SN VALUATION
SN CAPITAL SN CONSULTING SN ENGLISH

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Reddy Ice's **voluntary petition** reveals it is a corporation, Ch. 11 filing, a filing fee is associated, a plan is filed with petitioned, attorney is DLA Piper. On Apr. 11, 2012, the Board of Directors decided on filing for Ch. 11. The co. would receive $70 MM in DIP financing from Macquarie Bank. **First day agenda** is literally the agenda for the meeting. **Solicitation material** is the heart of the filing, outside of the court filings.

Summary of Plan and Notice of Commencement of Chapter 11 Case

- 1^{st} lien holders - $300 MM; 59.97% agreed to restructuring; est. recovery – 100%
- 2^{nd} lien holders - $147.5 MM; 57.97% agreed to restructuring; est recovery – 11-44%; each note exchanged for Pro rata share of 6,094,327 shares of reorganized common stock
- 1^{st} lien note guarantee claim - $300 MM; est. recovery – 100%
- 2^{nd} lien note guarantee claim - $147.5 MM; est. recovery – 11%
- Discount notes claim - $11.7MM; est. recovery – 50%
- Unsecured claims - $73.5 - $130.5 MM; est. recovery – 0-5%

Total claims: ~$554.2; unsecured claims-we used the mid-point in the estimate range.
Management incentive plan – up to 15% of reorganized common stock
Arctic acquisition – the co. was approved on Apr. 5, 2012 to move to Phase 2 of a solicitation for Arctic, which was in the middle of a recapitalization. We wonder if the advisor, or the Manitoba Court of Queen's exercised ample due diligence before approving Reddy.

Disclosure Statement Soliciting Acceptances of a Joint Plan of Reorganization
The mother load, a 700 page document showing financials and the credit side. Great read!

Reddy sold 1.7 MM tons of ice, or 3.4BB lbs of ice with revenues of $328.5 MM, which is about $0.10/lb of ice. Utilizing 27% capacity of facilities since manufacturing capacity at 6 MM tons/annually. 14% revenue from Walmart and Sam's Clubs. $0.10/lb of ice. Water is probably really cheap. Filtration/storage would be cost more. Centerbridge Capital Partners is a large holder of 1^{st}/2^{nd} lien notes.

Owns and operates 58 ice facilities, 77 distribution centers and 3,500 ISB machines. The large number of distribution centers (serving 33 states) is due to the melting properties of ice. Even with such low utilization figures, it is difficult to shut down a lot the distribution centers, unless the trucks can retain the ice with temperature controlled containers. ISB machines are in-store bagging machines, which makes ice in stores with high volumes. The company may want to look into focusing on marketing ISB machines on a lease basis, so that the distribution centers could be closed. We wonder if the company operates a fleet of trucks, which would be more capex/maintenance fees. 58 ice facilities sounds like a waste, especially with such a low utilization rate. By selling more ISB machines, they could close down more facilities/DC sites, while expanding into more states, and even internationally. We would like to find out their expansion plans to temperate climates such as South East Asia and Africa.

Centerbridge Capital Partners is willing to convert $68 MM in 1st lien to $75 MM in preferred shares if the Artic acquisition fails to consummate. No changes since it is estimated 100% recovery. Pari passu financing for Arctic transaction. 2nd liens will exchange notes for 6 MM in reorganized common shares and preferred stock pursuant to rights offering. Discount notes will be cancelled. However, may be compensated $4.68 MM on consummation of Restructuring and receive a promissory note of $1.17 MM payable in 3 months after consummation of Restructuring. Essentially, 40% in cash at T and 10% in deferred cash in T+3 months, or a 50% recovery. If Artic deal is consummated prior to 3 months, the holders will receive an additional $2.34 MM, now a 70% recovery. **Sounds like management really wants to get the Arctic deal done.** Common shares are cancelled, but will receive $0.12/share, and an additional $0.05 if Arctic deal consummated. Holders of more than 25,000 shares can receive reorganized shares, in lieu (instead) of the cash payment. Centerbridge will receive 1 share of Class A common stock, which holds an equivalent to 10,000,000 votes. Preferential treatment? 2nd lien will convert to a 7% preferred stock, convertible into common stock when net debt to EBITDA ratio of 3:1 is sustained for 4 consecutive quarters or IPO. May be converted to common anytime by shareholder. Credit facility with Macquarie Bank was amended to extend $10 MM in real estate asset secured loan and may factor the accounts receivables. DIP credit facility will be $70 MM bearing LIBOR+7%.

Common stock -6 MM shares
Class A common stock – 1 share; voting right 10 MM shares; owned by Centerbridge
Preferred stock – 3.9MM shares to existing debt holders, up to 14 MM intially, up to 26 MM additional issuance after reorg. 7% coupon; $7.13 conversion price; no voting

Financials
Revenues have proven steady throughout 2007-2011, ranging from $312 to $339MM, recently $328 MM, which means it is recession proof. The company was sacked by rising interest expense, operating expense, and cost of sales. Depreciation/amortization expenses were $25-$35MM annually, which would offset the normalized EBITDA, which exclude non-recurring, one time items. In other words, positive operating cashflow. Then why is this co. in Ch. 11? The huge $100 MM goodwill impairment shows the co. is acquisition trigger happy and may be misallocating firm capital in pricey purchases. Also, a lot of the post-reorganization equity and debt conversion is dependent on the Arctic acquisition, which doesn't sit well with us. Sure, it is a strategic acquisition, but the target is in the same line of business and failed in their respective geographic region. Why would another recapitalization firm, Reddy, purchase another distressed ice co.? Is this truly strategic? Sure, there would be synergies by combining SG&A, but the SG&A cost savings are not material enough to justify a seemingly shortsighted purchase. Centerbridge would call the shots.

Assuming an enterprise value of $409 MM. Co. had $471.5 MM in debt plus $29.3 MM available under the revolving credit. Negative book value, due to the large impairments and GAAP reporting losses. Carry forward NOL balance of $200 MM.