
ARCTIC GLACIER INCOME FUND

CORPORATE RESTRUCTURING – SEPTEMBER 1, 2004

Effective September 1, 2004, Arctic Glacier Income Fund and its subsidiaries have undergone a change in corporate structure to enable a more efficient flow of funds from our U.S. operations to the Fund for distribution to our unitholders.

New Structure – cross-border interest payments qualify for portfolio interest exemption for U.S. tax purposes and are not subject to U.S. withholding tax.

Previous Structure – cross-border interest payments were subject to 10% withholding tax in the United States.

Impact on Canadian Unitholders

There is *no change to the tax allocation or treatment of distributions for Canadian tax purposes*. Fund units continue to be qualified investments for RRSP, RRIF, RESP and DPSP purposes.

In order to ensure that a Canadian unitholder meets the exemption requirements as set out by United States tax authorities for the purposes of applying U.S. withholding tax, it is important that appropriate documentation be completed. Assuming the proper documentation is filed, distributions to non-U.S. persons are not subject to U.S. withholding tax⁽¹⁾. If the proper documentation is not filed, however, the unitholder will not meet the exemption requirements as set out by U.S. tax authorities and the portion of the distributions considered as U.S. sourced income for U.S. tax purposes will be subject to U.S. withholding tax at a rate of 30%.

Documentation Requirements:

Registered Unitholders – You need to complete a W-8BEN form and send it to the Fund. These forms were sent to registered unitholders in September 2004. If you have not filed this form please contact the Fund (Garth Waddell, Director of Finance at 204-786-0234 or gwaddell@arcticglacierinc.com).

Beneficial Unitholders – Your brokerage house is required to complete an IRS form W-8IMY on your behalf and send it to the Canadian Depository for Securities (CDS). This will indicate that they are acting as a qualified intermediary and will be responsible for ensuring that any withholding taxes are calculated and remitted properly. As beneficial unitholder, you may be required to provide documentation to your broker. If you have any problems or concerns, you should contact your broker representative immediately.

Impact on U.S. Unitholders

Tax treatment of distribution:

Distributions will be comprised of interest income, foreign-sourced interest income and return of capital for U.S. tax purposes. The entire distribution paid to unitholders who are U.S. persons will continue to be subject to Canadian withholding tax at a rate of 15%.

⁽¹⁾ There is no U.S. withholding tax on distributions if the unitholder owns less than 10% of the outstanding units of the Fund. If the unitholder owns 10% or more of the outstanding units of the Fund, distributions will be subject to U.S. withholding tax at a rate of 10%.

Impact on U.S. Unitholders (continued):***Deemed Liquidation:***

Effective September 1, 2004, the Fund has elected to be taxed as a partnership for U.S. tax purposes rather than as a corporation which had previously been the case. The result of this election is that unitholders of the Fund who are U.S. persons are deemed to have liquidated their holdings for proceeds equal to fair market value and acquired a partnership interest at a cost of an equivalent amount. Unitholders who are U.S. persons are required to recognize a gain or loss on the deemed liquidation for U.S. tax purposes equal to the difference between the fair market value of the Fund units and the adjusted cost base of the Fund units on the day before the effective date of election. The fair market value of the units on August 31, 2004 was C\$11.87. The unitholders are then deemed to have contributed the property to the partnership resulting in an adjusted cost basis of the partnership interest equal to the fair market value of the units on August 31, 2004. Any gain or loss recognized on the deemed liquidation of Fund units will be treated as a capital gain or loss and will be taxed to unitholders as either a long-term or short-term capital gain.

THE INFORMATION PRESENTED IS OF A GENERAL NATURE ONLY AND IS NOT INTENDED TO BE, NOR SHOULD IT BE CONSTRUED TO BE, LEGAL, BUSINESS OR TAX ADVICE TO ANY PARTICULAR UNITHOLDER. THE FUND RECOMMENDS THAT UNITHOLDERS CONSULT THEIR OWN TAX ADVISORS REGARDING THE INCOME TAX CONSIDERATIONS APPLICABLE TO THEM IN THEIR PARTICULAR CIRCUMSTANCES.

For further information, please contact:

Arctic Glacier Income Fund

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