

**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")**

**TWELFTH REPORT OF THE MONITOR
ALVAREZ & MARSAL CANADA INC.
JUNE 10, 2013**

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1.0 INTRODUCTION

- 1.1 Pursuant to an order of The Court of Queen's Bench (Winnipeg Centre) (the "**Court**") dated February 22, 2012 (the "**Initial Order**"), Alvarez & Marsal Canada Inc. 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, and including Glacier Valley Ice Company L.P., the "**Applicants**") 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**".
- 1.2 The Monitor has previously filed eleven reports with this Honourable Court. Capitalized terms not otherwise defined in this report (the "**Twelfth Report**") are as defined in the orders previously granted by, or in the reports previously filed with, this Honourable Court by the Monitor.
- 1.3 The Sale Transaction for substantially all of the Applicants' business and assets closed effective 12:01 a.m. on July 27, 2012 (the "**Closing**"). As a result of the Sale Transaction, the business formerly operated by the Applicants is now being carried on by the Purchaser. Accordingly, and in anticipation of the Closing, the Applicants sought and obtained the Transition Order dated July 12, 2012 (the "**Transition Order**"). Among other things, the Transition Order provides that, on and after the Closing, the Monitor is empowered and authorized, to take such additional actions and execute such documents, in the name of and on behalf of the Applicants, as the Monitor considers necessary in

order to perform its functions and fulfill its obligations as Monitor, or to assist in facilitating the administration of these CCAA Proceedings.

- 1.4 As a result of the successful completion of the Sale Transaction, the Monitor is holding significant funds for distribution. Accordingly, in the Sixth Report, the Monitor recommended a claims process to identify and determine the claims of creditors of the Applicants (the “**Claims Process**”).
- 1.5 On September 5, 2012, this Honourable Court issued an order approving 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. The U.S. Court recognized the Claims Procedure Order by Order dated September 14, 2012. A copy of the Claims Procedure Order is attached as **Appendix “B”**.
- 1.6 The Claims Procedure Order contemplated a further order of the Court to provide an appropriate process for resolving disputed Claims. Accordingly, on March 7, 2013, this Honourable Court issued an order (the “**Claims Officer Order**”) which, among other things:
 - i. appointed Mr. Dave Hill and the Honourable Jack Ground, and such other persons as may be appointed by the Court from time to time on application of the Monitor, in consultation with the Arctic Glacier Parties, as Claims Officers for the claims resolution procedure described therein;

- ii. authorized the appointment by the Monitor of further Claims Officers to deal with a specific Claim or DO&T Claim, with the consent of the Arctic Glacier Parties and the Creditor asserting the Claim, to resolve such Creditor's disputed Claim(s) and/or DO&T Claim(s);
- iii. provided Claims Officers with the exclusive authority to determine the validity and value of disputed Claims, including, determining questions of law, fact and mixed law and fact, and all procedural matters which may arise in respect of a Claims Officer's determination of disputed Claims; and
- iv. provided that, in the event that a dispute raised in a Notice of Dispute is not settled within a time period or in a manner satisfactory to the Monitor, in consultation with the Applicants and the applicable Creditor, the Monitor shall refer the dispute raised in the Notice of Dispute to either a Claims Officer or to the Court.

1.7 A copy of the Claims Officer Order is attached as **Appendix "C"**.

1.8 The stay of proceedings set out in the Initial Order (the "**Stay**"), as extended by subsequent orders, expires on June 14, 2013 (the "**Stay Period**").

1.9 The purpose of this Twelfth Report is to:

- a) Provide information in support of the Monitor's motion returnable June 13, 2013 seeking an extension of the Stay Period to September 30, 2013 (the "**Stay Extension Motion**"); and

- b) Provide an update in respect of matters relating to the Applicants' estates, including the Claims Process, since the Tenth Report dated March 5, 2013 (the "**Tenth Report**"), attached, without appendices, as **Appendix "D"**.

1.10 Further information regarding these proceedings can be found on the Monitor's website at <http://www.alvarezandmarsal.com/arcticglacier>.

2.0 TERMS OF REFERENCE

2.1 In preparing this Twelfth Report, the Monitor has necessarily relied upon unaudited financial and other information supplied, and representations made, by certain former senior management of Arctic Glacier ("**Senior Management**"). Although this information has been subject to review, the Monitor has not conducted an audit or otherwise attempted to verify the accuracy or completeness of any of the information of the Applicants. Accordingly, the Monitor expresses no opinion and does not provide any other form of assurance on or relating to the accuracy of any information contained in this Twelfth Report, or otherwise used to prepare this Twelfth Report.

2.2 Certain of the information referred to in this Twelfth Report consists of financial forecasts and/or projections or refers to financial forecasts and/or projections. An examination or review of financial forecasts and projections and procedures, in accordance with standards set by the Canadian Institute of Chartered Accountants, has not been performed. Future-oriented financial information referred to in this Twelfth Report was prepared based on estimates and assumptions provided by Senior Management. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, and such variations could be material.

2.3 The information contained in this Twelfth Report is not intended to be relied upon by any investor in any transaction with the Applicants or the units of AGIF.

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

3.0 THE CLAIMS PROCESS

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

Summary of Claims Received

3.2 In the Tenth Report, the Monitor reported having received 77 Proofs of Claim, including the Deemed Proven Claims of the DOJ and the Direct Purchaser Claimants, and also reported having received 4 DO&T Proofs of Claim.

3.3 Since the date of the Tenth Report, the Monitor has received 3 additional Proofs of Claim asserting Claims against the Applicants totalling approximately \$200,000. One of the additional Proofs of Claim was filed by a government agency and was subsequently disallowed in its entirety as the amount claimed had already been paid in the ordinary course. The second additional Proof of Claim, in the amount of \$456, was also filed by a government agency. The third additional Proof of Claim, in the amount of \$200,000, is a Claim that appears to be covered by the Applicants' insurance policies.

3.4 The Monitor notes that 21 Proofs of Claim were received after the Claims Bar Date (12 litigation Claims that appear to be covered by insurance and 9 Claims from government agencies). Pursuant to Paragraph 5 of the Claims Procedure Order, the Monitor, in its reasonable discretion, may waive strict compliance with the requirements of the Claims

Procedure Order, including in respect of the time of delivery. The Monitor continues to evaluate Proofs of Claim received after the Claims Bar Date.

- 3.5 The Claims against the Arctic Glacier Parties received by the Monitor are summarized, by category, in the table below.

THE ARCTIC GLACIER PARTIES - PROOF OF CLAIM SUMMARY		
	Claims Received	
	Claim Amount (\$000's) (note 1)	No. of Claims
Claims from current and former management (primarily regarding Change of Control Bonuses)	10,203	8
Claims from current and former Board members (primarily regarding Change of Control Bonuses)	3,835	7
Claims from litigation claimants potentially covered by insurance	8,187	25
Claims from litigation claimants not covered by insurance	479,188	3
Claims from government agencies (excluding CRA and IRS)	2,658	24
Canada Revenue Agency marker claim	-	1
Internal Revenue Service marker claim	-	1
Indemnity claims - antitrust litigation	-	3
DOJ Deemed Proven Claim	7,032	1
Direct Purchasers' Deemed Proven Claim	10,000	1
Other Claims	25,322	6
Grand Total	546,425	80
Note 1 - Amounts shown are combined US\$ and CDN\$ (blended currency) and assume a US\$/CDN\$ exchange rate at par.		

- 3.6 Of the 80 Claims summarized in the above table, 9 Claims, in the collective amount of approximately \$128,000, have been withdrawn by the respective Claimants. In addition,

the Monitor has issued 19 Notices of Revision or Disallowance (the “**Notices of Disallowance**”). One of the Notices of Disallowance disallowed the Indirect Purchaser Claim filed in the amount of “at least” \$464.58 million in its entirety. A second Notice of Disallowance revised the Peggy Johnson Claim to \$33,958.30. The remaining 17 Notices of Disallowance disallowed Claims totalling \$66,589 in their entirety.

3.7 Pursuant to the Claims Procedure Order, Claimants may file a Notice of Dispute within 21 Calendar Days following deemed receipt of a Notice of Disallowance (the “**Dispute Period**”). The Dispute Period for 13 of the 19 Notices of Disallowance has expired with no Notice of Dispute having been received. As such, 22 of the Proofs of Claim received in the Claims Process, totalling approximately \$157,000, have been either withdrawn or disallowed on a final basis.

3.8 A summary of the current status of the administration of the Claims Process is set out in the table below.

THE ARCTIC GLACIER PARTIES - STATUS OF CLAIM PROCESS		
	Claims Received	
	Claim Amount (\$000's) (note 1)	No. of Claims
Deemed Proven Claims	17,032	2
Accepted Claims	451	2
Proven Claims	17,483	4
Claims withdrawn	128	9
Disallowed Claims, Dispute Period expired	29	13
Claims Withdrawn or Disallowed on a Final Basis	157	22
Claims entirely disallowed, Notice of Dispute received	463,578	1
Claims partially disallowed, Notice of Dispute received	12,296	2
Disputed Claims	475,874	3
Claims Disallowed, Dispute Period not yet expired	376	3
Claims for which Notices of Disallowance drafted and sent to insurance adjuster for confirmation	3,937	7
Other Claims that appear to be covered by insurance	3,851	11
Outstanding Insurance Claims	7,788	18
Change of Control Claims	14,038	15
Outstanding government Claims	2,549	6
Indemnity Claims - antitrust litigation	-	3
Litigation and other Claims	28,160	4
CRA and IRS marker Claims	-	2
Other Claims	30,709	15
Grand Total	546,426	80
Note 1 - Amounts shown are combined US\$ and CDN\$ (blended currency) and assume a US\$/CDN\$ exchange rate at par.		

3.9 As discussed in paragraph 3.10 of the Tenth Report, many of the Proofs of Claim received did not assert a specific dollar value and/or stated that the Claim is an estimate and is subject to revision. The Monitor continues to investigate these issues as part of its overall review and potential resolution and settlement of the Claims. As such, the amounts of the Proofs of Claim received set out in the table above are subject to further refinement and revision.

Significant Claims

- 3.10 The more significant Claims against the Arctic Glacier Parties received by the Monitor are summarized in the table below and discussed further herein.

Significant Proofs of Claim Filed Against the Arctic Glacier Parties	
	Amount of Claim (\$000's) (Note 1)
Canadian Direct Purchasers	2,000
Martin McNulty	13,610
Indirect Purchaser Claimants	463,580
Desert Mountain	12,500
Peggy Johnson (note 2)	12,259
Change of Control Claims	14,038
TOTAL	517,987

Note 1 - Amounts shown are combined US\$ and CDN\$ (blended currency) and assume a US\$/CDN\$ exchange rate at par.

Note 2 - As set out below, Ms. Johnson has delivered a Notice of Dispute that does not provide a liquidated Claim amount and states that the amount of the Claim is "to be determined upon full disclosure". The amount of Ms. Johnson's Claim in the table above remains unchanged from the Tenth Report where it was noted that the actual Claim filed by Ms. Johnson appears to be significantly greater than the face amount set out on the Proof of Claim.

The Canadian Direct Purchaser Claim

- 3.11 On March 7, 2013, the Court made an Order in respect of a motion brought by the Applicants for certain relief in respect of the Canadian Direct Purchaser Claim. The March 7, 2013 Order provides, among other things, that:

- i. the Chief Process Supervisor ("CPS") is authorized to enter into a settlement agreement on behalf of AGI with respect to the pending class actions against AGI that form the basis of the Canadian Direct Purchaser Claim;

- ii. the Stay against AGI is lifted solely for the purpose of allowing the parties to take such steps as are necessary to complete the settlement; and
- iii. should the settlement be approved by the Ontario Superior Court of Justice where the underlying litigation was commenced (the “**Ontario Court**”), the Canadian Direct Purchaser Claim will be deemed to be accepted, as filed, in the amount of CDN\$2 million. A copy of the March 7, 2013 Order of the Court in respect of the Canadian Direct Purchaser Claim is attached as **Appendix “E”**.

3.12 As set out in paragraph 33(c) of the Claims Procedure Order, any resolution of a Class Claim filed in the Claims Process is subject to approval of the court of competent jurisdiction over the Class Claim. Therefore, the Monitor understands that counsel for the Canadian Retail Litigation Claimants who filed the Canadian Direct Purchaser Claim will soon be bringing a motion before the Ontario Court seeking an Order, among other things, approving a Notice to be sent to class members with respect to a subsequent settlement approval hearing and certifying the proposed class for settlement purposes.

Claim Submitted by Martin McNulty

3.13 As set out in paragraphs 3.16 through 3.18 of the Tenth Report, the Monitor has received a Proof of Claim from Martin McNulty, a former employee of the Applicants, in the amount of \$13.61 million (the “**McNulty Claim**”). The McNulty Claim relates to outstanding litigation against the Applicants, Reddy Ice, Home City and certain former employees of the Applicants, pending in the Michigan Court.

3.14 In order to evaluate the McNulty Claim, the Monitor requires access to certain information and materials subject to protective orders issued by the Michigan Court.

3.15 On April 30, 2013, the Monitor's motion to intervene in the McNulty litigation was filed, along with a joint motion of the Monitor and the Applicants to modify the necessary protective orders. The combined effect of these motions is to seek the Michigan Court's authority for the Monitor (and its outside counsel), any Claims Officer, the CPS, and this Court, if necessary, to view the information subject to protective orders in the McNulty litigation (collectively, the "**McNulty Motions**"). On June 4, 2013, the Michigan Court granted the relief requested in the McNulty Motions.

3.16 Once it has had an opportunity to review the information subject to the protective orders, the Monitor expects to file a Notice of Disallowance in respect of the McNulty Claim.

Indirect Purchaser Claim

3.17 As set out in paragraph 3.19 of both the Eighth and the Tenth Reports, the putative class representative for the Indirect Purchaser Claimants filed the Indirect Purchaser Claim in the amount of "at least" \$463.58 million. This Class Claim states that it is filed on behalf of a class of U.S. retail purchasers of packaged ice who are located in sixteen (16) different states. It is based on an alleged conspiracy between certain of the Applicants, Reddy Ice and Home City with respect to the market allocation of the sale of packaged ice.

3.18 As set out in paragraphs 3.22 through 3.27 of the Tenth Report, the Monitor and the Applicants have engaged in mediation with the Indirect Purchaser Claimants and the Monitor has issued a comprehensive Notice of Disallowance concerning this Class Claim. The Monitor received a Notice of Dispute from the Indirect Purchaser Claimants on March 4, 2013. Additionally, prior to the filing of the Tenth Report, the Indirect Purchaser Claimants indicated to the Monitor that in order to better estimate their

damages and to obtain sufficient information to participate in the Claims Process, they require, among other things, information previously filed in cases in certain U.S. Courts that is subject to certain protective orders.

- 3.19 Since the filing of the Tenth Report, the Monitor, the Applicants and the Indirect Purchaser Claimants negotiated and entered into the Stipulation By and Between the Monitor, the Debtors, and Wild Law Group Granting Partial and Limited Relief from the Automatic Stay to Proceed with Certain Discovery, dated April 22, 2013 (the “**IPC Stipulation**”). A copy of the IPC Stipulation (without exhibits), as entered by the U.S. Court on April 23, 2013, is attached as **Appendix “F”**.
- 3.20 Pursuant to the IPC Stipulation, the Monitor, the Applicants and the Indirect Purchaser Claimants agreed that, subject to approval by the U.S. Court, the stay imposed pursuant to the U.S. Bankruptcy Code would be lifted to the extent necessary and for the sole purpose of permitting the Indirect Purchaser Claimants to file and/or join certain discovery motions attached to the IPC Stipulation (collectively, the “**Discovery Motions**”). The specific relief requested in the Discovery Motions is summarized below.
- *Joint Motion for Equal Access to the U.S. Government’s Tape Recordings and Transcripts:* The Monitor, the Applicants and the Indirect Purchaser Claimants jointly filed a motion (the “**Motion for Equal Access**”) requesting that the Michigan Court grant access to the Monitor (and its outside counsel), the Indirect Purchaser Plaintiffs (and their counsel), the CPS, the Special Claims Officer and this Court, if necessary, to certain tape recordings and transcripts that have been previously produced by the DOJ to the Direct Purchaser Claimants and the Applicants.

- *Joint Motion to Modify the Protective Orders:* The Monitor, the Applicants and the Indirect Purchaser Claimants jointly filed a motion (the “**Motion to Modify PIAL Protective Orders**”) requesting that the Michigan Court enter two orders: (a) an order modifying a stipulated protective order concerning the confidentiality of discovery materials to allow the Monitor (and its outside counsel), the Special Claims Officer, the CPS, and this Court, if necessary, to have access to confidential information produced in the packaged ice antitrust litigation (the “**PIAL**”); and (b) an order modifying the Michigan Court’s previous protective order concerning tape recordings and transcripts so that the recordings and transcripts may be disclosed to the Monitor (and its outside counsel), the Special Claims Officer, the CPS and this Court, if necessary.
- *Downward Departure Motions:* The IPC Stipulation permits the filing of four (4) motions in the United States District Court for the Southern District of Ohio seeking to unseal information filed with that Court relating to the DOJ investigation of the packaged ice industry.
- *Motion to Unseal Search Warrant Affidavit:* The IPC Stipulation also permits the Indirect Purchaser Claimants to file a motion requesting that the United States District Court for the Northern District of Texas unseal an affidavit in support of a search warrant authorizing a search of Reddy Ice’s Dallas, Texas headquarters.

3.21 In order to join certain of the Discovery Motions and be heard in the PIAL, a motion was filed on behalf of the Monitor (the “**Motion to Intervene in Packaged Ice Antitrust Litigation**”) seeking the Michigan Court’s authority to intervene in the PIAL.

- 3.22 On April 30, 2013, U.S. counsel for the Applicants, with the consent of the Monitor and the Indirect Purchaser Claimants, filed the Motion for Equal Access, the Motion to Modify PIAL Protective Orders, and the Motion to Intervene in Packaged Ice Antitrust Litigation (collectively, the “**Filed Michigan Court Motions**”) with the Michigan Court.
- 3.23 The Michigan Court granted the relief requested in the Filed Michigan Court Motions on June 4, 2013.
- 3.24 Finally, in accordance with paragraph 47 of the Claims Procedure Order, the Monitor, the Applicants and the Indirect Purchaser Claimants have been working together to identify a Special Claims Officer to be appointed to adjudicate the Indirect Purchaser Claim. The parties have agreed on a suitable candidate and are in the process of providing information about the matter to the candidate so that such candidate can determine whether to accept the appointment.

The Desert Mountain Claim

- 3.25 As described in previous Monitor’s Reports, Desert Mountain is the Applicants’ former landlord for a facility located in Tolleson, Arizona. Desert Mountain has submitted a Proof of Claim and a DO&T Proof of Claim in the Claims Process (collectively, the “**Desert Mountain Claim**”). The Desert Mountain Claim seeks payment of \$12.5 million, plus certain other amounts, pursuant to a purchase option contained in the Arizona Lease. Desert Mountain has also filed a motion in the CCAA Proceedings claiming such payment from either the Purchaser and/or the Applicants. The Monitor’s Ninth Report dealt exclusively with the Desert Mountain Claim, the Desert Mountain motion and the Arizona Lease.

- 3.26 Scheduling of the Desert Mountain motion was addressed by the Court at the March 7, 2013 Stay extension court hearing. At that time, the Court suggested that it may be beneficial to the parties involved in the Desert Mountain motion to participate in a judicial mediation of the dispute by accessing Manitoba's Judicially Assisted Dispute Resolution (JADR) program. At the March 7, 2013 court hearing, the Monitor indicated its support for the parties participating in JADR.
- 3.27 In order to move the Desert Mountain motion forward towards a potential mediation, counsel for the Monitor contacted counsel for the Applicants, the Purchaser and Desert Mountain to attempt to obtain agreement on a JADR process. As a result of discussions among the parties and the Court, a judicial mediation before the Honourable Mr. Justice Martin has been scheduled for June 19 and 20, 2013. Further, should the mediation not result in a consensual resolution of the matter, the hearing of the Desert Mountain motion is scheduled for December 2-5, 2013.

Claim Submitted by Peggy Johnson

- 3.28 The Monitor provided a description of the three separate but interrelated components of the Johnson Claim in paragraph 3.30 of the Tenth Report.
- 3.29 On April 12, 2013, after consulting with the Applicants as required by the Claims Procedure Order, the Monitor issued a Notice of Disallowance with respect to the Johnson Claim. The Monitor revised the Johnson Claim to \$33,958.30, solely in relation to the Claim for royalties allegedly owing in respect of sales by the Applicants of certain products sold under the trade name "Arctic Glacier" for the years 2000 to 2012 inclusive. The Monitor entirely disallowed the components of the Johnson Claim related to the

purported termination of a royalty agreement and the purported extinguishment of a license.

3.30 On May 2, 2013, in accordance with the Claims Procedure Order, Ms. Johnson provided a Notice of Dispute in response to the Monitor's Notice of Disallowance. In the Notice of Dispute, Ms. Johnson provided additional information in support of her Claim that the Monitor is in the process of reviewing with the Applicants. In addition, the Notice of Dispute states that the amount of the Johnson Claim is "to be determined upon full disclosure".

3.31 The primary issue set out in the Proof of Claim, Notice of Disallowance and Notice of Dispute in respect of the Johnson Claim appears to be whether any retail royalties are payable to Ms. Johnson that relate to the sale of packaged ice by the Applicants. The Monitor and the Applicants are of the view that any retail royalties are only payable to Ms. Johnson on sales of bottled water. Ms. Johnson is of the view that retail royalties are payable on both the sales of bottled water and sales of packaged ice.

3.32 In accordance with the Claims Procedure Order and the Claims Officer Order, the Monitor intends to explore whether a consensual resolution to the Johnson Claim can be achieved. Should a consensual resolution not be achievable in the near term, the Monitor intends to refer the dispute raised in Ms. Johnson's Notice of Dispute to a Claims Officer.

Claims Submitted for Change of Control Bonuses

3.33 The Management Change of Control Bonuses and the Board Change of Control Bonuses were previously described in paragraphs 3.32 and 3.33 of the Tenth Report wherein the

Monitor described its review of those Claims and noted that it had requested certain additional documents from the Applicants beyond those already provided.

3.34 Since the date of the Tenth Report, the Monitor has attended at the offices of the Corporate Secretary of the Applicants to review the additional documentation provided by the Applicants. The Monitor has now completed that review.

3.35 After reviewing this additional information, the Monitor has engaged in without prejudice discussions with counsel for the Trustees and Directors of the Applicants and the Corporate Secretary. It is the Monitor's view that the discussions that have occurred to date have been productive and the Monitor is hopeful that a consensual resolution of the Change of Control Claims filed by the Trustees, Directors and the Corporate Secretary will be reached.

3.36 The Monitor has engaged in separate, without prejudice, discussions with counsel for the majority of the management claimants. It is the Monitor's view that the discussions that have occurred to date have been productive and the Monitor is hopeful that a consensual resolution of the Change of Control Claims filed by former Senior Management of the Applicants will be reached.

3.37 It remains the Monitor's intention to file a separate report with this Honourable Court in the near term that will include the Monitors' comprehensive analysis of the Change of Control Claims and the Monitor's conclusions in respect of same.

Claims Submitted by the CRA and the IRS

- 3.38 As set out in the Tenth Report, the CRA and the IRS have filed “marker claims” in the Claims Process. These Claims have yet to be quantified, pending the completion and filing of the Applicants’ 2012 tax returns.
- 3.39 The Monitor’s Eleventh Report to Court dated March 27, 2013 (the “**Eleventh Report**”), attached without appendices as **Appendix “G”** dealt exclusively with tax related matters.
- 3.40 As described in the Eleventh Report, on March 15, 2013, the Monitor filed requests for extensions to file the Applicants’ U.S. corporate tax returns (the “**U.S. Tax Extensions**”), which extended the deadline to file such tax returns to September 15, 2013. For the U.S. Tax Extensions to be valid, 90% of the Applicants’ tax obligations for the 2012 tax year were also required to be paid by March 15, 2013. Accordingly, on behalf of the Applicants, the Monitor remitted payments to the various U.S. taxing authorities, as appropriate, totalling approximately \$9.3 million. These payments were based on estimated calculations of the Applicants’ U.S. tax obligations for 2012 provided to the Monitor by KPMG which estimated the Applicants’ combined U.S. tax obligations to be approximately \$7.9 million (the “**U.S. Tax Estimate**”). The actual payments made by the Monitor were made after consultation with KPMG and the Applicants and were higher than the U.S. Tax Estimate due to the preliminary nature of the U.S. Tax Estimate.
- 3.41 The Eleventh Report also described that, after taking into account tax losses available to the Canadian Applicants from prior years, KPMG estimated the corporate and trust tax obligations of the Canadian Applicants to be nil (the “**Canadian Tax Estimate**”). The Canadian trust return for AGIF was filed on March 31, 2013 when due and the Canadian corporate tax return for AGI is due on June 30, 2013.

- 3.42 Since the date of the Eleventh Report, the Monitor has continued to consult with KPMG to refine the U.S. Tax Estimate and the Canadian Tax Estimate in order to finalize the necessary tax returns. This has included assisting KPMG in the characterization of the various types of professional fees and other expenses incurred by the Applicants. This work and the valuation services described in the Eleventh Report have now been completed and KPMG has therefore advised that it anticipates that the Canadian corporate tax return for AGI will be completed by June 14, 2013 and that the U.S. tax returns will be completed by July 15, 2013. Based on refinements made to the characterization of certain expenses, the Monitor has been advised by KPMG that there will likely be taxes payable in Canada in the amount of approximately CDN\$600,000.
- 3.43 After the Applicants' 2012 tax returns have been completed and filed, the Monitor intends to immediately initiate a dialogue with the CRA and the IRS to request that they quantify and resolve the Tax Claims as soon as possible.

Insurance Matters

- 3.44 The Claims Procedure Order provides that Claims covered by the Applicants' insurance policies or for which payment is made through the Applicants' insurance policies shall not be recoverable against the Applicants or the Directors, Officers or Trustees in the Claims Process. Out of an abundance of caution and to ensure that all potential Claimants have received a Proof of Claim Document Package, the Monitor sent Proof of Claim Document Packages to all parties who the Applicants' insurance broker and insurers advised had open claims against the Applicants' liability and workers' compensation insurance policies.

- 3.45 Parties continue to file claims against the Applicants' insurance policies in relation to the period prior to Closing. The Monitor has continued to send a Proof of Claim Document Package to any newly identified potential Claimant and has provided 30 days for each potential Claimant to submit a Proof of Claim in the Claims Process, should they choose to do so. In light of the time period that has passed since the Claims Bar Date, and since these new potential Claimants are being identified by the Applicants' insurers, the Monitor does not propose to send Proof of Claim Document Packages to any further parties identified by the Applicants' insurers.
- 3.46 To date, 25 Proofs of Claim totalling approximately \$8.2 million have been filed by Claimants who were sent Proof of Claim Document Packages based on information provided to the Monitor by the Applicants' insurance broker or insurers. Of these Claims, 5 have been withdrawn or disallowed on a final basis. Two additional Notices of Disallowance have been sent to Claimants denying their claims on the basis that they are covered by insurance. The Dispute Period has yet to expire in respect of these two Notices. In addition, based on discussions with the relevant insurance adjusters, the Monitor intends to issue Notices of Disallowance to disallow a further 7 of these Claims, totalling approximately \$3.9 million, which the Monitor understands are covered by insurance. The Monitor has provided these 7 Notices of Disallowance to the respective insurance adjusters for review and is awaiting comments from the adjusters prior to finalizing and sending out these Notices of Disallowance to the respective Claimants.
- 3.47 The remaining 11 Claims in this category also appear to be covered by insurance and would therefore be excluded from the Claims Process pursuant to the terms of the Claims Procedure Order. The Monitor is in the process of seeking confirmation from the

Applicants' insurers that these Proofs of Claim are covered by insurance and, once obtained, will respond to the Claimants pursuant to the terms of the Claims Procedure Order.

- 3.48 The Monitor has communicated with the Applicants' insurance broker with respect to establishing an insurance deductible reserve to ensure that the run-off of any litigation covered by insurance does not impede the timing of distributions from the estate. The Monitor is waiting for information requested from the Applicants' insurance broker in order to establish this reserve.
- 3.49 The Applicants are party to numerous ongoing litigation matters covered by insurance, mainly comprised of personal injury, workers' compensation and automobile accident claims. As the former employees of the Applicants who primarily dealt with litigation matters are now employed by the Purchaser, the Monitor has taken steps to ensure that the Applicants' insurers are being provided with the information required to deal with insured claims outside of the Claims Process.
- 3.50 In addition, the Monitor has received numerous requests from U.S. insurance claimants for consent to lift the automatic stay imposed by the U.S. Bankruptcy Code to allow their claims to proceed solely against the Applicants' insurance policies. To date, the U.S. Court has entered 6 Stipulations lifting the stay for such purposes. The Monitor and its U.S. counsel expect to process further lift-stay requests in the coming months.

4.0 RECEIPTS AND DISBURSEMENTS SINCE THE TENTH REPORT

- 4.1 As reported in the Tenth Report, as at February 28, 2013, the Monitor was holding approximately \$130.3 million on behalf of the Applicants.

- 4.2 During the period from March 1, 2013 to June 3, 2013 (the “**Reporting Period**”), the Applicants’ net cash outflows total approximately \$12.2 million, comprised of disbursements of approximately \$12.3 million, and receipts of approximately \$91,000, the latter of which include deposit interest, foreign exchange and other miscellaneous items.
- 4.3 The disbursements during the Reporting Period, totaling approximately \$12.3 million, are primarily comprised of:
- payments of approximately \$9.3 million made to U.S. taxing authorities in respect of estimated U.S. corporate income taxes for the 2012 fiscal year, as discussed in the Eleventh Report;
 - professional fees and expenses totaling approximately \$2.6 million, which include the fees and expenses incurred by the Monitor, its legal counsel, the CPS, the Applicants’ legal counsel, and other professionals retained by the Applicants to assist with the proceedings; and
 - other disbursements of approximately \$338,000, including payments to the Directors and Trustees in respect of quarterly retainers and ordinary course meeting fees, GST/HST, stub period sales taxes, insurance and insurance deductibles, and other disbursements of an administrative nature.
- 4.4 The Monitor is currently holding approximately \$118.1 million, all of which is being held in interest-bearing bank accounts in the name of the Monitor, on behalf of the Applicants. Included in these funds is \$7.05 million held in a U.S. escrow account pursuant to the DOJ Stipulation.

5.0 UPDATE ON THE CHAPTER 15 PROCEEDINGS

- 5.1 An update in respect of the Chapter 15 Proceedings not otherwise described in this Twelfth Report is provided below.

Recognition of the Claims Officer Order

- 5.2 On April 17, 2013, the Monitor filed a motion with the U.S. Court seeking an order, among other things, recognizing and giving effect in the U.S. to paragraphs 5 through 16 of the Claims Officer Order.
- 5.3 On May 7, 2013, the U.S. Court entered the Order (A) Recognizing and Enforcing Certain Provisions of March 7, 2013 Order of the Canadian Court; and (B) Granting Certain Related Relief (the “**Claims Officer Recognition Order**”). A copy of the Claims Officer Recognition Order is attached as **Appendix “H”**.
- 5.4 At the hearing to consider the Monitor’s motion seeking entry of the Claims Officer Recognition Order, U.S. counsel to the Monitor provided the U.S. Court with an update concerning the Applicants’ CCAA Proceedings.

The DOJ Stipulation

- 5.5 The Claims Procedure Order provides that a Claim of the United States is deemed accepted as against AGII in the amount of \$7,032,046.96 plus interest (the “**DOJ Claim**”).
- 5.6 On July 17, 2012, the U.S. Court approved the Stipulation and Order Among the Monitor, Debtors, and the United States Attorney’s Office for the Southern District of Ohio Regarding March 2010 Criminal Judgment of Arctic Glacier International, Inc. (the “**Original DOJ Stipulation**”). The Original DOJ Stipulation required the payment of

interest on the DOJ Claim, to be compounded annually until the date of payment of that Claim, at the federal post-judgment interest rate of 0.34%.

5.7 Effective as of February 1, 2013, the bank maintaining the account in which the Monitor had deposited the principal amount of the DOJ Claim reduced the interest rate on that account from 0.34% to 0.25%.

5.8 On May 14, 2013, the U.S. Court entered an order (the “**Amending Order**”) approving a Stipulation between the Monitor, the Applicants, and the DOJ modifying the Original DOJ Stipulation. The Amending Order allows the Monitor to pay from the funds on hand the difference between the required 0.34% interest rate and any lower prevailing interest rate that has been or will be imposed on the account so that the economic terms of the Original DOJ Stipulation will be maintained.

6.0 POTENTIAL PLAN OF ARRANGEMENT

6.1 In accordance with the Claims Procedure Order, the Monitor continues to work with numerous parties with unresolved Claims to attempt to resolve such Claims. Despite these efforts, it is unknown whether settlements will be possible in the short term with respect to certain of the significant disputed Claims, and it is therefore likely that certain of the Claims will need to be resolved through litigation before a Claims Officer and potentially the Court. Final resolution of certain Claims in the Claims Process, including the Claims filed by the CRA and the IRS, could take an extended period of time.

6.2 As a result of the foregoing, it is currently not known when distributions to Creditors with Proven Claims will be made. As described in previous reports of the Monitor, depending on the final results of the Claims Process, and in particular, the resolution of the disputed

Claims, there may be sufficient funds to satisfy all Proven Claims in full and provide for a distribution to AGIF's unitholders.

6.3 Notwithstanding the potential for protracted legal proceedings with respect to disputed Claims, and the time required to settle outstanding tax issues, the Monitor, along with the Applicants and the CPS, believe it is prudent at this time to consider developing a CCAA Plan of Arrangement for the Applicants. The Monitor is of the view that this will assist to facilitate the completion of the administration of the estate. The Monitor understands from the Applicants and the CPS that key elements of such a Plan could include:

- Creditors with Proven Claims and unitholders would be entitled to vote as separate classes on the Plan;
- The Plan would set aside an amount equal to Proven Claims in a separate account maintained by the Monitor to be distributed in accordance with further orders of the Court and the U.S. Court;
- Upon resolution of all or a portion of the disputed Claims, the Plan would make interim and/or final distributions to Creditors with Proven Claims, including interest in an amount set out in the Plan;
- The Plan would exchange units held by unitholders of AGIF for shares of a new Canadian corporation;
- Pending a final distribution to Creditors with Proven Claims, the Plan would permit the investment of funds in accordance with investment guidelines to be developed and would permit the retention of a qualified money manager to invest the monies held by the Monitor; and

- On sanction of the Plan by the Court and recognition by the U.S. Court, a new Board of Directors and management team would be appointed.

6.4 The Monitor understands from the Applicants and the CPS that the foregoing are just potential indicative terms for discussion purposes of a potential Plan of Arrangement with respect to the Applicants. The Monitor has not considered whether such a Plan would be fair and reasonable in the circumstances, nor whether there are any legal impediments to such a Plan. However, in light of its discussions with the Applicants and the CPS, and the fact that AGIF remains a reporting issuer, the Monitor is of the view that it is prudent to consider the manner in which to distribute monies to the Applicants' stakeholders, and to provide public disclosure of these potential indicative Plan terms so that the Applicants and the CPS, in consultation with the Monitor, can commence stakeholder consultations and discussions to determine if such a Plan could have the requisite stakeholder support.

6.5 The Monitor intends to report to the Court in due course on the status of discussions with and feedback from stakeholders.

7.0 ACTIVITIES OF THE MONITOR

7.1 In addition to the activities of the Monitor described above and in the Eleventh Report, the Monitor's activities from the date of the Tenth Report (March 5, 2013) have included the following:

- Participating in weekly update conference calls between the Monitor, the Monitor's legal counsel, the Applicants' legal counsel, and the CPS to discuss the status of various outstanding matters;

- Providing for non-confidential materials filed with this Honourable Court and with the U.S. Court to be publicly available on the Monitor's website in respect of these CCAA Proceedings and Chapter 15 Proceedings;
- Drafting the Eleventh Report and this Twelfth Report;
- Acting as foreign representative in the Chapter 15 Proceedings;
- Communicating with the Applicants' insurance broker and certain insurers in respect of new insurance claims filed, the proposed settlements of certain open claims and in issuing Notices of Disallowance in respect of certain insurance related Claims filed in the Claims Process;
- Communicating with claims adjusters and with plaintiffs' counsel regarding certain open insurance claims;
- Fulfilling the Monitor's responsibilities pursuant to the Claims Procedure Order, including reviewing Proofs of Claim received, engaging in correspondence and discussions with certain of the Claimants, issuing Notices of Disallowance, and accepting certain Claims, all in accordance with the provisions of the Claims Procedure Order;
- Attending the March 7, 2013 Court hearing when the Court granted an Order extending the Stay and the Claims Officer Order;
- Maintaining estate bank accounts, overseeing and accounting for the Applicants' receipts and disbursements (including, professional fee invoices) pursuant to the Transition Order, and providing certain professional fee invoices to the CPS for review and discussion;

- Responding to enquiries from unitholders and other stakeholders concerning the CCAA Proceedings;
- Preparing and filing monthly GST/HST returns and various other statutory returns;
- Attending segments of meetings of the Board of Trustees in respect of matters relating to the ongoing governance of AGIF and these CCAA Proceedings generally; and
- Responding to enquiries from various stakeholders, including addressing questions or concerns of parties who contacted the Monitor on the toll-free hotline number established by the Monitor.

8.0 THE STAY EXTENSION

- 8.1 The Monitor is requesting an extension of the Stay Period to September 30, 2013. The Monitor believes that the Applicants have acted and continue to act in good faith and with due diligence.
- 8.2 The Monitor believes that an extension of the Stay Period until September 30, 2013 is appropriate, as it should allow sufficient time for the Monitor, in consultation with the Applicants, to continue to resolve Claims filed in the Claims Process and to refer disputed Claims to a Claims Officer or the Court for adjudication. Further, the Monitor intends to work with the Applicants and the CPS to develop a strategy to distribute funds to Creditors with Proven Claims, and potentially to unitholders. The proposed Stay Period extension will enable the Applicants and the CPS, in consultation with the Monitor, to engage in stakeholder discussions with respect to a potential Plan of

Arrangement, as described above. The proposed Stay Period extension should also allow the Monitor to assist the Applicants in completing and filing their tax returns and to deal with other matters related to the administration of the Applicants' estates.

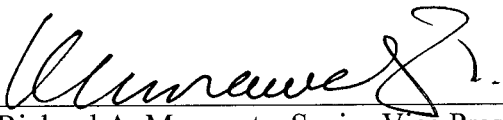
9.0 THE MONITOR'S COMMENTS AND RECOMMENDATIONS

9.1 Given that the Applicants are no longer operating a business, the Applicants and the Monitor have not prepared an extended cash flow forecast through the expiry of the requested extension to the Stay Period. On behalf of the Applicants, the Monitor intends to continue to satisfy any amounts properly incurred in respect of the ongoing administration of the estate, including those with respect to administering the Claims Process, from the funds being held by the Monitor in the estate bank accounts. The Monitor anticipates that such amounts will be primarily limited to fees and expenses of the Directors and Trustees, insurance-related expenses, taxes, professional fees and expenses, and other incidental fees and costs. The funds which the Monitor is holding in its estate bank accounts will be sufficient to satisfy such disbursements.

9.2 For the reasons set out in this Twelfth Report, the Monitor hereby respectfully recommends that this Honourable Court grant the relief being requested by the Monitor in its Notice of Motion.

All of which is respectfully submitted to this Honourable Court this 10th day of June, 2013.

**Alvarez & Marsal Canada Inc., in its capacity
as Monitor of Arctic Glacier Income Fund,
Arctic Glacier Inc., Arctic Glacier International Inc. and
the other Applicants listed on Appendix "A".**


Per: Richard A. Morawetz, Senior Vice President