letter;
- (f) operated within the terms and borrowing limits of the DIP Loan; and,
- (g) confirmed the participation of key employees in the KERP.

15. The stay of proceedings is essential for continued operations of the business and for the Arctic Glacier Parties to develop and implement a restructuring of the business, pursue the SISP and satisfy or arrange its obligations to creditors.

16. An extension of the Stay Period to June 15, 2012 is necessary and appropriate in the circumstances, in particular to allow the Arctic Glacier Parties to continue to implement the SISP in accordance with the Initial Order. If Qualified LOIs are received by the Phase 1 Bid Deadline, the Monitor, in consultation with the Financial Advisor, the CPS and Arctic Glacier, will have 5 business days to consider the LOIs. Additional time may be needed to present the LOIs to the Special Committee. Then, if the Monitor recommends continuing the SISP, a further 45 to 60 days will be required for Phase 2 of the SISP. This process, therefore, will take somewhere between 52 and 67+ days to complete. The requested extension of the Stay Period would continue the stay until shortly after Phase 2 of the SISP is completed.

17. Extending the Stay Period beyond the anticipated time to complete Phase 2 would not only be helpful to allow the parties to focus on the process but also would be cost-effective in that the parties would only return to Court before the expiry of the extended Stay Period if circumstances arose that required Court direction. For these reasons, I believe an extension of the Stay Period to June 15, 2012 is appropriate.

18. As set out in my affidavit sworn February 21, 2012 in support of the application for the Initial Order, and as indicated in updated cash flow projections to be provided to this Honourable Court with the Second Report of the Monitor, the Arctic Glacier Parties, with the DIP Loan financing and based on the said updated projections, have sufficient working capital to fund operations during these proceedings to at least June 29, 2012. Arctic Glacier has already received funds pursuant to the DIP Loan and has sufficient working capital to operate during the requested extension of the Stay Period.

19. The Monitor and Secured Lenders have each expressed their support for the extension of the Stay Period to June 15, 2012.

20. I swear this affidavit in support of the Applicants' request for an extension of the Stay Period and for no other or improper purpose.

SWORN BEFORE ME at The City)
of Winnipeg, in the Province of)
Manitoba, this 28th day of March,)
2012.)
)
)



A Notary for and in the Province of
Manitoba



KEITH MCMAHON

SCHEDULE A – ADDITIONAL APPLICANTS

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