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No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. The securities offered hereby have not been, and will not be, registered under the United States Securities Act of 1933, as amended, (“U.S. Securities Act”) or any state securities laws and, unless registered under the U.S. Securities Act or pursuant to an applicable exemption from registration under the U.S. Securities Act, may not be offered, sold, reoffered, resold or delivered, directly or indirectly, in the United States or to U.S. Persons (as defined in Regulation S under the U.S. Securities Act). Accordingly, the securities offered hereby will only be offered or sold within the United States pursuant to Rule 144A under the U.S. Securities Act and thereafter may only be reoffered or resold in the United States or to a U.S. person pursuant to the registration requirements of the U.S. Securities Act and applicable state securities laws or an exemption therefrom. See “Plan of Distribution”.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of Arctic Glacier Income Fund at 625 Henry Avenue, Winnipeg, Manitoba R3A 0V1 (Telephone (204) 772-2473), and are also available electronically at www.sedar.com. For the purposes of the Province of Quebec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained without charge from the Chief Financial Officer of the issuer at the above mentioned address and telephone number, and is also available electronically at www.sedar.com.

PRELIMINARY SHORT FORM PROSPECTUS

New Issue

January 18, 2007

ARCTIC GLACIER INCOME FUND

\$70,085,000

5,350,000 Units

This is an offering (the “Offering”) of 5,350,000 units (“Units”) of Arctic Glacier Income Fund (the “Fund”) at a price of \$13.10 per Unit (the “Offering Price”) pursuant to an underwriting agreement dated January 18, 2007 (the “Underwriting Agreement”) among the Fund, its wholly owned subsidiary Arctic Glacier Inc. (“Arctic Glacier”) and Scotia Capital Inc., TD Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc. and Wellington West Capital Markets Inc. (collectively the “Underwriters”). The Offering Price of the Units has been established through negotiation between the Fund and the Underwriters with reference to the prevailing market price of the Units. The Units are listed on the Toronto Stock Exchange (the “TSX”) under the trading symbol “AG.UN”. The closing price of the Units on the TSX on January 16, 2007, the last trading day prior to the announcement of the Offering, was \$13.52 per Unit. The Fund has applied to list the Units to be distributed under this short form prospectus on the TSX. Listing will be subject to the Fund fulfilling all of the requirements of the TSX. The Fund is an unincorporated open-ended mutual fund trust established under the laws of the Province of Alberta to invest in the packaged ice manufacturing and distribution business in Canada and the United States of America through its wholly-owned subsidiary, Arctic Glacier. Arctic Glacier carries on its business directly and through its direct and indirect wholly-owned subsidiaries. The head office of the Fund and Arctic Glacier is located at 625 Henry Avenue, Winnipeg, Manitoba R3A 0V1.

Price: \$13.10 per Unit

	<u>Price to Public</u>	<u>Underwriters’ Fee</u>	<u>Net Proceeds to the Fund⁽¹⁾</u>
Per Unit.....	\$13.10	\$0.655	\$12.445
Total ⁽²⁾	\$70,085,000	\$3,504,250	\$66,580,750

Notes:

- Before deducting expenses of the Offering, estimated to be \$700,000 which, together with the Underwriters’ Fee, will be paid from the proceeds of the Offering.
- Pursuant to the Underwriting Agreement, the Fund has granted to the Underwriters an option (the “Over-Allotment Option”), exercisable until the date that is 30 days following the closing of the Offering, to purchase up to an additional 763,400 Units on the same terms as set forth above solely to cover over-allotments, if any, and for market stabilization. If the Over-Allotment Option is exercised in full, the Price to Public, Underwriters’ Fee and Net Proceeds to the Fund, before deducting expenses of the Offering, will be \$80,085,540, \$4,004,277 and \$76,081,263, respectively. This short form prospectus qualifies the distribution of the Over-Allotment Option and the issuance of the Units issuable on the exercise of the Over-Allotment Option. See “Plan of Distribution”.

<u>Underwriters' Position</u>	<u>Maximum Size or Number of Securities Held</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Over-Allotment Option	Option to purchase up to an additional 763,400 Units	Exercisable from time to time until the date that is 30 days following the closing of the Offering	\$13.10 per Unit

A return on an investment in Units of the Fund is not comparable to the return on an investment in a fixed income security. The recovery of an investment in Units is at risk, and any anticipated return on an investment in Units is based on many performance assumptions. Although the Fund intends to make distributions of its available cash to its unitholders ("Unitholders"), these cash distributions are not assured and may be reduced or suspended. The ability of the Fund to make cash distributions and the actual amount distributed will be dependent upon, among other things, the financial performance of the Fund and its subsidiaries, their debt covenants and obligations, their working capital requirements, their future capital requirements and the future tax treatment of income trusts. In addition, the market value of the Units may decline if the Fund is unable to meet its cash distribution targets in the future, and that decline may be significant. It is important for a person making an investment in Units of the Fund to consider the particular risk factors that may affect both the Fund and the industry in which the Fund, through its subsidiaries, operates and that may therefore affect the stability of the cash distributions on the Units of the Fund. See the sections of this short form prospectus entitled "Risk Factors" and "Certain Canadian Federal Income Tax Considerations", which describe, or refer to documents incorporated herein by reference which describe, the Fund's assessment of those risk factors, as well as the potential consequences to a Unitholder if a risk should occur.

The after-tax return to Unitholders from an investment in Units will depend, in part, on the composition for income tax purposes of distributions paid by the Fund, portions of which may be fully or partially taxable or may constitute non-taxable returns of capital. That composition may change over time, thus affecting a Unitholder's after-tax return. On October 31, 2006 and December 21, 2006, the Minister of Finance (Canada) ("Finance") released proposed changes to the Income Tax Act (Canada) (the "2006 Proposed Tax Changes") (which are discussed in more detail under the heading "Certain Canadian Federal Income Tax Considerations – 2006 Proposed Tax Changes" and "Risk Factors – Proposed Changes to the Canadian Federal Income Tax Treatment of Publicly Listed Trusts"), which would, if enacted, apply a tax on certain income earned by a "specified investment flow-through" ("SIFT") trust, as well as taxing the taxable distributions received by investors from such entities as dividends. As currently drafted, the 2006 Proposed Tax Changes do not change the tax treatment of distributions that are paid as a return of capital by SIFTs but there can be no assurance that the final legislation implementing the 2006 Proposed Tax Changes will maintain such tax treatment. As currently drafted, the 2006 Proposed Tax Changes will not apply to an income trust, such as the Fund, the units of which were publicly listed as of October 31, 2006, until the 2011 taxation year of the trust, subject to certain concerns including the "undue expansion" of the trust, as discussed further herein. See "Certain Canadian Federal Income Tax Considerations" and "Risk Factors – Proposed Changes to the Canadian Federal Income Tax Treatment of Publicly Listed Trusts".

Each of the Canadian chartered bank affiliates of Scotia Capital Inc. and TD Securities Inc., as well as a wholly-owned subsidiary of the Canadian chartered bank affiliate of Scotia Capital Inc., is a lender to affiliates of the Fund under a credit facility. **Consequently, the Fund may be considered a "connected issuer" of each of Scotia Capital Inc. and TD Securities Inc. under applicable securities laws in certain Canadian provinces and territories.** See "Relationship Between the Fund and Certain of the Underwriters".

The Fund is not a trust company or registered under applicable legislation governing trust companies and does not carry on or intend to carry on the business of a trust company. The Fund qualifies as a mutual fund trust for the purposes of the *Income Tax Act* (Canada) (the "Tax Act") and offers and sells its Units to the public. Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that statute or any other legislation.

The Underwriters, as principals, conditionally offer the Units, subject to prior sale, if, as and when issued, sold and delivered by the Fund and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Fund by Shea Nerland Calnan LLP as Canadian counsel and Hodgson Russ LLP as U.S. tax counsel and on behalf of the Underwriters by Goodmans LLP. Subscriptions will be received subject to rejection or allotment in whole or in part and the Underwriters reserve the right to close the subscription books at any time without notice. It is expected that definitive certificates evidencing the Units will be available for delivery at closing, which is expected to occur on or about February 1, 2007 or such later date as the Fund and the Underwriters may agree, but in any event no later than February 8, 2007. Subject to applicable laws, the Underwriters may, in connection with the Offering, effect transactions which stabilize or maintain the market price of the Units at levels other than those which might otherwise prevail on the open market. **Further, the Underwriters may offer the Units to the public at prices lower than the offering prices referred to above. See "Plan of Distribution".**

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DOCUMENTS INCORPORATED BY REFERENCE

Prospective investors should rely only on the information contained or incorporated by reference in this short form prospectus. The Fund has not authorized anyone to provide different information. If an investor is provided with different or inconsistent information, he or she should not rely on it. The Fund is not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. Prospective investors should assume that the information appearing in this short form prospectus is accurate as of the date on the front cover of this short form prospectus only, regardless of the time of delivery of this short form prospectus or of any sale of the securities.

The following documents of the Fund, filed with the securities commissions or similar authorities in each of the provinces and territories of Canada, are specifically incorporated by reference into and form an integral part of this short form prospectus:

1. the annual information form of the Fund dated March 14, 2006 (the “AIF”);
2. the audited consolidated financial statements of the Fund for the years ended December 31, 2005 and December 31, 2004, together with the notes thereto and the auditors’ report thereon included at pages 27 to 44 of the Fund’s 2005 annual report to Unitholders;
3. management’s discussion and analysis of the financial condition and operations of the Fund for the year ended December 31, 2005 included on pages 10 to 24 of the Fund’s 2005 annual report to Unitholders;
4. the management information circular of the Fund dated March 14, 2006 issued in connection with the meeting of Unitholders held on April 27, 2006;
5. the material change report of the Fund dated May 11, 2006 announcing that: (i) Arctic Glacier had entered into purchase agreements to acquire a group of six entities in California involved in the packaged ice business (the “California Ice Acquisition”), such entities consisting of 100% of the outstanding equity interests of Mountain Water Ice Company, Diamond Newport Corporation, Jack Frost Ice Service, Inc., Glacier Valley Ice Company, L.P., Glacier Ice Company, Inc. and South Bay Ice, LLC (collectively referred to herein as “California Ice”) and (ii) announcing that the Fund had also entered into an agreement with a syndicate of underwriters for a public offering, on a bought deal basis, of 4,673,000 subscription receipts at a price of \$10.70 per subscription receipt for gross proceeds of approximately \$50 million and \$100 million principal amount of 6.50% extendible convertible unsecured subordinated debentures, such proceeds to be used to partially finance the California Ice Acquisition;

6. the unaudited consolidated financial statements of the Fund for the three and nine month periods ended September 30, 2006;
7. management's discussion and analysis of the financial condition and operations of the Fund for three and nine month periods ended September 30, 2006;
8. the material change report of the Fund dated May 25, 2006 announcing that: (i) the Fund had completed a public offering to partially finance the California Ice Acquisition; (ii) Arctic Glacier had completed the first closing of the California Ice Acquisition, being the acquisition of four of the companies that comprised California Ice, such companies being Mountain Water Ice Company, Diamond Newport Corporation, Jack Frost Ice Service, Inc. and Glacier Valley Ice Company, L.P., and (iii) the second closing of the California Ice Acquisition, being the acquisition of the remaining two companies that comprised California Ice, such companies being Glacier Ice Company, Inc. and South Bay Ice, LLC, would take place in early August 2006; and
9. the business acquisition report of the Fund dated August 8, 2006 filed in respect of the first closing of the California Ice Acquisition, being the acquisition of four of the six companies that comprised California Ice.

All annual information forms, material change reports (excluding confidential reports), business acquisition reports, unaudited consolidated interim financial statements, audited annual consolidated financial statements, interim and annual management's discussion and analysis and information circulars that are filed by the Fund with a securities commission or similar authority in any of the provinces or territories of Canada after the date of this short form prospectus and prior to the termination of the Offering, shall be deemed to be incorporated by reference into this short form prospectus.

Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this short form prospectus, to the extent that a statement contained herein or in any other subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes that statement. Any such modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be considered in its unmodified or superseded form to constitute part of this short form prospectus; rather only such statement as so modified or superseded shall be considered to constitute part of this short form prospectus.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of Arctic Glacier Income Fund at 625 Henry Avenue, Winnipeg, Manitoba R3A 0V1 (Telephone (204) 772-2473) and are also available electronically at www.sedar.com. For the purposes of the Province of Quebec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Chief Financial Officer of the issuer at the above mentioned address and telephone number and is also available electronically at www.sedar.com.

RELIANCE ON THIRD PARTIES FOR CERTAIN INFORMATION

Certain information concerning entities other than the Fund or its subsidiaries used throughout this short form prospectus, including the documents incorporated by reference herein, as well as industry and market data used throughout this short form prospectus, including the documents incorporated by reference herein, were obtained by management of Arctic Glacier through company research, surveys and studies conducted by third parties and industry and general publications. Industry surveys, studies and publications generally state that they have obtained information from sources believed to be reliable, but do not guarantee the accuracy and completeness of such information. While management of Arctic Glacier believes that each of these surveys, studies and publications is reliable, neither management of Arctic Glacier nor the Underwriters have independently verified such data, and neither the Fund nor the Underwriters make any representations as to the accuracy of such information. Similarly, management of Arctic Glacier believes its internal research is reliable, but it has not been verified by any independent sources.

EXCHANGE RATES

U.S. Dollar Exchange

The following table reflects (i) the low and high rates of exchange for one U.S. dollar (“U.S. \$”), expressed in Canadian dollars (“\$”), during the periods noted, (ii) the rates of exchange at the end of such periods, and (iii) the average of such exchange rates during such periods, based on the Bank of Canada noon spot rate of exchange.

	<u>12 Months Ended</u>	
	<u>December 31, 2006</u>	<u>December 31, 2005</u>
Low for the period	\$1.0990	\$1.1507
High for the period	\$1.1726	\$1.2704
Rate at the end of the period	\$1.1653	\$1.1659
Average noon spot rate for the period	\$1.1342	\$1.2116

Source: Bank of Canada

On January 17, 2007, the Bank of Canada noon spot rate of exchange was U.S. \$1.00 = \$1.1737.

NON-GAAP MEASURES

EBITDA (as defined below) is a performance measure used by many investors 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. Distributable Cash (as defined below) is a performance measure generally used by Canadian income trusts as an indicator of the funds available for distribution to unitholders. As one of the factors that may be considered relevant by prospective investors is the cash distributed by the Fund relative to the price of the Units, management believes that EBITDA and Distributable Cash of the Fund are useful supplemental measures that may assist prospective investors in assessing an investment in Units.

“EBITDA” means earnings before interest expense, income taxes, depreciation and amortization and non-recurring expenses, including acquisition integration charges. “Distributable Cash” means cash available for distribution to Unitholders in accordance with the distribution policy of the Fund.

EBITDA and Distributable Cash are measures that are not recognized by Canadian generally accepted accounting principles and do not have standardized meanings prescribed by Canadian generally accepted accounting principles. Therefore, EBITDA and Distributable Cash may not be comparable to similar measures presented by other issuers. Investors are cautioned that EBITDA and Distributable Cash should not be construed as alternatives to earnings, cash from operations or other financial measures determined in accordance with Canadian generally accepted accounting principles as indicators of the Fund’s performance. The Fund’s method of calculating EBITDA and

Distributable Cash may differ from other companies and income trusts and, accordingly, may not be comparable to measures used by them.

FORWARD LOOKING STATEMENTS

Certain statements contained in this short form prospectus, and in certain documents incorporated by reference herein, constitute “forward-looking statements”. When used herein and therein, the words “may”, “would”, “could”, “will”, “intend”, “plan”, “anticipate”, “believe”, “estimate”, “expect”, and similar expressions, as they relate to the Fund or its management, are intended to identify forward-looking statements. Such statements involve known and unknown risks, uncertainties and other factors outside of management’s control that could cause actual results to differ materially from those expressed in the forward-looking statements. A discussion of such risk factors is referred to under the heading “Risk Factors”. Neither the Fund nor Arctic Glacier assumes responsibility for the accuracy and completeness of the forward-looking statements and neither the Fund nor Arctic Glacier undertakes any obligations to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

THE FUND

The Fund is an unincorporated open-ended mutual fund trust established under the laws of the Province of Alberta pursuant to a declaration of trust most recently amended and restated as of December 4, 2004 (the “Declaration of Trust”). The Fund was established to invest in the packaged ice manufacturing and distribution business in Canada and the United States through its wholly-owned subsidiary, Arctic Glacier. Arctic Glacier carries on its business directly and through its direct and indirect wholly-owned subsidiaries. The head office of the Fund and Arctic Glacier is located at 625 Henry Avenue, Winnipeg, Manitoba R3A 0V1.

The Fund conducts no business directly. The only assets of the Fund consist of the debt it holds in Arctic Glacier and 3084435 Nova Scotia Company (“NSULC”) (collectively, the “Subsidiary Debt”) and the shares and other securities it holds in Arctic Glacier and NSULC (collectively, the “Subsidiary Shares”). To the maximum extent possible, the Fund distributes amounts received as dividends on the Subsidiary Shares and interest income from and principal repayments, if any, on the Subsidiary Debt less expenses and any cash redemptions on Units.

DESCRIPTION OF THE BUSINESS OF ARCTIC GLACIER

Arctic Glacier is the second largest producer of packaged ice in North America. It is the largest producer of packaged ice in Canada and the second largest producer of packaged ice in the United States. Further, management of Arctic Glacier believes that Arctic Glacier is the leading manufacturer and distributor of packaged ice in each of the markets in which it operates. Arctic Glacier’s principal markets in Canada are Quebec, Southern Ontario, Manitoba, Southern Saskatchewan, Alberta and the lower mainland of British Columbia. In the United States, Arctic Glacier’s principal markets are California, northern Delaware, Iowa, Kansas, northeastern Maryland, Michigan, Minnesota, Nebraska, northern and western New Jersey, New York including New York City and Long Island, North Dakota, eastern Pennsylvania, South Dakota, western Texas and Wisconsin. Customers in many additional communities in Canada and the northeast, central and western United States that are not serviced on a direct delivery basis purchase packaged ice produced by Arctic Glacier through an alternate distribution network.

For the year ended December 31, 2005, approximately 75% of Arctic Glacier’s sales were generated in the United States, while the remaining 25% were generated in Canada. With the recent acquisition of California Ice, it is expected that a larger percentage of Arctic Glacier’s sales will be generated in the United States for the 2006 fiscal year and beyond. Arctic Glacier services approximately 68,000 customer locations. Arctic Glacier’s largest customer accounts for approximately 5% of sales, derived from hundreds of locations throughout multiple states and provinces. In aggregate, Arctic Glacier’s 20 largest customers account for less than 30% of sales derived from thousands of locations throughout multiple states and provinces. Arctic Glacier’s customers include most national and regional grocery chains, convenience store chains and gasoline outlets in Canada and the northeast, central and western United States.

Arctic Glacier operates 34 production and 50 distribution facilities throughout Canada and the northeast, central and western United States. In addition to production capacity of 9,400 tons per day, Arctic Glacier has refrigerated storage facilities sufficient to store 48,000 pallets of finished product representing approximately fourteen million

seven pound retail bags of ice. In Canada, Arctic Glacier operates eight production facilities with a daily production capacity of approximately 1,100 tons and three distribution warehouses with total cold storage capacity between the production and distribution facilities for 4,200 pallets of finished product. Canadian operations are located in Alberta, British Columbia, Manitoba, Ontario, Quebec and Saskatchewan. In the United States, Arctic Glacier operates 26 production facilities with approximately 8,300 tons of daily production capacity as well as an additional 47 distribution warehouses with total cold storage capacity between production and distribution facilities for 43,800 pallets of finished product. These operations are located in California, Iowa, Kansas, Michigan, Minnesota, Nebraska, New Jersey, New York, North Dakota, Pennsylvania, South Dakota, Texas and Wisconsin. Arctic Glacier leases real estate for 14 of its production facilities and 34 of its distribution facilities. The balance of Arctic Glacier's locations are owned facilities.

Since May 1, 1997, Arctic Glacier has invested more than \$580 million on the acquisition of 62 packaged ice businesses and capital expenditures, including upgrading facilities and rationalizing operations.

RECENT DEVELOPMENTS

California Ice Acquisition

In 2006, Arctic Glacier, via an indirect subsidiary, acquired a group of six entities in California involved in the packaged ice business (the "California Ice Acquisition"), such entities consisting of 100% of the outstanding equity interests of Mountain Water Ice Company, Diamond Newport Corporation, Jack Frost Ice Service, Inc., Glacier Valley Ice Company, L.P., Glacier Ice Company, Inc. and South Bay Ice, LLC (collectively referred to herein as "California Ice"). The total consideration for the California Ice Acquisition was approximately U.S. \$188.5 million. The California Ice Acquisition was completed in two stages. The closing of the acquisition of four of the companies that comprised California Ice, such companies being Mountain Water Ice Company, Diamond Newport Corporation, Jack Frost Ice Service, Inc. and Glacier Valley Ice Company, L.P., occurred on May 25, 2006 while the closing of the acquisition of the two remaining companies that comprised California Ice, such companies being Glacier Ice Company, Inc. and South Bay Ice, LLC., occurred on August 8, 2006.

In conjunction with the first closing of the California Ice Acquisition in May 2006, the Fund also completed a public offering, on a bought deal basis, of 4,673,000 subscription receipts at a price of \$10.70 per subscription receipt for gross proceeds of approximately \$50 million and \$100 million principal amount of 6.50% extendible convertible unsecured subordinated debentures. The proceeds of that offering were used to partially finance the California Ice Acquisition.

California Ice has the leading market share in California and is the market leader in its largest metropolitan areas including Los Angeles, San Diego, San Francisco, Oakland, San Jose and Sacramento. In addition, as the only manufacturer and distributor of packaged ice with a state-wide presence, California Ice has a competitive advantage in servicing large, multi-location customers. Nearly all of the manufacturing facilities, distribution centres and refrigerated warehouse facilities of California Ice have been recently constructed or renovated, with a significant amount of capital expenditures having been spent over the past three years to expand, upgrade and modernize the facilities.

Happy Ice Acquisition

In June 2006, Arctic Glacier expanded its coverage of the key upstate New York market with the acquisition, via an indirect subsidiary, of the assets and operations of Happy Ice LLC of Fairport, New York ("Happy Ice"). Happy Ice operates a production plant in Fairport and four distribution centers located in Albany, Buffalo, Corning and Utica, New York. Happy Ice is the leading provider of packaged ice in upstate New York, serving major markets including Buffalo, Rochester, Albany, Syracuse and portions of northeastern Pennsylvania. Happy Ice is one of the largest independent ice manufacturers in the northeastern United States, producing over 350 tons of packaged ice per day.

Appointment of New Executive Officers

On December 29, 2006, Keith McMahon was appointed as President and Chief Executive Officer of Arctic Glacier, succeeding Robert Nagy, who retired from management. Mr. Nagy continues as a Trustee of the Fund and has

assumed the role of Vice Chairman of the Board of Trustees of the Fund. Also on December 29, 2006, Douglas Bailey, formerly Vice President of Accounting and Corporate Controller, replaced Mr. McMahon as Chief Financial Officer; and Frank Larson, formerly Senior Vice President, Operations, was appointed Executive Vice President, Operations.

The promotion of Keith McMahon to his new role at Arctic Glacier provides a seamless transition within the executive management team. Mr. McMahon played an instrumental role in the reorganization of Arctic Glacier into an income trust in 2002. In addition, he has led all significant acquisitions, equity offerings and debt financings since then that have enabled the Fund to execute its growth strategy.

In his new role as Vice Chairman, Mr. Nagy will continue to work with senior management on broad strategic issues and the continued growth strategy of the Fund. Mr. Nagy assumes the role of Vice Chairman from Gary Filmon, PC, who has served in that capacity since May 2003. Mr. Filmon will continue as a Trustee of the Fund, as well as serving as Chair of the Audit Committee and as a member of the Corporate Governance Committee and the Compensation Committee.

CONSOLIDATED CAPITALIZATION OF THE FUND

The following table sets forth the consolidated capitalization of the Fund as at each of December 31, 2005 and September 30, 2006 and as at September 30, 2006 as adjusted to give effect to this Offering.

	Authorized	Outstanding at December 31, 2005 before giving effect to the Offering (audited)	Outstanding at September 30, 2006 before giving effect to the Offering (unaudited)	Outstanding at September 30, 2006 after giving effect to the Offering (unaudited)⁽⁴⁾
Long-Term Debt ⁽¹⁾	N/A	\$74,515,000	\$175,508,000	\$109,627,250
Convertible Debentures	N/A	\$0	\$90,397,000 ⁽²⁾	\$90,397,000 ⁽²⁾
Units.....	Unlimited	\$249,747,000 (27,887,707 Units)	\$297,302,000 (32,626,977 Units) ⁽³⁾	\$367,387,000 (37,976,977 Units) ⁽³⁾

Notes:

- (1) Long term debt as at December 31, 2006 was \$186,063,000, of which approximately \$99,232,000 (\$92,799,000 as at September 30, 2006) was outstanding under the Credit Facility (see "Relationship Between the Fund and Certain of the Underwriters"). Such outstanding indebtedness under the Credit Facility will be reduced following application of the net proceeds of the Offering less expenses. New funds may subsequently be drawn under the Credit Facility to pursue near term acquisition opportunities and for general trust purposes. See "Use of Proceeds".
- (2) Represents the liability component.
- (3) Since September 30, 2006, 22,054 Units have been issued pursuant to the distribution reinvestment plan of the Fund, 466,665 Units have been issued pursuant to the conversion of outstanding convertible debentures of the Fund and 6,250 Units have been issued pursuant to the exercise of options.
- (4) Does not include Units issuable upon exercise of the Over-Allotment Option or any reduction of long-term debt from the proceeds of the exercise of the Over-Allotment Option.

USE OF PROCEEDS

The total net proceeds of the Offering, being approximately \$65,880,750 (or approximately \$75,381,263 if the Over-Allotment Option is exercised in full) after deducting the Underwriters' fee of \$3,504,250 (or \$4,004,277 if the Over-Allotment Option is exercised in full) and the expenses of the Offering estimated at \$700,000, will be used by the Fund to subscribe for equity securities from certain of its subsidiaries who will then use the net proceeds of the Offering to reduce their indebtedness under the Credit Facility and for general trust purposes. The Fund is continually reviewing acquisition opportunities in its primary line of business, packaged ice, as well as other complimentary businesses. The Fund (indirectly through certain of its subsidiaries) may draw new funds under the Credit Facility to pursue near term acquisition opportunities and for additional general trust purposes. Until so required, such subsidiaries will use the net proceeds to reduce their indebtedness under the Credit Facility. See "Relationship Between the Fund and Certain of the Underwriters".

The Fund is currently actively pursuing potential acquisitions of manufacturers and distributors of packaged ice in or near markets currently serviced by Arctic Glacier and its subsidiaries. There is no assurance that such acquisitions will be completed. The completion of this Offering is not conditional on the completion of any potential acquisitions.

DESCRIPTION OF UNITS

Authorized

An unlimited number of Units may be created and issued pursuant to the Declaration of Trust. As at January 17, 2007, there were 33,121,946 Units issued and outstanding.

Description

Each Unit represents an equal fractional undivided beneficial interest in any distributions from the Fund and in any net assets of the Fund in the event of termination or winding-up of the Fund. All Units are of the same class with equal rights and privileges. Each Unit is transferable, entitles the holder thereof to participate equally in distributions, including the distributions of net income and net realized capital gains of the Fund and distributions on liquidation, is fully paid and non-assessable and entitles the holder thereof to one vote at all meetings of Unitholders for each Unit held.

The Units do not represent a traditional investment and should not be viewed by investors as “shares” in either Arctic Glacier or the Fund. As holders of Units in the Fund, the Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative” actions. The price per Unit is a function of anticipated distributable income from Arctic Glacier and the combined ability of the Trustees of the Fund to affect long term growth in the value of the Fund. The market price of the Units will be sensitive to a variety of market conditions including, but not limited to, interest rates, the distributions generated by Arctic Glacier and the ability of the Fund to acquire additional assets. Changes in market conditions may adversely affect the trading price of the Units.

The Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act (Canada)* and are not insured under the provisions of that act or any other legislation. Furthermore, the Fund is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Issuance

The Declaration of Trust provides that Units or rights to acquire Units may be issued at the times, to the persons, for the consideration and on the terms and conditions that the Trustees of the Fund determine. At the option of the Trustees of the Fund, Units may be issued in satisfaction of any distribution of the Fund to Unitholders on a pro rata basis to the extent the Fund does not have available cash to fund such distributions. The Declaration of Trust also provides that, unless the Trustees of the Fund determine otherwise, immediately after any pro rata distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the non-cash distribution, except where tax was required to be withheld. In this case, each certificate, if any, representing a number of Units prior to the non-cash distribution is deemed to represent the same number of Units after the non-cash distribution and the consolidation.

PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement, the Fund has agreed to sell and the Underwriters have severally agreed to purchase on February 1, 2007, or such later date as the Fund and the Underwriters may agree, but in any event no later than February 8, 2007, an aggregate of 5,350,000 Units at a purchase price of \$13.10 per Unit, for an aggregate consideration of \$70,085,000, payable in cash to the Fund by the Underwriters against delivery of the Units on the closing of the Offering. The Fund has also granted to the Underwriters the Over-Allotment Option. The Over-Allotment Option is exercisable until the date that is 30 days following the closing of the Offering and permits the

Underwriters to purchase an additional 763,400 Units on the same terms as set forth above, solely to cover over-allotments, if any, and for market stabilization. This short form prospectus also qualifies the distribution of the Over-Allotment Option and the issuance of the Units issuable on the exercise of the Over-Allotment Option. The Underwriters will receive a fee equal to 5.0% of the gross proceeds of the Offering, which amounts to \$3,504,250 (or \$4,004,277 if the Over-Allotment Option is exercised in full). The Offering Price of the Units has been established through negotiation between the Fund and the Underwriters with reference to the prevailing market price of the Units. See “Use of Proceeds”.

The offered Units shall be identical in terms to all other Units.

The obligations of the Underwriters under the Underwriting Agreement are several and may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. If one or more of the Underwriters fails to purchase their allotment of the Units, the remaining Underwriter or Underwriters may, but are not obligated to, purchase the Units not purchased by the Underwriter or Underwriters who failed to purchase. The Underwriters are, however, obligated to take up and pay for all of the Units if any of the Units are purchased under the Underwriting Agreement. The Fund has agreed to indemnify the Underwriters and their respective shareholders, directors, officers, employees and agents against certain liabilities, including civil liabilities under Canadian provincial securities legislation, or to contribute to any payments the Underwriters may be required to make in respect thereof.

The Units offered hereunder have not been and will not be registered under the United States *Securities Act of 1933*, as amended (the “U.S. Securities Act”) or any state securities laws, and accordingly may not be offered or sold within the United States except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. In connection with the Offering, a portion of the Units may be sold in the United States to “qualified institutional buyers” (as defined in Rule 144A under the U.S. Securities Act) pursuant to Rule 144A under the U.S. Securities Act.

In addition, until 40 days after the commencement of this Offering, any offer or sale of Units offered hereby within the United States by any dealer (whether or not participating in this Offering) may violate the registration requirements of the U.S. Securities Act, if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption under the U.S. Securities Act.

Pursuant to policy statements of the Ontario Securities Commission and the Autorité des marchés financiers, the Underwriters may not, throughout the period of distribution, bid for or purchase Units. The foregoing restriction is subject to certain exceptions including:

- (a) a bid or purchase permitted under the by-laws and rules of the TSX relating to market stabilization and passive market making activities; and
- (b) a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of the distribution, provided that the bid or purchase was not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of such securities.

In connection with this Offering, the Underwriters may, subject to applicable laws, effect transactions which stabilize or maintain the market price of the Units at levels other than that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Fund has applied to list the Units to be distributed under this short form prospectus on the TSX. Listing will be subject to the Fund fulfilling all of the requirements of the TSX.

The Fund has agreed that it will not, without prior consent of Scotia Capital Inc. and TD Securities Inc., on behalf of the Underwriters, offer or issue, or enter into an agreement or other understanding (including pursuant to any monetization or other similar transaction) to offer or issue, Units or other securities of the Fund convertible, exchangeable or exercisable for such securities (except for the issuance of options to acquire Units of the Fund pursuant to the Fund’s unit option plan, distribution reinvestment plan or unitholders’ rights plan, or the issuance of securities as consideration for an acquisition in each case previously disclosed to the Underwriters, or on the

conversion of the Fund's outstanding debentures in accordance with their terms) for 90 days following the closing date of the Offering.

The Underwriters propose to offer the Units to the public at the Offering Price referred to above. After the Underwriters have made a reasonable effort to sell all of the Units at the Offering Price referred to above, the offering price to the public of the Units may be decreased and may be further changed from time to time to an amount not greater than the Offering Price referred to above, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by the purchasers for the Units is less than the price paid by the Underwriters to the Fund.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Shea Nerland Calnan LLP, counsel to the Fund, and Goodmans LLP, counsel to the Underwriters, the following is, as of the date of this prospectus, a summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act to a holder who acquires Units pursuant to this Offering and who, for purposes of the Tax Act, at all relevant times, is an individual, a trust or a corporation that is resident in Canada, deals at arm's length and is not affiliated with the Fund and acquires and holds Units as capital property. Generally, the Units will be considered to be capital property to a holder provided that the holder does not hold the Units in the course of carrying on a business of buying and selling securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain holders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to treat their Units as capital property by making an election under subsection 39(4) of the Tax Act. Unitholders interested in making this election should consult their own tax advisers, having regard to their own particular circumstances.

This summary is not applicable to a holder of Units that is a "financial institution" (as defined in the Tax Act for purposes of the mark-to-market rules) or a "specified financial institution" or an investor an interest in which is a "tax shelter investment" (all as defined in the Tax Act). Any such Unitholders should consult their own tax advisors with respect to an investment in the Units.

This summary is based upon the provisions of the Tax Act and the regulations thereunder (the "Regulations") in force at the date of this short form prospectus and counsel's understanding of the current published administrative and assessing practices of the Canada Revenue Agency and takes into account all specific proposals to amend the Tax Act and the Regulations which have been publicly announced by or on behalf of the Minister of Finance (Canada) ("Finance") prior to the date of this prospectus (the "Tax Proposals"). This summary assumes that the Tax Proposals will be enacted in their current form. However, there can be no assurance that any Tax Proposals will be implemented in their current form or at all. This summary is not exhaustive of all possible Canadian federal tax considerations applicable to an investment in Units and, except for the Tax Proposals does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action or in the administrative policies and assessing practices of the Canada Revenue Agency, and does not take into account provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed in this prospectus.

This summary is of a general nature only and is not intended to be, and should not be construed to be, legal or tax advice to any prospective holder of Units and no representations with respect to the income tax consequences to any such holder are made. Prospective holders should consult their own tax advisors for advice with respect to the income and capital tax consequences to them of acquiring, holding and disposing of Units, including the application and effect of the income and other tax laws of any country, province, state or local tax authority.

This summary does not address any Canadian federal income tax considerations applicable to non-residents of Canada, and non-residents should consult their own tax advisors regarding the tax consequences of acquiring, holding and disposing of Units.

Status of the Fund

The Fund has advised counsel that it qualifies as a mutual fund trust under the provisions of the Tax Act and has filed an election under the Tax Act to be deemed to qualify as a mutual fund trust from inception. The Fund has provided a factual certificate to support such advice. The balance of this summary and the opinions expressed below under "Eligibility for Investment" assume that the Fund qualifies as a mutual fund trust at all relevant times. **If the Fund were not to qualify as a mutual fund trust, the federal income tax considerations described below would, in some respects, be materially different.**

In order for the Fund to qualify as a mutual fund trust, it must satisfy certain requirements including requirements relating to the distribution of its Units and a requirement that it not be established or maintained primarily for the benefit of non-residents. This summary assumes that these requirements have been satisfied and will continue to be satisfied. If proposed amendments to the Tax Act released by Finance on September 16, 2004 are enacted, as proposed, the Fund may cease to qualify as a "mutual fund trust" if, at any time after 2004, the fair market value of Units held by non-residents of Canada or partnerships that are not "Canadian partnerships" for the purposes of the Tax Act is more than 50% of the fair market value of all the outstanding Units. A partnership will be a "Canadian partnership" at a particular time only if all of its members are residents of Canada at that time. The Notice of Ways and Means Motion tabled by Finance on December 6, 2004 did not include these proposed amendments. On the same date, the government announced that further discussions with the private sector would take place. The issue of ownership of units of mutual fund trusts by non-resident persons and partnerships other than Canadian partnerships was not addressed in the May 2, 2006 Federal Budget or the 2006 Proposed Tax Changes.

2006 Proposed Tax Changes

On October 31, 2006, Finance announced a Tax Fairness Plan which, in part, proposed changes to the manner in which certain flow-through entities and the distributions from such entities are taxed. On December 21, 2006, Finance released draft amendments to the Tax Act to implement some of those changes. The summary below is based solely on the general information found in the background paper issued by Finance at the time of the October 31, 2006 announcement (which is not legislation), the Guidelines (as defined below) issued by Finance on December 15, 2006, and the draft amendments to the Tax Act released on December 21, 2006. No assurance can be given that the final legislation implementing the 2006 Proposed Tax Changes will be consistent with the foregoing or that Canadian federal income tax law respecting income trusts and other flow-through entities will not be further changed in a manner which adversely affects the Fund and its Unitholders. To the extent that changes, including the 2006 Proposed Tax Changes, are implemented, such changes could result in the income tax considerations described below being materially different in certain respects. See "Risk Factors – Proposed Changes to the Canadian Federal Income Tax Treatment of Publicly Listed Trusts".

The 2006 Proposed Tax Changes, if enacted, would apply a tax on certain income earned by a SIFT trust, as well as taxing the taxable distributions received by investors from such entities as dividends. Pursuant to the 2006 Proposed Tax Changes, the Fund will constitute a SIFT trust and, as a result, the Fund and its Unitholders will be subject to the 2006 Proposed Tax Changes.

Generally, there will be a four year transition period for income trusts, such as the Fund, the units of which were publicly listed as of October 31, 2006 (an "Existing Trust"), and the 2006 Proposed Tax Changes will not apply until 2011. However, the 2006 Proposed Tax Changes also indicate that there are circumstances under which an Existing Trust may lose its transitional relief, including any "undue expansion" of an Existing Trust (such as might be attempted through the insertion of a disproportionately large amount of additional capital). On December 15, 2006, Finance issued guidelines which established objective tests with respect to how much Existing Trusts are permitted to grow without jeopardizing their transitional relief (the "Guidelines"). The Guidelines indicate that no change will be recommended to the 2011 date in respect of any SIFT whose equity capital grows as a result of issuances of new equity (which includes units, debt that is convertible into units, and potentially other substitutes for such equity), before 2011, by an annual amount that does not exceed the greater of \$50 million and an objective "safe harbour" amount based on a percentage of the SIFT's market capitalization as of the end of trading on October 31, 2006 (measured in terms of the value of a SIFT's issued and outstanding publicly-traded units, not including debt, options or other interests that were convertible into units of the SIFT). For the period from November 1, 2006 to the end of 2007, the Guidelines provide that a SIFT's safe harbour will be 40% of the October 31, 2006 benchmark. For each

of the 2008, 2009 and 2010 calendar years, the Guidelines provide that a SIFT's safe harbour will be 20% of the October 31, 2006 benchmark. Management has advised counsel that the Fund's market capitalization, determined in accordance with the Guidelines, was approximately \$446.3 million as at October 31, 2006. The Guidelines further stated that issuing equity to repay debt that was outstanding as of October 31, 2006, whether through a debenture conversion or otherwise, will not be considered growth for these purposes. Management has advised counsel that all or substantially all of the proceeds of the Offering of Units pursuant to this prospectus will be used to repay debt that was outstanding on October 31, 2006. Accordingly, the Offering of Units pursuant to this prospectus should not cause, by itself, the Fund to be subject to the 2006 Proposed Tax Changes prior to its 2011 taxation year. It is therefore assumed, for the purposes of this summary, that the Fund will not be subject to the 2006 Proposed Tax Changes until January 1, 2011. However, under the 2006 Proposed Tax Changes, in the event that the Fund issues additional Units or convertible debentures (or other equity substitutes) on or before 2011, the Fund may become subject to the 2006 Proposed Tax Changes prior to 2011. **No assurance can be provided that the 2006 Proposed Tax Changes will not apply to the Fund prior to 2011.**

The remainder of this summary is subject to the 2006 Proposed Tax Changes as discussed above.

Capital Tax

A holder that is a corporation will not be entitled to include any amount in respect of the Units in computing its "investment allowance" (as defined in the Tax Act) under Part I.3 of the Tax Act.

Taxation of the Fund

The taxation year of the Fund is the calendar year. In each taxation year, the Fund will be subject to tax under Part I of the Tax Act on its income for the year, including net realized taxable capital gains, less the portion thereof that it deducts in respect of the amounts paid or payable in the year to Unitholders. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid to the Unitholder in the year by the Fund or if the Unitholder is entitled in that year to enforce payment of the amount.

The Fund will include in its income for each taxation year all interest on the Subsidiary Debt that accrues to the Fund to the end of the year, or that becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a preceding taxation year.

In addition, the Fund will include in its income any dividends received on the Subsidiary Shares. Any amount paid to the Fund in respect of the Subsidiary Shares (other than an amount that is a return of capital for purposes of the Tax Act) will generally constitute a dividend to the Fund. Any amount paid to the Fund on a repurchase of the Subsidiary Shares that is in excess of the paid-up capital of those shares will be deemed to be a dividend to the Fund. Provided that such amounts are distributed to Unitholders and appropriate designations are made by the Fund, all amounts which would otherwise be included in its income as dividends received on the Subsidiary Shares will be deemed to have been received as dividends by the Unitholders and not to have been received as dividends by the Fund.

A distribution by the Fund of Subsidiary Shares or Subsidiary Debt upon a redemption of Units under the provisions of the Declaration of Trust will be treated as a disposition by the Fund of the securities so distributed for proceeds of disposition equal to their fair market value. The Fund's proceeds from the disposition of Subsidiary Debt will be reduced by any accrued but unpaid interest in respect of that Subsidiary Debt, which interest will generally be included in the Fund's income in the year of disposition to the extent that it was not included in the Fund's income in a previous year. The Fund will realize a capital gain (or a capital loss) to the extent that the proceeds from the disposition exceed (or are less than) the adjusted cost base of the relevant property and any reasonable costs of disposition. The tax consequences to the Fund of a distribution by the Fund of property other than Subsidiary Shares or Subsidiary Debt upon a redemption of Units will depend on the nature of the property so distributed.

In computing its income, the Fund may deduct reasonable administrative costs, interest and other expenses incurred by it for the purpose of earning income.

Under the Declaration of Trust, an amount equal to all of the income of the Fund, together with the non-taxable portion of any net capital gain realized by the Fund, but excluding: (i) capital gains arising on a distribution in specie of Subsidiary Shares, Subsidiary Debt or other capital property on redemption of Units; and (ii) accrued interest on distributed Subsidiary Debt, which are allocated by the Fund to redeeming Unitholders, will be payable in the year to the holders of the Units by way of cash distributions, subject to the exceptions described below. Also excluded from the computation of distributable cash are capital gains, the tax on which may be offset by capital losses carried forward from prior years or is recoverable by the Fund. Income of the Fund which is applied to fund redemptions of Units for cash or is otherwise unavailable for cash distributions will be distributed to Unitholders in the form of additional Units. Income of the Fund payable to Unitholders, whether in cash, additional Units or otherwise will generally be deductible by the Fund in computing its taxable income.

The Fund will be entitled for each taxation year to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized taxable capital gains by an amount determined under the Tax Act based on the redemption of Units during the year (the "capital gains refund"). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the Fund's tax liability for that taxation year arising as a result of the distribution of Subsidiary Shares, Subsidiary Debt or other capital property on the redemption of Units. The Declaration of Trust provides that all or a portion of any capital gain realized by the Fund as a result of that redemption may, at the discretion of the Trustees of the Fund, be treated as a capital gain payable to the redeeming Unitholder. The taxable portion of any such gain will be deductible by the Fund. In addition, certain accrued interest on the Subsidiary Debt distributed to a redeeming Unitholder as part of redemption proceeds will be treated as an amount paid to that Unitholder and will be deductible by the Fund.

Counsel has been advised that the Fund intends to make sufficient distributions of its net income for tax purposes and net realized capital gains so that the Fund will generally not be liable in any year for income tax under Part I of the Tax Act.

Under the 2006 Proposed Tax Changes, on the basis that the Fund is a SIFT trust, once it becomes subject to the 2006 Proposed Tax Changes (which is anticipated to be, subject to any "undue expansion", deferred until January 1, 2011), the Fund will no longer be able to deduct any part of the amounts payable to Unitholders in respect of: (i) income from businesses it carries on in Canada or from its non-portfolio properties (exceeding any losses for the taxation year from businesses or non-portfolio properties), and (ii) taxable capital gains from its dispositions of non-portfolio properties (exceeding its allowable capital losses from the disposition of such properties). A deduction is permitted for dividends received by a SIFT trust where the dividends could have been deducted if the SIFT trust were a corporation. "Non-portfolio properties" include: (i) Canadian real and resource properties if the total fair market value of such properties is greater than 50% of the equity value of the SIFT trust itself, (ii) a property that the SIFT trust (or a non-arm's length person or partnership) uses in the course of carrying on a business in Canada, and (iii) investments in a subject entity that have a fair market value greater than 10% of the subject entity's equity value or a subject entity where the SIFT holds securities of it or its affiliates that have a total fair market value greater than 50% of the equity value. A subject entity includes corporations resident in Canada, trusts resident in Canada, and Canadian resident partnerships. It is expected that the investments by the Fund in Arctic Glacier will be investments in a subject entity for this purpose. Income which a SIFT is unable to deduct will be taxed in the SIFT at rates of tax similar to the combined federal and provincial corporate tax rate. For the 2011 taxation year, the 2006 Proposed Tax Changes state that the combined rate would be 31.5%. As currently drafted, the 2006 Proposed Tax Changes do not change the tax treatment of distributions that are paid as returns of capital.

Taxation of Unitholders

Fund Distributions

A Unitholder will generally be required to include in income for a particular taxation year the portion of the net income of the Fund for a taxation year, including net realized taxable capital gains, that is paid or payable to the Unitholder in the particular taxation year, whether that amount is received in cash, additional Units or otherwise. In addition, any deduction or loss of the Fund for purposes of the Tax Act cannot be allocated to and treated as a loss of the Unitholders. Pursuant to the 2006 Proposed Tax Changes, once the Fund becomes subject to the 2006 Proposed Changes (which is anticipated to be, subject to any "undue expansion", deferred until January 1, 2011), taxable distributions from the Fund received by investors and paid from the Fund's after tax income would generally be

deemed to be received as a taxable dividend from a taxable Canadian corporation. Such dividend will be subject to the gross-up and dividend tax credit provisions in respect of Unitholders who are individuals. Under Proposed amendments released by Finance on June 29, 2006, the dividend tax credit applicable to certain "eligible dividends" will increase. The dividend deemed to be paid by the Fund should be eligible to be elected to be an "eligible dividend" and, in such circumstances, would therefore benefit from the enhanced gross-up and dividend tax credit rules of the Tax Act.

Provided that appropriate designations are made by the Fund, that portion of its taxable dividends received from taxable Canadian corporations and net taxable capital gains as is paid or payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. To the extent that amounts are designated as taxable dividends from the Fund's subsidiaries, the normal gross-up and dividend tax credit provisions will be applicable in respect of Unitholders who are individuals, the refundable tax under Part IV of the Tax Act will be payable by Unitholders that are private corporations and certain other corporations controlled directly or indirectly by or for the benefit of an individual or related group of individuals, and the deduction of such dividends in computing taxable income will be available to Unitholders that are corporations.

In addition, the Fund will make similar designations in respect of its income from foreign sources so that, for the purpose of computing any foreign tax credit to a Unitholder, the Unitholder will be deemed to have paid as tax to a government of a foreign country, that portion of the taxes paid by the Fund to that country that is equal to the Unitholder's share of the Fund's income from sources in that country. A Unitholder will be entitled to claim a foreign tax credit as a deduction from Canadian taxes or as a deduction in computing income, subject to the rules in the Tax Act. Unitholders will be advised each year of the composition of amounts distributed to them.

The non-taxable portion of any net realized capital gains of the Fund that is paid or payable to a Unitholder in a taxation year will not be included in computing the Unitholder's income for the year. Any other amount in excess of the net income of the Fund that is paid or payable to a Unitholder in that year will not generally be included in the Unitholder's income for the year. However, where such other amount is paid or payable to a Unitholder (other than as proceeds in respect of the redemption of Units), the Unitholder will be required to reduce the adjusted cost base of the Units by that amount. To the extent that the adjusted cost base of a Unit would otherwise be a negative amount, the negative amount will be deemed to be a capital gain and the adjusted cost base of the Unit to the Unitholder will then be nil. The taxation of capital gains is described below under "Taxation of Capital Gains and Capital Losses".

The cost to a Unitholder of additional Units received in lieu of a cash distribution of income will be the amount of income distributed by the issue of those Units. For the purpose of calculating the adjusted cost base to a Unitholder of Units, when a Unit is acquired the cost of the newly-acquired Unit will be averaged with the adjusted cost base of all of the Units owned by Unitholder as capital property immediately before that acquisition.

Dispositions of Units

On the disposition or deemed disposition of a Unit whether on a redemption as set out in the Declaration of Trust or otherwise, the Unitholder will realize a capital gain (or capital loss) equal to the amount by which the Unitholder's proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of the Unit and any reasonable costs of disposition. Proceeds of disposition will not include the amount of capital gains or accrued interest on distributed Subsidiary Debt allocated by the Fund to a Unitholder who redeems Units owned by such Unitholder as permitted under the Declaration of Trust. The taxation of capital gains and capital losses are described below under "Taxation of Capital Gains and Capital Losses".

Where Units are redeemed by the distribution of Subsidiary Shares or Subsidiary Debt to a redeeming Unitholder, the proceeds of disposition to the Unitholder of the Units will be equal to the fair market value of the Subsidiary Shares or Subsidiary Debt so distributed less any portion of the capital gain realized by the Fund as a result of the redemption of those Units which has been allocated by the Fund to the Unitholder and, in the case of Subsidiary Debt, any accrued interest on that Subsidiary Debt. Where a capital gain realized by the Fund as a result of the distribution of Subsidiary Shares or Subsidiary Debt on the redemption of Units has been allocated by the Fund to a redeeming Unitholder and an appropriate designation has been made, the Unitholder will be required to include in income the taxable portion of the capital gain so allocated. Interest accrued in the taxation year of the Fund in which the redemption occurs but which has not been paid at the time of redemption will be treated as an amount of income

paid to the Unitholder and therefore will be included in the Unitholder's income in the year the Unit is redeemed. The cost of any Subsidiary Shares or Subsidiary Debt distributed by the Fund to a Unitholder upon a redemption of Units as permitted under the Declaration of Trust will be equal to the fair market value of that security at the time of the distribution less, in the case of a Subsidiary Debt, any accrued interest on that Subsidiary Debt. The Unitholder will thereafter be required to include in income interest on any Subsidiary Debt so distributed in accordance with the provisions of the Tax Act. To the extent that the Unitholder is thereafter required to include in income any interest accrued to the date of the acquisition of a Subsidiary Debt by the Unitholder, an offsetting deduction will be available. The tax consequences to the Unitholder where Units are redeemed by the distribution of property other than Subsidiary Shares or Subsidiary Debt will depend on the nature of the property so distributed.

Taxation of Capital Gains and Capital Losses

One-half of any capital gain ("taxable capital gain") realized by a holder will generally be included in the holder's income as a taxable capital gain in the year of disposition. One-half of any capital loss ("allowable capital loss") generally may be deducted from taxable capital gains for the year of disposition. Any allowable capital losses in excess of taxable capital gains for the year of disposition may generally be carried back up to three years or forward indefinitely and deducted against net taxable capital gains in such other years to the extent and under the circumstances described in the Tax Act.

A holder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6 $\frac{2}{3}$ % on its "aggregate investment income" for the year which will include an amount in respect of taxable capital gains.

Where a holder is a corporation, the amount of any capital loss arising on the disposition of a Unit may be reduced by the amount of dividends from the Fund's subsidiaries, previously designated by the Fund to the Unitholder to the extent and under the circumstances prescribed by the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Units or where a trust or partnership of which a corporation is a beneficiary or a member is a member of a partnership or a beneficiary of a trust that owns Units. Unitholders to whom these rules may be relevant should consult their own tax advisors.

Alternative Minimum Tax

In general terms, net income of the Fund paid or payable to a Unitholder who is an individual or a trust, other than certain specified trusts, that is designated as taxable dividends or as net realized capital gains and capital gains realized on the disposition of Units may increase the Unitholder's liability for alternative minimum tax, depending on the Unitholder's circumstances.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Hodgson Russ LLP, U.S. tax counsel to the Fund, Arctic Glacier and Arctic Glacier International Inc. ("AGII"), a corporation incorporated pursuant to the laws of the State of Delaware and wholly-owned by Arctic Glacier ("U.S. Tax Counsel"), the following discussion describes, as of the date of this short form prospectus, the material U.S. federal income tax considerations applicable to non-U.S. Unitholders (as defined below) of the purchase, ownership and disposition of Units in the Fund. This summary is directed only to prospective purchasers of Units offered by this short form prospectus. This summary is of a general nature only and is not intended to be legal or tax advice to any prospective purchaser of Units.

This summary is based on the United States Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations (including final, temporary and proposed regulations) promulgated thereunder, Internal Revenue Service ("IRS") rulings and official pronouncements, judicial decisions, and the Convention between the United States of America and Canada with respect to Taxes on Income and on Capital, as amended (the "Canadian Treaty"), all as in effect on the date of this short form prospectus and all of which are subject to change, possibly with retroactive effect, or different interpretations, which could affect the accuracy of the statements and conclusions set forth below and the U.S. federal income tax consequences to the holders of Units. No ruling from the IRS has been or will be sought on any of the issues discussed below. As a result, there can be no assurance that the IRS will

not successfully challenge the conclusions reached in this summary. This summary is also based on certain certifications, representations and determinations made by the Fund, Arctic Glacier, AGII and NSULC.

Furthermore, this summary does not address all aspects of U.S. federal income taxation that may be relevant to non-U.S. Unitholders in light of their own circumstances, or who are subject to special treatment under U.S. tax rules, including, but not limited to non-U.S. Unitholders whose income from the ownership or disposition of Units is effectively connected with the conduct of a trade or business within the United States under the Code, financial institutions, broker/dealers, insurance companies, regulated investment companies, tax-exempt organizations or individuals subject to tax pursuant to United States law applicable to certain United States expatriates. This summary does not address the U.S. federal income tax considerations applicable to persons who hold Units through a partnership or an entity taxable as a partnership, or other form of “flow through” entity. Also, this summary does not address the U.S. gift, estate, state, local or alternative minimum tax rules applicable to non-U.S. Unitholders.

For purposes of this summary, a “non-U.S. Unitholder” means any holder of Units that is not: (i) a citizen or individual resident in the United States for U.S. federal income tax purposes; (ii) a corporation or other entity taxable as a corporation created or organized under the laws of the United States or a political subdivision thereof; (iii) an estate, the income of which is subject to U.S. federal income tax regardless of the source; or (iv) a trust, if (A) a court within the United States is able to exercise primary supervision over the trust’s administration and one or more United States persons have the authority to control all of its substantial decisions or (B) the trust was in existence on August 20, 1996 and has properly elected under applicable Treasury Regulations to continue to be treated as a United States person. A “U.S. Unitholder” means any holder of Units that is not a non-U.S. Unitholder.

Circular 230 Disclosure

Any tax statement made herein regarding any U.S. federal tax is not intended or written to be used, and cannot be used, by any taxpayer for purposes of avoiding any penalties. Any such statement herein is written in connection with the marketing or promotion of the transaction to which the statement relates. Each taxpayer should seek advice based on the taxpayer’s particular circumstances from an independent tax advisor.

Classification of the Fund and NSULC for U.S. Federal Tax Purposes

The Fund has represented to U.S. Tax Counsel that it made an election to be treated as a partnership for U.S. federal tax purposes, effective September 1, 2004. NSULC is treated as an entity disregarded from its owner, the Fund, under the default entity classification rule of Section 301.7701-3(b)(2) of the Treasury Regulations.

Notwithstanding its election to be treated as a partnership, the Fund is further subject to the special classification rule of Section 7704 of the Code, which provides that a “publicly traded partnership” is, as a general rule, taxed as a corporation for U.S. federal income tax purposes. An exception to this treatment provides that a publicly traded partnership is not taxed as a corporation in any taxable year that 90% or more of a publicly traded partnership's gross income consists of “qualifying income” (the “Qualifying Income Exception”). In general, qualifying income includes certain passive income such as interest (other than from a financial business), dividends, gains from the sale of real property and gains from the sale or other disposition of capital assets held for the production of income that otherwise constitute qualifying income. Assuming that at least 90% of the Fund’s gross income each year is of the nature that meets the definition of “qualifying income”, the Qualifying Income Exception would be met and the Fund would be taxed as a partnership for U.S. federal tax purposes.

Taxation of Non-U.S. Unitholders

The Fund has represented to U.S. Tax Counsel that neither the Fund nor NSULC is engaged in a U.S. trade or business within the meaning of the Code, nor does either have a “permanent establishment” in the U.S. within the meaning of the Canadian Treaty.

Therefore, subject to the discussion of U.S. withholding taxes, below, non-U.S. Unitholders generally would not be subject to U.S. federal income tax with respect to any distributions received from the Fund with respect to Units or on any disposition of Units (unless the non-U.S. Unitholder is an individual who is present in the United States for a

period or periods aggregating 183 or more days in the taxable year of the disposition, and certain other conditions are met).

Taxation of AGII

AGII is incorporated under the laws of Delaware and therefore is taxable as a corporation for U.S. federal income tax purposes. It has been represented to U.S. Tax Counsel by AGII that it intends to file a consolidated U.S. federal income tax return with its subsidiaries and thus generally AGII and its subsidiaries would be subject to U.S. federal income tax on their consolidated taxable income at rates of 34-35% (under current law). In calculating taxable income, AGII has represented that it intends to claim interest deductions with respect to certain funds loaned by NSULC to AGII (the "U.S. Note"), to the extent permitted by U.S. tax rules, as discussed below.

Deductibility of Interest-Characterization of U.S. Note

U.S. Note as Debt

U.S. Tax Counsel has previously advised the Fund and AGII that the U.S. Note should be treated as debt for U.S. federal income tax purposes. The advice of U.S. Tax Counsel is based on facts existing as of the date of the issuance of the U.S. Note. AGII has made representations to U.S. Tax Counsel in connection with this Offering that are consistent with a continued characterization of the U.S. Note as debt (such as payments being made on the U.S. Note at the times required by the U.S. Note, compliance with the financial covenants of the U.S. Note, maintenance of a similar debt/equity ratio as existed as at the issuance of the U.S. Notes and the like). Prospective purchasers of Units should note that the advice of U.S. Tax Counsel is not binding on the IRS or the courts, that the IRS or courts may disagree with the conclusions of U.S. Tax Counsel, and that no ruling on this or any other issue has been or will be requested from the IRS.

The determination of whether an instrument is classified as debt or equity for U.S. federal income tax purposes is based on all relevant facts and circumstances. There is no definition of debt under the Code and its characterization is governed primarily by principles developed in case law, which analyzes numerous factors (with no single factor being dispositive) that are intended to identify the economic substance of the interest in the corporation represented by the instrument. While there is no definitive statutory, regulatory or judicial guidance on the relative weight to be given to any one factor, principal factors often cited in various judicial and administrative precedents include: whether the instrument in question is an unconditional obligation to pay a sum certain; the terms of the instrument, including whether the instrument has significant equity-like characteristics (such as no enforcement rights in the event of default, participation rights in the management of the corporation, convertibility into the stock of the corporation, voting rights, and subordination to other general creditors, among other factors); the lender's ownership of the corporation's stock; the debt-equity ratio of the corporation; the ability of the corporation to make interest payments and to repay principal; and whether the corporation could have obtained the funds from a third party lender on essentially the same terms.

U.S. Tax Counsel believes that the U.S. Note continues to be appropriately characterized as debt.

Although U.S. Tax Counsel has advised AGII and the Fund that the U.S. Note should be treated as debt for U.S. federal income tax purposes, U.S. Tax Counsel cannot conclude with certainty that the U.S. Note will be treated as debt for U.S. federal income tax purposes, and, although AGII intends to take the position that the U.S. Note is debt for U.S. federal income tax purposes, there can be no assurance that this position will not be successfully challenged by the IRS.

If such a challenge were successful, the U.S. Note would be treated as equity rather than debt for U.S. federal income tax purposes, and the payment of interest on the U.S. Note would generally be treated as a non-deductible distribution. The inability of AGII to deduct interest on the U.S. Note would materially increase the taxable income of AGII and the U.S. federal income tax liability of AGII. This would reduce the after-tax cash flow of AGII and could materially reduce the amount of funds available for distribution or payment by the Fund. Furthermore, if payments of interest on the U.S. Note were characterized as payments on equity, the payments could be subject to an additional U.S. dividend withholding tax of 30% to the extent of current or accumulated earnings and profits of

AGII (which may be reduced under the Canadian Treaty to 5% or 15% depending on the type of Unitholder to which the dividend is attributed).

Except where stated otherwise, the remainder of this discussion assumes that the U.S. Note will be respected as debt for U.S. federal income tax purposes.

Earnings Stripping Limitation

Section 163(j) of the Code may limit AGII's ability to currently deduct interest expense on the U.S. Note. In general, Section 163(j) of the Code defers a corporate debtor's deductions for interest payments to "related" foreign persons or with respect to interest payments on debt guaranteed by "related" foreign persons exempt from or subject to reduced rates of U.S. tax in years that: (i) the debt to equity ratio of the corporation exceeds 1.5:1 (calculated based on the tax basis of assets); and (ii) the corporation's net interest expense exceeds an amount equal to 50% of the corporation's "adjusted taxable income" (generally the corporation's earnings before interest, taxes, depreciation, and amortization). The Fund, NSULC, and AGII will be treated as "related" for purposes of Section 163(j) of the Code. As such, depending on the facts and circumstances during the year of the interest payment, Section 163(j) of the Code could apply to disallow the current deduction of all or a portion of AGII's interest expense on the U.S. Note, thereby increasing its U.S. federal income tax liability and reducing the amount of income available for distribution by the Fund to the Unitholders.

Various legislative proposals have been introduced in the U.S. Congress to amend Section 163(j) of the Code that, if enacted, could impose further restrictions on AGII's ability to deduct interest paid on the U.S. Note. However, as of the date of this prospectus, it is uncertain whether any proposed amendments to Section 163(j) of the Code may be enacted, or in what form. If there is a legislative change imposing more restrictions on deductibility of interest, this may increase U.S. federal income tax liabilities of AGII and reduce cash flow to the Fund, thus reducing the amounts available for distribution to Unitholders.

Another potential limitation on interest deductibility arises if the IRS claims that the interest rate on the U.S. Note is in excess of an arm's-length rate. If such challenge were successful, the excess interest may be characterized as a non-deductible distribution, and U.S. withholding tax imposed on such distribution. Additional limitations apply to limit the deductibility of interest if the U.S. Note is issued with "original issue discount," potentially including the rules applicable to certain high-yield debt obligations and deferral of the interest deduction for AGII. In either case, AGII's taxable income (and thus its U.S. federal income tax liability) could be increased. In addition, U.S. withholding tax may apply when the loan is paid in full or otherwise disposed of. As a result, the amount of Funds available for distribution to Unitholders could be reduced.

Withholding Tax on Dividends Paid by AGII

In addition to the interest paid with respect to the U.S. Note, it is anticipated that AGII will distribute some or all of its after-tax income to Arctic Glacier, its sole shareholder, as a dividend. Under the rules of Sections 881, 1441 and 1442 of the Code, AGII will generally be required to withhold tax to the extent that the payments are made out of current or accumulated earnings and profits, e.g., are taxable as dividends under Section 301 of the Code. The amount of the dividend withholding tax is generally 30% under the Code. However, because Arctic Glacier should qualify for benefits under the Canadian Treaty, the withholding tax should be reduced to a 5% rate. The dividend withholding tax would reduce the amounts potentially available for distribution to Unitholders.

Availability of Portfolio Interest Exemption for the Interest Paid on the U.S. Note

As discussed above, the Fund has elected to be treated as a partnership for U.S. federal tax purposes under applicable U.S. entity classification regulations. The interest payments on the U.S. Note, although made to the NSULC as the lender of the funds to AGII, are treated for U.S. federal tax purposes as made to the Fund (because the NSULC is a disregarded entity for U.S. federal tax purposes, as described previously). Generally, under U.S. federal income tax rules, a partnership (like the Fund) is not itself a tax-paying entity; rather, the partners of the partnership (in this case, the Unitholders of the Fund) are taxed on the items of income received (or deemed received) by the Fund, such as the interest on the U.S. Note. Certain types of "portfolio interest" paid or deemed paid by a U.S. person, such as by AGII with respect to the U.S. Note, to non-U.S. persons, such as non-U.S.

Unitholders, are not subject to U.S. income tax under certain conditions (the "Portfolio Interest Exemption"). One condition for the Portfolio Interest Exemption is the "10 Percent Threshold," which causes the Portfolio Interest Exemption to be inapplicable if the debt is held by a person that owns, directly, indirectly or constructively, 10% or more of the total combined voting power of the borrower (the "10% Threshold").

Consistent with the position of the IRS as set forth in a Proposed Treasury Regulation released in June 2006, AGII intends to take the position that the determination of whether a person meets the 10% Threshold should be made at the Unitholder level rather than at the Fund level. However, there is a risk that the IRS may, contrary to its position as set forth in the Proposed Treasury Regulation, ultimately take the position that, either under current law or by issuing a new regulation or ruling with retroactive effect, the determination of whether a person meets the 10% Threshold should be made at the Fund level and that the Portfolio Interest Exemption does not apply to any of the interest paid on the U.S. Note because the Fund indirectly owns 10% or more of the voting rights in AGII. If the 10% Threshold were tested at the Fund level, rather than the Unitholder level, the Portfolio Interest Exemption would not be available. In that case, a 30% U.S. withholding tax would apply (subject to possible reduction to 10% under the Canadian Treaty). In addition, if the Fund were characterized as a corporation for U.S. federal income tax purposes, the Portfolio Interest Exemption would not apply and the interest payments on the U.S. Note would be subject to a U.S. withholding tax at a rate of 30% (subject to possible reduction to a 10% rate under the Canadian Treaty). In either case, the amount available for distribution to Unitholders would be reduced.

A non-U.S. Unitholder should qualify for the Portfolio Interest Exemption, subject to the discussion above, if he, she or it meets the following requirements:

- a. the non-U.S. Unitholder
 - i. owns, directly or indirectly, actually or constructively, less than 10% of the total combined voting power of AGII;
 - ii. is not a bank described in Section 881(c)(3)(A) of the Code; and
 - iii. is not a "controlled foreign corporation" related to AGII within the meaning of Section 881(c)(3)(C) of the Code; and
- b. either:
 - i. the non-U.S. Unitholder certifies on IRS Form W-8BEN (or a suitable substitute form or successor form), under penalties of perjury, that it is not a "U.S. person" (as defined in the Code) and provides its name and address; or
 - ii. a "qualified intermediary" (as defined under IRS regulations) receives documentation upon which it can rely to treat the non-U.S. Unitholder as not a "U.S. person" and provides a IRS Form W-8IMY (or a suitable substitute or successor form); or
 - iii. certain other documentation requirements are met, provided that the Fund provides a Form W-8IMY and certain other withholding documentation to AGII.

In determining whether a non-U.S. Unitholder owns less than 10% of the total combined voting power of AGII, various constructive ownership rules apply that attribute Units owned by family members and related entities to the non-U.S. Unitholder (e.g., a non-U.S. Unitholder is treated as owing both his or her own units and any units owned by his or her spouse). In addition, the rules for determining whether a non-U.S. Unitholder is a bank or "controlled foreign corporation", as described above, are complex. **Because of the complexity of these rules, investors should consult their own tax advisors regarding qualification for the Portfolio Interest Exemption.**

If a non-U.S. Unitholder does not satisfy the requirements set forth above for the Portfolio Interest Exemption or the Portfolio Interest Exemption is otherwise inapplicable, the portion of any interest paid by AGII to the Fund on the U.S. Note that is allocable to such non-U.S. Unitholder would generally be subject to a 30% U.S. withholding tax

(subject to possible reduction under the Canadian Treaty), and distributions to such non-U.S. Unitholder would be reduced accordingly.

Backup Withholding and Information Reporting

A backup withholding tax of 28% may apply to amounts paid to a Unitholder if a Unitholder: (i) fails to establish properly that it is entitled to an exemption; (ii) fails to furnish or certify its correct taxpayer identification number to AGII in the manner required; (iii) is notified by the IRS that it has failed to report payments of interest or dividends properly; or (iv) under certain circumstances, fails to certify that it has been notified by the IRS that it is subject to backup withholding for failure to report interest or dividend payments. However, backup withholding will normally not apply to payments allocable to non-U.S. Unitholders if certain documentation requirements are satisfied (generally as described above). Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be refunded or credited against the Unitholder's U.S. federal income tax liability, assuming the required information is provided to the IRS.

AGII will, where required, report to the IRS the amount of any interest paid on the U.S. Note to the Fund and dividends paid on its shares to Arctic Glacier in each calendar year and the amounts of U.S. federal income tax withheld, if any, with respect to such payments.

RISK FACTORS

Prospective investors should carefully consider the risk factors set forth on pages 38 to 47 of the AIF. In addition to those risk factors, prospective investors should carefully consider the additional risk factors set forth below.

Proposed Changes to the Canadian Federal Income Tax Treatment of Publicly Listed Trusts

On October 31, 2006, Finance announced a "Tax Fairness Plan" which, in part, proposed changes to the manner in which certain flow-through entities and the distributions from such entities are taxed. On December 15, 2006, Finance released Guidelines on certain elements of the Tax Fairness Plan. On December 21, 2006, Finance released draft amendments to the Tax Act to implement some of those changes. These 2006 Proposed Tax Changes, which are discussed in more detail under the heading "Certain Canadian Federal Income Tax Considerations", generally operate to apply a tax at the trust level on distributions of certain income from publicly traded mutual fund trusts at rates of tax comparable to the combined federal and provincial corporate tax and to treat such distributions as dividends to Unitholders. No assurance can be given that the final legislation implementing the 2006 Proposed Tax Changes will be consistent with Finance announcements or that Canadian federal income tax law respecting income trusts and other flow-through entities will not be further changed in a manner which adversely affects the Fund and its Unitholders. To the extent that changes, including the 2006 Proposed Tax Changes, are implemented, such changes could result in the income tax considerations described under the heading "Certain Canadian Federal Income Tax Considerations" being materially different in certain respects. Such adverse tax consequences may impact the future level of cash distributions made by the Fund and, among other things, there can be no assurance that the Fund will be able to maintain its current level of distributions and the current portion of distributions that it treated as a non-taxable return of capital.

The 2006 Proposed Tax Changes will apply to an income trust that is a SIFT. The Fund is a SIFT for purposes of these rules. Generally the application of these rules will be delayed to the 2011 taxation year with respect to income trusts, the units of which were publicly listed prior to November 1, 2006. However, the 2006 Proposed Tax Changes also indicate that there are circumstances under which an Existing Trust may lose its transitional relief, including any "undue expansion" of the Existing Trust. On December 15, 2006, Finance issued guidelines which established objective tests with respect to how much an income trust is permitted to grow without jeopardizing its transitional relief. See "Certain Canadian Income Tax Considerations – 2006 Proposed Tax Changes". Based on certain representations from Management, the Offering of Units pursuant to this prospectus should not cause, by itself, the Fund to be subject to the 2006 Proposed Tax Changes prior to its 2011 taxation year. **However, no assurance can be provided that the 2006 Proposed Tax Changes will not apply to the Fund prior to 2011.**

The 2006 Proposed Tax Changes may have an adverse impact on the Fund, its Unitholders and the value of the Units and on the ability of the Fund to undertake financings and acquisitions. The effect of the 2006 Proposed Tax Changes on the market for Units is uncertain.

Income fund structures generally involve a significant amount of inter-company or similar debt, generating substantial interest expense, which reduces earnings and therefore income tax payable. There can be no assurance that taxation authorities will not seek to challenge the amount of interest expense deducted on the Subsidiary Debt. Management believes that the interest expense inherent in the structure of the Fund is supportable and reasonable in the circumstances. If such a challenge were to succeed it could adversely affect the amount of distributable cash available. On October 31, 2003, Finance released, for public comment, proposed amendments to the Tax Act that relate to the deductibility of interest and other expenses for income tax purposes for taxation years commencing after 2004. In general, these proposed amendments may deny the realization of losses by a taxpayer in respect of a business or property in a year if there is no reasonable expectation in that year that the business or property will produce a cumulative profit over the period that the business can reasonably be expected to be carried on or that the property can reasonably be expected to be held by the taxpayer. On February 23, 2005, Finance announced that an alternative proposal will be released for comment at an early opportunity which will address concerns that had been expressed during the consultation process on the "reasonable expectation of profit" test and the potential limitation on deductibility of ordinary commercial expenses. No such legislative proposal has been released to date.

Risks Relating to the Business

Execution of Acquisition Growth Strategy

A key element of Arctic Glacier's business strategy is to seek acquisition targets in order to expand and enhance its business. In the event that Arctic Glacier is unable to execute on this strategy or that any significant acquisition cannot be successfully integrated into Arctic Glacier's operations or performs below expectations, Arctic Glacier's business could be materially and adversely affected.

Competition

The markets in which Arctic Glacier operates are highly competitive. Arctic Glacier competes primarily on the basis of price, efficiency, and customer service. Arctic Glacier's failure to compete effectively with any of its new competitors could have a material adverse effect on its financial condition and results of operation.

Foreign Exchange

The sales, earnings and cash flows of Arctic Glacier's subsidiaries operating in the United States are in United States dollars. Fluctuations in the exchange rate between the Canadian dollar and the United States dollar may have a material adverse effect on Arctic Glacier's results of operations.

Cash Distributions Are Not Guaranteed and Will Fluctuate with Arctic Glacier's Performance.

Although the Fund distributes the interest and dividend income earned by the Fund, less expenses and amounts, if any, paid by the Fund in connection with the redemption of Units, there can be no assurance regarding the amounts of income to be generated in the future by Arctic Glacier, and therefore funds available to the Fund. The actual amount to be distributed in respect of the Units will depend upon numerous factors, including profitability, fluctuations in working capital, the sustainability of margins and capital expenditures.

Limitations on the Fund's Subsidiaries to Utilize Their Tax Assets

As of December 31, 2005, the subsidiaries of the Fund had net operating loss carry-forwards for U.S. federal income tax purposes of approximately \$19 million, of which approximately \$0.7 million was attributable to entities acquired by subsidiaries of the Fund. There are annual limitations on the utilization of the net operating loss carry-forwards generated by subsidiaries of the Fund due to changes in ownership. There can be no assurance that the subsidiaries of the Fund will be able to utilize their tax assets. If the subsidiaries of the Fund are not able to utilize their tax assets

in the manner or in the timeframe management of Arctic Glacier anticipates, their future after-tax cash flow available for payment of distributions on the Fund's Units may be reduced.

Lack of Written Customer Agreements

As is customary in its industry, Arctic Glacier does not generally have written agreements with their customers. As a result, these customers can terminate their relationship with Arctic Glacier at any time without notice or penalty. In addition, even if these customers should decide to continue their relationship with Arctic Glacier, there can be no guarantee that these customers will purchase the same amount of product as in the past, or that purchases will be on similar terms. Any loss of a significant customer, change in the terms of the relationship with a significant customer or a material decrease in the amount of products purchased by a significant customer could have a material adverse effect on the business, results of operation and financial condition of Arctic Glacier and the Fund.

Reliance on Key Personnel

Arctic Glacier's continued success will be substantially dependent on the continued services of a number of members of its senior management. The loss of the services of one or more of these key individuals could have a material adverse effect on Arctic Glacier's operations and business prospects.

U.S. Tax-Related Risk Factors

There can be no assurance that U.S. federal income tax laws, administrative policies, and judicial interpretations respecting the U.S. tax consequences described herein will not develop or be changed in a manner that adversely affects Unitholders.

U.S. Tax Counsel has been advised that AGII will treat the U.S. Note as debt for all purposes, and subject to the "earnings stripping" rules and other restrictions on deductibility of interest, AGII will claim interest deductions with respect to the U.S. Note in computing its income for U.S. federal income tax purposes. There is a risk that the IRS could successfully argue that the U.S. Note should be treated as equity rather than debt for U.S. federal income tax purposes, in which case the otherwise deductible interest on such indebtedness would be treated as non-deductible distributions (and potentially subject to a dividend withholding tax). AGII has received an opinion from U.S. Tax Counsel effective as at the date of issuance of the U.S. Note, that the U.S. Note should be treated as debt for U.S. federal income tax purposes and AGII has made representations in connection with this Offering that support such characterization. However, the determination of whether the U.S. Note is debt or equity for U.S. federal income tax purposes is based on an analysis of the facts and circumstances. There is no defining statutory, administrative or judicial rules concerning the factors that are most commonly viewed as indicative of debt or equity that may be applied in any given situation. Therefore, there is no certainty that characterization of the U.S. Note as debt will be respected by the IRS.

In providing its opinion as to the classification of the U.S. Note as debt or equity, U.S. Tax Counsel relied upon certain representations by AGII and its affiliates, as well as certain determinations made by an independent financial advisor, all made as of the date of issuance of the U.S. Note, regarding several of the critical factors in the analysis. Subsequent changes in facts or assumptions or subsequent actions or inactions by the Fund, Arctic Glacier, NSULC or AGII and their affiliates could impact this analysis or could be used by the IRS to call into question this analysis or the facts and assumptions as of the date of issuance of the U.S. Note.

While there can be no assurance that the IRS will not take a contrary position, AGII believes its position on the deductibility of the interest should prevail. A successful challenge of this position, however, would increase the U.S. federal income tax liability of AGII, due to the absence of tax deductions for interest payments. Together with the possible dividend withholding tax on such payments, the amount of after-tax cash generated that would otherwise be available to make distributions to Arctic Glacier, the sole shareholder of AGII, would be reduced, thereby having an adverse effect on the cash flow of the Fund available for distribution to Unitholders.

The "earnings stripping" rules under section 163(j) of the Code may limit the ability of AGII to deduct all or a portion of the interest paid on the U.S. Note (and other indebtedness to the extent that such debt is guaranteed by a non-U.S. related party). Generally, under these rules, a current interest deduction for related party interest is

disallowed to the extent that net interest expense on all debt exceeds 50% of adjusted taxable income (generally, U.S. federal taxable income before net interest expense, depreciation, amortization and taxes).

In addition, there can be no assurance that future changes to U.S. federal income tax provisions will not otherwise restrict or eliminate the ability of AGII to claim a deduction for U.S. federal income tax purposes for interest paid on indebtedness. In this regard, proposed legislation has been introduced, although not enacted, several times in recent years to amend existing laws or regulations, particularly with respect to the “earnings stripping” rules.

Other limitations on the deductibility of interest under U.S. federal income tax laws, potentially including limitations if the interest rate is viewed as unreasonably high by the IRS, and rules with respect to certain high-yield debt obligations, could apply under certain circumstances to defer and/or eliminate all or a portion of the interest deduction that AGII would otherwise be entitled to with respect to interest on such indebtedness. Furthermore, if the payment were recharacterized as a dividend, the imposition of a dividend withholding tax with respect to the payment, coupled with the increased U.S. federal income tax liability of AGII, would reduce the cash flow of the Fund available for distribution to Unitholders.

There is a risk that the Portfolio Interest Exemption may not be available to any non-U.S. Unitholders, if the IRS, contrary to its position as set forth in the Proposed Treasury Regulation, were to ultimately take the position that, either under current law or by issuing a new regulation or ruling with retroactive effect, the determination of whether a person meets the 10% Threshold should be made at the Fund level and not at the Unitholder level. If that occurs, U.S. withholding tax at a rate of 30% (subject to possible reduction to 10% under the Canadian Treaty) would be imposed on interest payments on the U.S. Note, because the Fund indirectly owns 10% or more of the voting rights in AGII, and thus the cash flow of the Fund available for distribution to Unitholders would be adversely affected. AGII intends to take the position that the Portfolio Interest Exemption applies to those non-U.S. Unitholders who meet certain ownership, identity and certification requirements, provided that the Fund is classified as a partnership for U.S. federal income tax purposes (and as long as it meets the Qualifying Income Exception to the U.S. publicly traded partnership rules). There can be no certainty, however, that the IRS will not take a contrary position. If the Portfolio Interest Exemption did not apply, U.S. withholding tax would arise on the interest payments made to the Fund that are attributable to non-U.S. Unitholders. This would have an adverse effect on the cash flow of the Fund available for distribution to Unitholders.

ELIGIBILITY FOR INVESTMENT

In the opinion of Shea Nerland Calnan LLP, counsel to the Fund, and Goodmans LLP, counsel to the Underwriters, provided that the Fund qualifies as a mutual fund trust within the meaning of the *Income Tax Act* (Canada) (the “Tax Act”) on the date of closing of the Offering, the Units, on that date, will be qualified investments under the Tax Act and the regulations thereunder for Plans. See “Certain Canadian Federal Income Tax Considerations”. Also see the section entitled “Risk Factors” in the Fund’s AIF, which document is incorporated herein by reference.

If the Fund ceases to qualify as a mutual fund trust, the Units will cease to be qualified investments for those Plans.

A Subsidiary Share, Subsidiary Debt or other property received as a result of a redemption of Units may not be a qualified investment for a Plan which could give rise to adverse consequences to the Plan or the annuitant under the Plan. Accordingly, Plans that own Units should consult their own tax advisors before deciding to exercise the redemption rights attached to the Units under the provisions of the Declaration of Trust. See “Canadian Federal Income Tax Considerations”.

RELATIONSHIP BETWEEN THE FUND AND CERTAIN OF THE UNDERWRITERS

Arctic Glacier and AGII are a party to a credit facility (the “Credit Facility”) with each of the Canadian chartered bank affiliates of Scotia Capital Inc. and TD Securities Inc., as well as a wholly-owned subsidiary of the Canadian chartered bank affiliate of Scotia Capital Inc. **Consequently, the Fund may be considered a “connected issuer” of each of Scotia Capital Inc. and TD Securities Inc. under applicable securities laws in certain Canadian provinces and territories.**

The Credit Facility includes a four year, U.S. \$115 million fully revolving credit facility. The facility is to be available for the general corporate purposes of Arctic Glacier, including the financing of day-to-day operations and capital requirements as well as to fund certain existing permitted capital expenditure commitments and permitted acquisitions as they come due and payable. Further, the facility was used, in part, to fund the purchase and transaction costs of the California Ice Acquisition. As of December 31, 2006, CDN \$99,232,000 was outstanding under the Credit Facility.

The Credit Facility is secured by (i) a first priority, senior, valid and perfected security interest in and lien upon substantially all of the tangible and intangible assets of Arctic Glacier and its subsidiaries, (ii) guarantees from the Fund and all of Arctic Glacier's subsidiaries, and (iii) first ranking pledges and hypothecations of all capital (including equity and debt securities) of all material subsidiaries of the Fund. The Credit Facility contains customary affirmative, negative and reporting covenants. Arctic Glacier is required to maintain, on a rolling four-quarter basis, prescribed ratios of consolidated total net debt to EBITDA, senior interest expense coverage, total interest coverage and distributions to distributable cash. In addition, the Credit Facility imposes restrictions on the ability of Arctic Glacier to, among other things, incur additional debt, make liens, dispose of assets, consolidate, merge or acquire other businesses, pay dividends and interest or make other distributions. These covenants restrict numerous aspects of the business of Arctic Glacier. The affiliates of the Fund are in compliance with all material terms and conditions of the Credit Facility and have received the consent of the lenders under such facility to the proposed use of proceeds of this Offering. Neither the financial position of the Fund and Arctic Glacier nor the value of the security under the Credit Facility has changed substantially since the indebtedness under the Credit Facility was incurred.

The decision to distribute the Units offered hereby and the determination of the terms of the Offering were made through negotiations primarily between Arctic Glacier, on behalf of the Fund, and Scotia Capital Inc. and TD Securities Inc. on their own behalf and on behalf of the remaining Underwriters. The lenders under the Credit Facility did not have any involvement in such decision or determination, but have been advised of the issuance and the terms thereof. All of the net proceeds of the Offering will initially be used as described under "Use of Proceeds". As a consequence of this issuance, each of Scotia Capital Inc. and TD Securities Inc. will receive its share of the Underwriters' fee.

INTERESTS OF EXPERTS

Certain legal matters in connection with this Offering will be passed upon on behalf of the Fund and Arctic Glacier by Shea Nerland Calnan LLP and Hodgson Russ LLP, and on behalf of the Underwriters by Goodmans LLP. As at the date hereof, the partners and associates of Shea Nerland Calnan LLP, the partners and associates of Hodgson Russ LLP and the partners and associates of Goodmans LLP collectively beneficially own, directly or indirectly, less than 1% of the outstanding securities of the Fund.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Fund are KPMG LLP, Winnipeg, Manitoba.

The transfer agent and registrar for the Units is Computershare Trust Company of Canada at its principal offices in Toronto, Ontario.

STATUTORY AND CONTRACTUAL RIGHTS OF RESCISSION AND STATUTORY RIGHTS OF WITHDRAWAL

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

AUDITORS' CONSENT

We have read the preliminary short form prospectus of Arctic Glacier Income Fund (the "Fund") dated January 18, 2007 relating to the issuance and sale of 5,350,000 Units of the Fund. We have complied with Canadian generally accepted standards for an auditors' involvement with offering documents.

We consent to the use through incorporation by reference in the above-mentioned preliminary short form prospectus of our report to the Unitholders of the Fund dated February 24, 2006 on the consolidated balance sheets of the Fund as at December 31, 2005 and 2004 and the consolidated statements of operations, cumulative earnings and cash flows for the years ended December 31, 2005 and 2004.

We consent to the use through incorporation by reference of the business acquisition report of the Fund dated August 8, 2006 in the above-mentioned preliminary short form prospectus of our report to the Directors of Mountain Water Ice Company on the balance sheets of the company as at December 31, 2005 and 2004 and the statements of operations and retained earnings and cash flows for the two years ended December 31, 2005. Our report is dated February 22, 2006.

We consent to the use through incorporation by reference of the business acquisition report of the Fund dated August 8, 2006 in the above-mentioned preliminary short form prospectus of our report to the Directors of Diamond Newport Corporation on the balance sheets of the company as at December 31, 2005 and 2004 and the statements of operations and retained earnings and cash flows for the two years ended December 31, 2005. Our report is dated February 22, 2006.

We consent to the use through incorporation by reference of the business acquisition report of the Fund dated August 8, 2006 in the above-mentioned preliminary short form prospectus of our report to the Directors of Jack Frost Ice Service, Inc. on the consolidated balance sheets of the company as at December 31, 2005 and 2004 and the consolidated statements of operations and retained earnings and cash flows for the two years ended December 31, 2005. Our report is dated February 22, 2006.

We consent to the use through incorporation by reference of the business acquisition report of the Fund dated August 8, 2006 in the above-mentioned preliminary short form prospectus of our report to the Directors of Glacier Valley Ice Company, L.P. on the balance sheets of the partnership as at December 31, 2005 and 2004 and the statements of operations, partners' equity and cash flows for the two years ended December 31, 2005. Our report is dated February 22, 2006.

We consent to the use through incorporation by reference of the business acquisition report of the Fund dated August 8, 2006 in the above-mentioned preliminary short form prospectus of our report to the Directors of Glacier Ice Company, Inc. on the consolidated balance sheets of the company as at December 31, 2005 and 2004 and the consolidated statements of operations and retained earnings and cash flows for the two years ended December 31, 2005. Our report is dated February 22, 2006, except as to note 18, which is as of May 17, 2006.

We consent to the use through incorporation by reference of the business acquisition report of the Fund dated August 8, 2006 in the above-mentioned preliminary short form prospectus of our report to the Directors of South Bay Ice, LLC on the balance sheets of the company as at December 31, 2005 and 2004 and the statements of operations and retained earnings and cash flows for the two years ended December 31, 2005. Our report is dated February 22, 2006, except as to note 11, which is as of May 17, 2006.

"KPMG LLP"
Chartered Accountants
Winnipeg, Canada
January 18, 2007

CERTIFICATE OF THE FUND

Dated: January 18, 2007

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities laws of each of the provinces and territories of Canada. For the purpose of the Province of Quebec, this simplified prospectus, together with the documents incorporated herein by reference and as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

ARCTIC GLACIER INCOME FUND
by its attorney Arctic Glacier Inc.

By: (Signed) KEITH W. MCMAHON
President and Chief Executive Officer

By: (Signed) DOUGLAS A. BAILEY
Chief Financial Officer

On behalf of the Board of Directors

By: (Signed) ROBERT J. NAGY
Director

By: (Signed) JAMES E. CLARK
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: January 18, 2007

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities laws of each of the provinces and territories of Canada. For the purpose of the Province of Quebec, to our knowledge, this simplified prospectus, together with the documents incorporated herein by reference and as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

SCOTIA CAPITAL INC.

By: *(Signed) Paul E. Asmundson*

TD SECURITIES INC.

By: *(Signed) Steve Dumanski*

BMO NESBITT BURNS INC.

By: *(Signed) Stephen Shapiro*

NATIONAL BANK FINANCIAL INC.

By: *(Signed) J. Roberts Sainsbury*

WELLINGTON WEST CAPITAL MARKETS INC.

By: *(Signed) Jeff Reymer*