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# ARCTIC GLACIER INCOME FUND

## Arctic Glacier Posts Fourth Quarter and Year End Results

**WINNIPEG – March 31, 2011** – Arctic Glacier Income Fund (TSX:AG.UN) today announced results for the fourth quarter and year ended December 31, 2010.

### Summary of 2010 \*

- Expanded into the Arizona market
- Agreement with U.S. Department of Justice Antitrust Division accepted by U.S. District Court
- Agreement with Michigan Attorney General resolved investigation
- Subsequent to year end notified by DOJ Civil Division that investigation was closed with no action taken against Arctic Glacier
- Subsequent to year end settled U.S. direct purchaser class action for \$12.5 million
- Refinanced \$60 million senior secured notes and revolving term credit facility
- Entered into four-year \$185 million term loan, \$70 million credit facility
- Initiated review of financing and strategic alternatives to enhance unitholder value
- Sales totaled \$233.5 million, up \$5.9 million or 3% compared to 2009
- EBITDA totaled \$48.9 million, down \$5.6 million or 10.3% compared to 2009
- Recorded goodwill impairment charge of \$76.0 million

*\*All dollar amounts in U.S. currency unless otherwise specified*

“Arctic Glacier made substantive progress with a number of issues during 2010,” said Keith McMahon, President and CEO of Arctic Glacier Inc., the Fund’s operating company. “We resolved major legal milestones and took steps to strengthen the Fund’s position to resolve current challenges and chart a course to a stronger future.”

In February 2010 the U.S. District Court ratified an agreement with the Antitrust Division of the U.S. Justice Department that concluded its investigation as it relates in all respects to the Fund, its board, management and staff in all markets. That agreement enabled the Fund in February 2010 to renegotiate \$60 million in notes that were scheduled to mature in March 2010. The revised debt structure included a new \$185 million term loan and \$70 million bank credit facility.

The next major challenge for Arctic Glacier is the requirement to refinance C\$90.6 million in convertible debentures that mature on July 31, 2011. “The Fund has taken two major steps to address this maturity,” said Mr. McMahon. “First, the board of trustees initiated a comprehensive review and evaluation of financing and strategic alternatives available to the Fund with the objective of enhancing unitholder value. Secondly, we focused on resolving a number of the legal issues that will facilitate the completion of a financing or strategic transaction.”

In September 2010, the Fund negotiated an agreement with the Michigan Attorney General that resolved, without any admission of wrongdoing, all allegations that Arctic Glacier violated the state’s antitrust laws.

Subsequent to the end of the year, in March 2011, the Fund was advised by the DOJ Civil Division that it has concluded its investigation and will take no action against Arctic Glacier. Also in March 2011, the Fund reached agreements to settle the U.S. direct purchaser class action litigation and an antitrust claim filed in Wisconsin state court. To facilitate the U.S. direct purchaser settlement and provide

additional liquidity and improved financial flexibility, the Fund's lenders amended terms of its loan agreements and re-priced the outstanding warrants.

Financial results for 2010 were largely driven by Arctic Glacier's expansion into Arizona and Colorado, said Doug Bailey, the Fund's Chief Financial Officer. "The sales from these new markets increased our top line, however this benefit was partly offset by one-time setup expenses that affected profitability," he said. "In addition, we saw higher interest charges following the February 2010 refinancing, and we determined that the recorded value of goodwill exceeded fair value for our western U.S. reporting units. That led to a non-cash goodwill impairment charge of \$76.0 million."

#### **Fourth Quarter 2010 Review**

Sales in the fourth quarter totaled \$34.9 million, an increase of \$1.6 million or 5% compared to the same period in 2009. The increase was primarily due to new sales related to expansion into Arizona and Colorado. The stronger Canadian dollar increased the U.S. dollar value of sales in Canadian markets by \$0.2 million.

Cost of sales, selling, general and administration expenses totaled \$35.5 million, an increase of \$1.0 million or 3% compared to the fourth quarter of 2009. The increase was primarily due to expansion into Arizona and Colorado. The stronger Canadian dollar increased the U.S. dollar value of costs incurred in Canadian operations by \$0.3 million.

EBITDA was negative \$0.6 million, an improvement of \$0.5 million compared to negative \$1.1 million for the same quarter in 2009.

Interest expense totaled \$9.6 million, an increase of \$4.0 million from the same period last year. The change was primarily due to increased borrowing costs following the February 2010 refinancing, increased amortization of deferred financing charges and accrued payment-in-kind interest on the term loan plus the stronger Canadian dollar.

Legal fees and other expenses in connection with ongoing antitrust investigations and related civil litigation totaled \$12.0 million in the fourth quarter. This was comprised of \$11.4 million for the discounted present value of the U.S. direct purchaser class action settlement and \$0.6 million for legal fees and related costs. Legal fees and other expenses totaled \$1.3 million in the same period last year.

The net loss totaled \$28.5 million or \$0.73 per unit, compared to a net loss of \$17.6 million or \$0.45 per unit in the fourth quarter of 2009.

#### **Fiscal 2010 Financial Review**

Sales in 2010 totaled \$233.5 million, an increase of \$5.9 million or 3% compared to 2009. The increase was primarily due to new sales related to expansion into Arizona and Colorado. Favorable weather in northeastern U.S. and central Canadian markets also increased revenues, although that was partially offset by poor conditions and higher competitive activity on the west coast. The stronger Canadian dollar increased the U.S. dollar value of sales in Canadian markets by \$3.2 million.

Cost of sales, selling, general and administration expenses totaled \$184.6 million, an increase of \$11.5 million or 7% compared to the fourth quarter of 2009. The increase was primarily due to expansion into Arizona and Colorado including initial costs related to establishing manufacturing and service infrastructure. Additional contributors were incremental costs of servicing markets in northeastern U.S. and central Canada plus higher expenses in fuel and other inputs. The stronger Canadian dollar increased the U.S. dollar value of costs incurred in Canadian operations by \$3.0 million.

EBITDA was \$48.9 million, compared to \$54.5 million in 2009 due to poor weather and increased competition in west coast markets, combined with a higher initial cost structure related to entry into the Arizona and Colorado markets in 2010. EBITDA margins declined to 20.9% from 23.9% last year.

Interest expense in 2010 totaled \$36.4 million, an increase of \$15.9 million. Cash interest went up by \$11.0 million primarily due to an increase in borrowing costs following the February 2010 refinancing, higher underlying interest rates, higher average debt levels during the year and the stronger Canadian dollar. Non-cash interest charges went up by \$4.9 million due to increased amortization of deferred financing charges and accrued interest.

Legal costs of the DOJ antitrust investigation and related litigation during 2010 totaled \$15.6 million, comprised of \$11.4 million for the discounted present value of the U.S. direct purchaser class action settlement, \$3.5 million of legal fees and related costs, \$0.4 million for settlement of the Michigan Attorney General investigation and \$0.3 million for recognition of the deductible on insurance policies related to the Canadian securities litigation. Costs in 2009 totaled \$11.3 million, comprised of the discounted value of the U.S. DOJ fine of \$6.3 million and related costs of \$5.0 million.

An evaluation of goodwill during 2010 determined the recorded value of the western U.S. reporting units exceeded their fair value. As a result, a non-cash impairment charge of \$76.0 million was charged against earnings, representing the entire balance of goodwill for these units.

The Fund ended 2010 with a loss of \$94.0 million or \$2.41 per unit, versus \$15.9 million or \$0.41 per unit last year. However, the goodwill provision in 2010 and legal costs for both 2010 and 2009 are not representative of normal operating expenses. If they are removed, the Fund ended the year with an adjusted loss of \$30.2 million or \$0.77 per unit in 2010, versus an adjusted loss of \$4.6 million or \$0.12 per unit in 2009. The increase in adjusted loss was mainly due to lower valuation of future tax assets in U.S. subsidiaries where they may not be fully realized, reduced EBITDA and higher interest costs.

## **Financial Position**

As at December 31, 2010, Arctic Glacier's net debt, excluding convertible debentures, was \$169.7 million, versus \$162.3 million at the same time last year.

At December 31, 2010 the Fund had a working capital deficiency of \$91.7 million. This resulted from the classification of \$89.3 million related to convertible debentures as current liabilities since they mature on July 31, 2011. Excluding these debentures, the Fund's working capital deficiency at December 31, 2010 was \$2.5 million, compared to working capital of \$2.0 million at the end of 2009, excluding the senior secured notes that were refinanced in February 2010.

On February 10, 2010 the Fund negotiated a new term loan facility with affiliates of CPPIB Credit Investments Inc. and West Face Capital Inc. consisting of a \$185 million fixed-term second lien secured loan scheduled to mature on February 10, 2014. Proceeds from the loan were deployed to entirely repay \$60 million in senior notes prior to maturity on March 1, 2010, with the balance being applied toward the revolving term credit facility and to fund transaction costs. In connection with this loan, the Fund also issued unlisted warrants to the term loan lenders to acquire up to 3.0 million units of the Fund at any time prior to February 9, 2014 at an exercise price of C\$4.00 per unit.

At the same time, the existing revolving term credit facility was amended and extended to February 10, 2013. At December 31, 2010 this facility consisted of \$67.5 million in undrawn room, of which \$3.1

million is available liquidity within approved covenant restrictions. The Fund also had \$9.2 million in cash on hand, for total available liquidity of \$12.3 million.

Subsequent to the end of the year on March 30, 2011, the Fund's lenders amended certain terms of the Fund's credit agreements, including leverage and minimum EBITDA covenants, to allow the Fund's subsidiary to enter into the U.S. direct purchaser class action settlement as well as to increase available liquidity on the revolving term credit facility and provide improved financial flexibility. The term loan lenders increased the payment-in-kind interest on the term loan by 1% and the cost of the prepayment option by 3%. In connection with this amendment, the term loan lenders required the Fund to amend the exercise price of 3.0 million unlisted warrants that were previously issued to them.

The Fund's net debt to EBITDA ratio at December 31, 2010 was 3.7:1 as defined in its credit agreements, compared to 2.9:1 at the same time last year. At year end the Fund was in compliance with all debt covenants.

### **U.S. DOJ Investigation and Related Litigation**

On September 3, 2010, Arctic Glacier entered into an agreement with the Michigan Attorney General to resolve, without any admission of wrongdoing, all allegations that it violated Michigan's antitrust laws. Under terms of the agreement, the subsidiary agreed to pay the amount of \$350,000, which was paid in two installments in September and December 2010.

That agreement followed a settlement between a subsidiary of the Fund and the DOJ Antitrust Division in October 2009 where the subsidiary agreed to plead guilty and pay a \$9 million fine. The U.S. District Court approved the agreement in February 2010 and the Fund has paid the first two installments of the fine totaling \$2.0 million. The agreement concluded the DOJ Antitrust Division investigation as it relates in any way to the Fund, its board, management and staff in all markets.

Subsequent to the end of the year, in March 2011, the DOJ Civil Division advised the Fund it had concluded its investigation of the packaged ice industry and will take no action against the Fund or its subsidiaries.

Subsequent to the end of the year in March 2011, the Fund resolved two civil actions filed by direct purchasers of packaged ice. A single purchaser in Wisconsin, whose petition for class action had previously been denied by the court, settled the suit for \$3,000 plus nominal legal costs. Also in March 2011, Arctic Glacier reached an agreement to settle the class action filed by direct purchasers of packaged ice. The agreement, which is subject to approval by U.S. District Court, provides for the Fund to pay \$12.5 million in two installments. At time of settlement, this action had not gone to trial, which means the company had not yet had an opportunity to produce evidence refuting the allegation of involvement in industry-wide collusion. Nonetheless, Arctic Glacier has agreed to this settlement to put the matter behind the company and move forward.

Still ongoing are a number of state investigations to determine if state antitrust laws have been broken. Also outstanding are several class action lawsuits initiated in Canada and the U.S. At this time, it is not possible to predict the timeline or final outcome of the investigations or litigation, or any potential effect they may have on the Fund or its operations.

Further information, including court decisions rendered to date, is included in the MD&A section of the Fund's annual report.

## Outlook

During 2011, Arctic Glacier's most pressing concern will be the requirement to refinance convertible debentures with a face value of C\$90.6 million that mature on July 31, 2011.

During 2010 the Fund took steps to address this maturity. The comprehensive review of financing and strategic alternatives to maximize unitholder value is ongoing, and the special board committee, with the assistance of TD Securities, will be evaluating proposals that address the upcoming maturity and enhance unitholder value.

Moving forward on any refinancing or strategic alternatives is best served by resolving antitrust issues and related litigation. During 2010 and early 2011 the investigations conducted by the DOJ Antitrust Division, DOJ Civil Division and Michigan state Attorney General were all concluded. These outcomes were expected to facilitate the resolution of the civil claims and they have. Arctic Glacier has reached settlements to resolve the U.S. direct purchaser class action lawsuit and the civil action filed in Wisconsin state court.

Antitrust investigations by several other states and a few civil actions await resolution. At this time it is not possible to predict the timeline or final outcome of the investigations or litigation, or any potential effect they may have on the Fund or its operations.

To enable the settlement of the direct-purchaser class action, the Fund obtained consent from its lenders to enter into the litigation settlements in conjunction with an amendment of the Fund's credit facilities. As part of this amendment, certain covenants were adjusted to enable the Fund to enter into and pay litigation settlements and to increase available liquidity and provide improved financial flexibility.

Arctic Glacier also continues to focus on the increase in competitive activity in its west coast U.S. markets during 2010, which has had an adverse effect on margins. The company also continues its expansion in the Arizona market as it approaches the main selling period that begins in the spring, servicing customers from its modern and efficient manufacturing plant in Phoenix.

Weather also strongly influences packaged-ice sales, and 2010 saw poor summer conditions in major west coast markets throughout the key spring and summer months. These conditions resulted in a significant reduction in volumes and related fixed cost efficiencies. More favorable weather prevailed in the northeastern U.S. and central Canadian markets. However, additional costs of servicing these markets at times when demand temporarily outstripped supply had the effect of reducing the benefit. A return to historic weather norms in 2011 would improve west coast volumes and restore more characteristic margins to the other markets.

As the Fund addresses these issues, Arctic Glacier will continue to focus on core objectives of providing quality product and industry-leading service to customers.

Management's strategic direction is defined by a number of objectives. The first is to improve profitability by closely monitoring expenses and capital outlays. The second is to gain strength and enhance liquidity by maximizing cash flow and ensuring credit availability. Third, the Fund aims to strengthen its financial position by effectively managing balance sheet leverage. The fourth is to capitalize on business opportunities as they arise.

Arctic Glacier's measures to strengthen its foundation during 2010 and early 2011 have enhanced the Fund's ability to manage the business and meet challenges during the balance of the year.

## **About Arctic Glacier**

*Arctic Glacier Income Fund, through its operating company, Arctic Glacier Inc., is a leading producer, marketer and distributor of high-quality packaged ice in North America, primarily under the brand name of Arctic Glacier® Premium Ice. Arctic Glacier operates 39 production plants and 48 distribution facilities across Canada and the northeast, central and western United States servicing more than 75,000 retail locations.*

*Arctic Glacier Income Fund trust units are listed on the Toronto Stock Exchange under the trading symbol AG.UN. There are 39.0 million trust units outstanding.*

## **Conference Call and Webcast**

Arctic Glacier will discuss fourth quarter and year end 2010 results during a conference call with a live audio webcast for investors and analysts on Thursday, **March 31 at 2 p.m. (EDT)**. To access the simultaneous webcast, log on to Arctic Glacier's website at [www.arcticglacier.com](http://www.arcticglacier.com). Please note the webcast allows participants to listen only.

## **Forward-Looking Statements**

This news release contains forward-looking statements, which are subject to certain risks, uncertainties and assumptions. A number of factors could cause actual results to differ materially from the results discussed in these forward-looking statements, and there is no assurance that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as at the date of this news release, and the Fund assumes no obligation to update or revise them, either publicly or otherwise, to reflect new events, information or circumstances.

## **Non-GAAP measures**

EBITDA, adjusted earnings and distributable cash are not recognized measures under Canadian generally accepted accounting principles (GAAP). EBITDA is defined as earnings before interest, income taxes, depreciation, amortization, acquisition integration expenses, gains or losses on foreign exchange, costs of antitrust investigations and related litigation and other non-recurring expenses. EBITDA is a performance measure used by management to provide an indication of cash available for distribution from ongoing operations prior to debt service, capital expenditures and income taxes and is often used to compare companies and income trusts on the basis of ability to generate cash from ongoing operations. Adjusted earnings is defined as earnings before one-time after tax costs of antitrust investigations and related litigation and goodwill impairment. Adjusted earnings is used by management to evaluate the ongoing profitability of the Fund by eliminating the effect of these material non-operating costs. Distributable cash is a performance measure used by management to summarize the funds available for distribution to unitholders in an income trust. Investors should be cautioned that EBITDA, adjusted earnings and distributable cash should not be construed as alternatives to earnings, cash from operating activities or other financial measures determined in accordance with GAAP as indicators of the Fund's performance. The Fund's method of calculating EBITDA, adjusted earnings and distributable cash may differ from other companies and income trusts and, accordingly, may not be comparable to measures used by them.

## **Contact Information**

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[www.arcticglacier.com](http://www.arcticglacier.com)

The Toronto Stock Exchange does not approve or disapprove of the adequacy or accuracy of this release.

**ARCTIC GLACIER INCOME FUND****Consolidated Balance Sheets**

As at December 31, 2010 and 2009 (audited)

*(thousands of U.S. dollars)*

	<b>2010</b>	2009
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 9,240	\$ 727
Accounts receivable	11,804	12,011
Inventories	10,493	8,688
Prepaid expenses	3,703	4,877
	<u>35,240</u>	<u>26,303</u>
<b>Future income taxes</b>	<b>9,904</b>	-
<b>Property, plant and equipment</b>	<b>137,229</b>	142,136
<b>Intangible assets</b>	<b>114,873</b>	122,547
<b>Goodwill</b>	<b>71,762</b>	146,807
	<u><b>\$ 369,008</b></u>	<u>\$ 437,793</u>
 <b>LIABILITIES AND UNITHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 23,916	\$ 23,169
Antitrust related litigation settlements	11,393	-
Convertible debentures	89,251	-
Principal due within one year on long-term debt	2,391	61,099
	<u>126,951</u>	<u>84,268</u>
<b>Long-term debt</b>	<b>176,522</b>	101,960
<b>Convertible debentures</b>	-	81,515
<b>Future income taxes</b>	-	8,685
 <b>Unitholders' equity</b>		
Units	325,209	325,209
Contributed surplus	2,541	1,848
Warrants	1,484	-
Equity portion of convertible debentures	8,358	8,358
Deficit	(249,726)	(155,774)
Accumulated other comprehensive loss	(22,331)	(18,276)
	<u>65,535</u>	<u>161,365</u>
	<u><b>\$ 369,008</b></u>	<u>\$ 437,793</u>

**ARCTIC GLACIER INCOME FUND**  
**Consolidated Statements of Operations**

Three and twelve months ended December 31, 2010 and 2009

	<b>Three Months</b>		<b>Twelve Months</b>	
	(unaudited)		(audited)	
<i>(thousands of U.S. dollars, except per unit amounts)</i>	<b>2010</b>	2009	<b>2010</b>	2009
<b>Sales</b>	<b>\$ 34,873</b>	\$ 33,281	<b>\$233,489</b>	\$227,588
Cost of sales, selling, general and administration expenses	<b>35,459</b>	34,429	<b>184,613</b>	173,091
Earnings (loss) before the undernoted	<b>(586)</b>	(1,148)	<b>48,876</b>	54,497
Amortization	<b>8,055</b>	7,584	<b>32,240</b>	30,277
Impairment of property, plant and equipment	-	200	-	200
Interest	<b>9,579</b>	5,624	<b>36,410</b>	20,533
Loan amendment fees	-	-	<b>400</b>	2,062
Acquisition integration expenses	-	19	-	247
Loss on disposals	<b>28</b>	115	<b>151</b>	503
Loss (gain) on foreign exchange	-	(245)	<b>283</b>	(2,356)
Costs of antitrust investigation and related expenses	<b>12,042</b>	1,340	<b>15,577</b>	11,253
Goodwill impairment	-	-	<b>76,008</b>	-
<b>Loss before income taxes</b>	<b>(30,290)</b>	(15,785)	<b>(112,193)</b>	(8,222)
<b>Income taxes</b>				
Current	<b>36</b>	83	<b>328</b>	463
Future (reduction)	<b>(1,784)</b>	1,750	<b>(18,569)</b>	7,189
	<b>(1,748)</b>	1,833	<b>(18,241)</b>	7,652
<b>Loss</b>	<b>\$(28,542)</b>	\$(17,618)	<b>\$(93,952)</b>	\$(15,874)
<b>Loss per unit – basic and diluted</b>	<b>\$ (0.73)</b>	\$ (0.45)	<b>\$ (2.41)</b>	\$ (0.41)

**ARCTIC GLACIER INCOME FUND**  
**Consolidated Statements of Changes in Unitholders' Equity**  
Three and twelve months ended December 31, 2010 and 2009

<i>(thousands of U.S. dollars)</i>	<b>Three Months</b>		<b>Twelve Months</b>	
	(unaudited)		(audited)	
	<b>2010</b>	2009	<b>2010</b>	2009
<b>Units</b>				
Balance, beginning of period	<b>\$325,209</b>	\$325,207	<b>\$ 325,209</b>	\$ 325,207
Units issued, net of issue costs	-	2	-	2
Balance, end of period	<b>325,209</b>	325,209	<b>325,209</b>	325,209
<b>Contributed surplus</b>				
Balance, beginning of period	<b>2,404</b>	1,652	<b>1,848</b>	1,320
Unit-based compensation expense	<b>137</b>	196	<b>693</b>	528
Balance, end of period	<b>2,541</b>	1,848	<b>2,541</b>	1,848
<b>Warrants</b>				
Balance, beginning of period	<b>1,484</b>	-	-	-
Warrants issued	-	-	<b>1,484</b>	-
Balance, end of period	<b>1,484</b>	-	<b>1,484</b>	-
<b>Equity portion of convertible debentures</b>				
Balance, beginning and end of period	<b>8,358</b>	8,358	<b>8,358</b>	8,358
<b>Deficit</b>				
Balance, beginning of period	<b>(221,184)</b>	(138,156)	<b>(155,774)</b>	(139,900)
Loss	<b>(28,542)</b>	(17,618)	<b>(93,952)</b>	(15,874)
Balance, end of period	<b>(249,726)</b>	(155,774)	<b>(249,726)</b>	(155,774)
<b>Accumulated other comprehensive loss</b>				
Balance, beginning of period	<b>(19,683)</b>	(17,019)	<b>(18,276)</b>	(8,193)
Other comprehensive loss	<b>(2,648)</b>	(1,257)	<b>(4,055)</b>	(10,083)
Balance, end of period	<b>(22,331)</b>	(18,276)	<b>(22,331)</b>	(18,276)
<b>Total Unitholders' Equity</b>	<b>\$ 65,535</b>	\$ 161,365	<b>\$ 65,535</b>	\$ 161,365

**ARCTIC GLACIER INCOME FUND****Consolidated Statement of Comprehensive Loss**

Three and twelve months ended December 31, 2010 and 2009

<i>(thousands of U.S. dollars)</i>	<b>Three Months</b>		<b>Twelve Months</b>	
	<i>(unaudited)</i>		<i>(audited)</i>	
	<b>2010</b>	2009	<b>2010</b>	2009
Loss	<b>\$ (28,542)</b>	\$ (17,618)	<b>\$ (93,952)</b>	\$ (15,874)
Other comprehensive loss				
Net unrealized foreign currency translation loss	<b>(2,665)</b>	(1,274)	<b>(4,125)</b>	(10,153)
Amortization of transitional adjustment to loss	<b>17</b>	17	<b>70</b>	70
Other comprehensive loss	<b>(2,648)</b>	(1,257)	<b>(4,055)</b>	(10,083)
<b>Comprehensive loss for the period</b>	<b>\$ (31,190)</b>	\$ (18,875)	<b>\$ (98,007)</b>	\$ (25,957)

## ARCTIC GLACIER INCOME FUND

### Consolidated Statements of Cash Flows

Three and twelve months ended December 31, 2010 and 2009

<i>(thousands of U.S. dollars)</i>	Three Months		Twelve Months	
	(unaudited)		(audited)	
	2010	2009	2010	2009
<b>Cash from (used in):</b>				
<b>Operating activities</b>				
Loss	\$(28,542)	\$(17,618)	\$(93,952)	\$(15,874)
Adjustments for:				
Amortization	8,055	7,584	32,240	30,277
Impairment of property, plant and equipment	-	200	-	200
Amortization of transitional adjustment on interest rate swap	17	17	70	70
Amortization of deferred financing	1,454	388	4,993	1,421
Accretion of convertible debenture principal	517	455	1,962	1,631
Accretion of long-term debt	191	36	757	125
Accrual of payment-in-kind interest	474	-	1,664	-
Recognition of rents on a straight-line basis	178	179	715	716
Unit based compensation expense	137	196	693	528
Loss on disposals	28	115	151	503
Unrealized foreign exchange loss (gain) on long-term debt	-	(245)	283	(1,936)
Unrealized loss (gain) on foreign exchange contracts	-	-	-	(515)
Costs of antitrust investigations and related litigation	11,393	(110)	11,393	6,264
Change in fair value of interest rate swap	(705)	(490)	(2,340)	(1,014)
Goodwill impairment	-	-	76,008	-
Future income taxes (reduction)	(1,784)	1,750	(18,569)	7,189
	<b>(8,587)</b>	<b>(7,543)</b>	<b>16,068</b>	<b>29,585</b>
Changes in working capital items	<b>7,633</b>	<b>8,620</b>	<b>2,132</b>	<b>(1,426)</b>
	<b>(954)</b>	<b>1,077</b>	<b>18,200</b>	<b>28,159</b>
<b>Investing activities</b>				
Additions to property, plant and equipment	(3,743)	(2,364)	(18,385)	(10,991)
Proceeds from disposal of property, plant and equipment	25	21	187	209
Proceeds from disposal of investments	-	733	-	733
Additions to intangible assets	(250)	-	(250)	(23)
Funds returned from escrow	200	-	200	-
Acquisition of business operations	-	-	-	(228)
	<b>(3,768)</b>	<b>(1,610)</b>	<b>(18,248)</b>	<b>(10,300)</b>
<b>Financing activities</b>				
Proceeds from long-term debt	-	951	212,598	37,511
Principal repayments on long-term debt	(1,374)	(6,044)	(185,970)	(55,508)
Payment of deferred financing charges	(152)	-	(18,315)	-
Units issued, net of issue costs	-	2	-	2
	<b>(1,526)</b>	<b>(5,091)</b>	<b>8,313</b>	<b>(17,995)</b>
Foreign exchange gain on cash held in foreign currency	155	30	248	560
<b>Increase (decrease) in cash</b>	<b>(6,093)</b>	<b>(5,594)</b>	<b>8,513</b>	<b>424</b>
<b>Cash, beginning of period</b>	<b>15,333</b>	<b>6,321</b>	<b>727</b>	<b>303</b>
<b>Cash, end of period</b>	<b>\$ 9,240</b>	<b>\$ 727</b>	<b>\$ 9,240</b>	<b>\$ 727</b>

**ARCTIC GLACIER INCOME FUND****Schedule of Distributable Cash**

Three and twelve months ended December 31, 2010 and 2009 (unaudited)

<i>(thousands of U.S. dollars, except per unit amounts)</i>	<b>Three Months</b>		<b>Twelve Months</b>	
	<b>2010</b>	2009	<b>2010</b>	2009
Cash from operating activities	\$ (954)	\$ 1,077	\$ 18,200	\$ 28,159
Adjustments:				
Changes in working capital items	(7,633)	(8,620)	(2,132)	1,426
Less sustaining capital expenditures	(2,190)	(1,984)	(8,201)	(8,477)
Distributable cash	(10,777)	(9,527)	7,867	21,108
Add back one-time costs of antitrust investigation and related litigation	649	1,450	4,184	4,989
Distributable cash excluding costs of antitrust investigation and related litigation	<b>\$(10,128)</b>	<b>\$ (8,077)</b>	<b>\$ 12,051</b>	<b>\$ 26,097</b>
Weighted average number of units	<b>39,043</b>	39,043	<b>39,043</b>	39,042
Distributable cash per unit	\$ (0.28)	\$ (0.24)	\$ 0.20	\$ 0.54
Distributable cash per unit excluding costs of antitrust investigation and related litigation	\$ (0.26)	\$ (0.21)	\$ 0.31	\$ 0.67

**ARCTIC GLACIER INCOME FUND****Reconciliation of Adjusted Earnings**

Three months and twelve months ended December 31, 2010 and 2009 (unaudited)

<i>(thousands of U.S. dollars, except per unit amounts)</i>	<u>Three Months</u>		<u>Twelve Months</u>	
	<b>2010</b>	2009	<b>2010</b>	2009
Loss for the period	<b>\$ (28,542)</b>	\$(17,618)	<b>\$ (93,952)</b>	\$(15,874)
Add:				
Costs of antitrust investigation and related expenses <sup>(1)</sup>	<b>12,042</b>	2,755	<b>15,577</b>	11,253
Goodwill impairment <sup>(2)</sup>	-	-	<b>48,190</b>	-
Adjusted loss for the period	<b>\$ (16,500)</b>	\$(14,863)	<b>\$ (30,185)</b>	\$(4,621)
Loss per unit – basic and diluted	<b>\$ (0.73)</b>	\$ (0.45)	<b>\$ (2.41)</b>	\$ (0.41)
Adjusted loss per unit – basic and diluted	<b>\$ (0.42)</b>	\$ (0.38)	<b>\$ (0.77)</b>	\$ (0.12)

(1) Costs of antitrust investigation and related expenses for the three months ended December 31, 2010 includes reversal of tax effect of \$nil (2009 - \$1,415) included in figures for previous quarters. Costs for the twelve months ended December 31, 2010 are net of tax effect of \$nil (2009 - \$nil) since future tax recovery is offset by valuation allowance against future tax assets in U.S. subsidiaries which may not be fully realized.

(2) Net of tax effect of \$27,818 for the twelve months ended December 31, 2010 (2009 - \$nil).