



No. S 244212  
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C-36

AND

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*,  
S.B.C. 2002, c.57, AS AMENDED

AND

IN THE MATTER OF GOOD NATURED PRODUCTS INC., & THOSE ENTITIES LISTED  
IN SCHEDULE "A"

PETITIONERS

**FIRST REPORT OF THE MONITOR**

**ALVAREZ & MARSAL CANADA INC.**

**JULY 5, 2024**



ALVAREZ & MARSAL

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## APPENDICES

**Appendix A** – Notice to Creditors dated July 4, 2024

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## 1.0 INTRODUCTION

- 1.1 On June 28, 2024, good natured Products Inc. (“**GDP PubCo**”), good natured Real Estate Holdings (Ontario) Inc. (“**GDP RE ON**”), 1306187 B.C. Ltd. (“**130**”), good natured Products (CAD) Inc. (“**GDP CAD**”), good natured Products Packaging Canada GP Inc. (“**GDP Canada GP**”), good natured Products Packaging Brampton GP Inc. (“**GDP Brampton GP**”), good natured Products Industrial Canada GP Inc. (“**GDP Industrial GP**”), good natured Products Packaging Canada LP (“**GDP Canada LP**”), good natured Products Packaging Brampton LP (“**GDP Brampton LP**”), good natured Products Industrial Canada LP (“**GDP Industrial LP**”, together with GDP PubCo, GDP RE ON, 130, GDP CAD, GDP Canada GP, GDP Brampton GP, GDP Industrial GP, GDP Canada LP and GDP Brampton LP, the “**GDP Canadian Entities**”), good natured Products (US) Inc. (“**GDP US**”), good natured Products (Illinois), LLC (“**GDP Illinois LLC**”), good natured Products Real Estate U.S., LLC (“**GDP RE US LLC**”), good natured Products Packaging US LLC (“**GDP Packaging LLC**”), good natured Products Direct LLC (“**GDP Direct LLC**”), good natured Products (Texas) LLC (“**GDP Texas LLC**”, together with GDP US, GDP Illinois LLC, GDP RE US LLC, GDP Packaging LLC and GDP Direct LLC, the “**GDP US Entities**”, and together with the GDP Canadian Entities, the “**GDP Group**” or the “**Petitioners**”) were granted an initial order (the “**Initial Order**”) by this Honourable Court to commence proceedings (the “**CCAA Proceedings**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (“**CCAA**”).
- 1.2 Among other things, the Initial Order afforded the GDP Group an initial stay of proceedings up to and including July 8, 2024 (the “**Stay Period**”) and appointed Alvarez & Marsal Canada Inc. (“**A&M**”) as monitor of the GDP Group during the CCAA Proceedings (in such capacity, the “**Monitor**”).
- 1.3 On July 1, 2024, GDP PubCo, as foreign representative, filed petitions for recognition of the CCAA Proceedings as the “foreign main” proceeding under Chapter 15 of the U.S. Bankruptcy Code (the “**Chapter 15 Proceedings**”) in the United States Bankruptcy Court for the Northern District of Illinois (the “**US Court**”), Jointly Administered Case No. 24-80891. The court hearing for the relief sought in the Chapter 15 Proceedings is scheduled for July 31, 2024.
- 1.4 On July 4, 2024, the Petitioners filed an application (the “**Comeback Application**”) to approve the Amended and Restated Initial Order (the “**ARIO**”), which, among other things:
- a) approves the changes to the various court-ordered charges granted under Initial Order; and
  - b) extends the Stay Period to July 22, 2024 (the “**First Stay Extension**”).

- 1.5 Further information regarding the CCAA Proceedings, including the Initial Order, affidavits, reports of the Monitor and all other Court-filed documents and notices are available on the Monitor's website at [www.alvarezandmarsal.com/goodnatured](http://www.alvarezandmarsal.com/goodnatured) (the "**Monitor's Website**").

## **2.0 PURPOSE OF REPORT**

- 2.1 This report (the "**First Report**") has been prepared by A&M in its capacity as Monitor of the GDNP Group in the CCAA Proceedings, and to provide information to this Honourable Court in respect of the following:

- a) qualifications of A&M to act as Monitor;
- b) the Petitioners' business and financial affairs, causes of insolvency and cash management system;
- c) the initial activities of the Monitor;
- d) the GDNP Group's cash flow projection prepared in accordance with section 23(1)(b) of the CCAA for the period from June 22 to August 2, 2024 (the "**CCAA Cash Flow Forecast**");
- e) status of the interim financing being negotiated;
- f) the Court ordered charges sought in the Initial Order and sought to be confirmed in the Amended and Restated Initial Order; and
- g) the First Stay Extension.

- 2.2 The First Report should be read in conjunction with the Affidavit #1 of Paul Antoniadis sworn on June 27, 2024 (the "**First Antoniadis Affidavit**") and the filed materials for the Comeback Application (collectively, the "**Filed Materials**"), as background information contained in the Filed Materials has not been included herein to avoid unnecessary duplication.

## **3.0 TERMS OF REFERENCE**

- 3.1 In preparing this report, A&M has necessarily relied upon unaudited financial and other information supplied, and representations made to it, by certain senior management of the GDNP Group ("**Management**"). Although this information has been subject to review, A&M has not conducted an audit nor otherwise attempted to verify the accuracy or completeness of any of the information prepared by Management, or otherwise provided by the Petitioners. Accordingly, A&M expresses no opinion and does not provide any other form of assurance on the accuracy and/or completeness of any information contained in this report, or otherwise used to prepare this report.
- 3.2 Certain of the information referred to in this report consists of financial forecasts and/or projections prepared by Management. An examination or review of financial forecasts and projections and

procedures as outlined by the Chartered Professional Accountants of Canada has not been performed. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from those forecasts and/or projected and the variations could be significant.

- 3.3 Unless otherwise stated, all monetary amounts contained in this First Report are expressed in Canadian dollars.

#### **4.0 QUALIFICATIONS OF A&M TO ACT AS MONITOR**

- 4.1 A&M is a licensed trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada).

- 4.2 A&M is not, and has never been:

- a) a director, officer or employee of the GDNP Group;
- b) related to the GDNP Group, or to any director or officer of the GDNP Group;
- c) the auditor, accountant or legal counsel, or a partner or an employee of the auditor, accountant or legal counsel, of the GDNP Group;
- d) the trustee under a trust indenture issued by the GDNP Group or, to the best of its knowledge, any person related to the GDNP Group, or the holder of a power of attorney under an act constituting a hypothec within the meaning of the *Civil Code of Quebec* that is granted by the GDNP Group or, to the best of its knowledge, any person related to the GDNP Group; or
- e) to the best of its knowledge, related to the trustee, or the holder of a power of attorney, referred to in paragraph (d),

and, accordingly, it is of the view that the restrictions as to who may be appointed as a Monitor under section 11.7(2) of the CCAA do not preclude the Monitor from acting as Monitor for the GDNP Group.

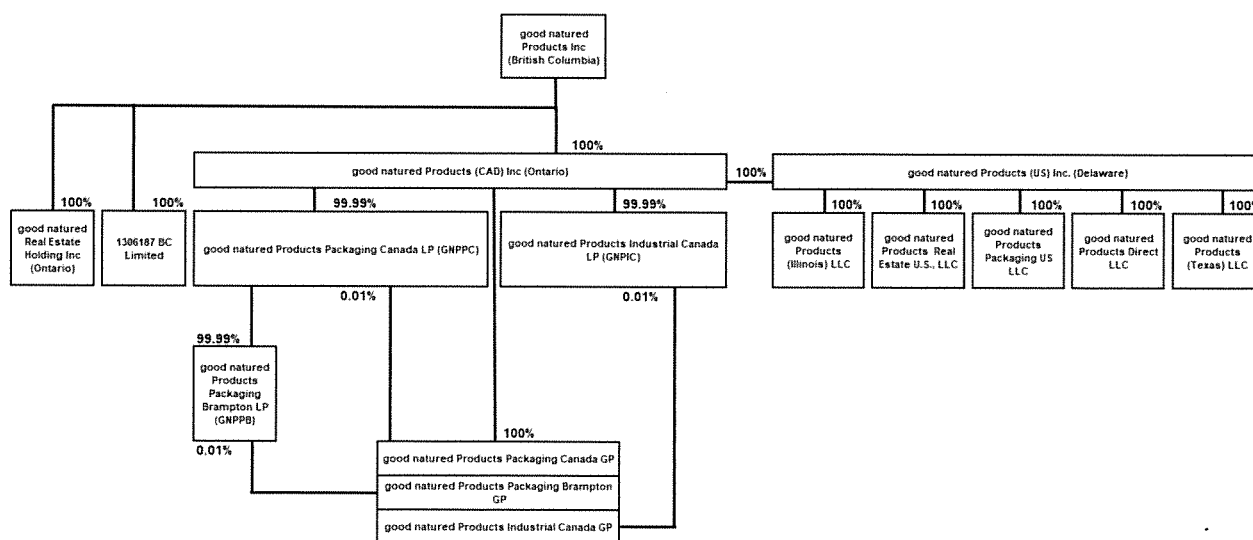
- 4.3 Alvarez & Marsal Canada ULC, an affiliate of A&M, was previously engaged on March 22, 2024, as financial advisor to the GDNP Group to review its short-term liquidity requirements and related obligations, and assess various strategic alternatives.

#### **5.0 PETITIONERS' BUSINESS AND FINANCIAL AFFAIRS**

- 5.1 Highlights of the GDNP Group's business and financial affairs are summarized below.

## Corporate Overview

- 5.2 The GDNP Group manufactures packaging, with a focus in the development and manufacturing of plant-based products in Canada and the United States (the “US”). The GDNP Group offers its products through wholesale, direct to business, and retail channels. It serves retailers, food producers, food packers, restaurants, packaging manufacturers, consumer product companies, and other industrial processors. It operates through several segments: Industrial, Packaging, General Merchandise, Commercial Business Supplies, and Services.
- 5.3 GDNP PubCo was formerly known as Solegear Bioplastic Technologies Inc. (founded in 2006) and changed its name to good natured Products Inc. in October 2017. The GDNP Group is headquartered at 814 - 470 Granville Street, Vancouver, British Columbia, Canada, and operates through four manufacturing facilities in Canada and the US. The GDNP Group currently employs 143 employees across Canada and the US.
- 5.4 The GDNP Group’s manufacturing facilities are located at:
- 5 Abacus Road, Brampton, Ontario – owned (“**Brampton**”);
  - 15 Waydom Dr., Ayr, Ontario – owned (“**Ayr**”);
  - 11413 N. Burlington Road, Richmond, Illinois – owned (“**Richmond**”); and
  - 6817 Wynnwood Lane, Houston, Texas – leased (“**Houston**”).
- 5.5 The corporate structure of the GDNP Group is as follows:



- 5.6 GDNP PubCo is the ultimate parent company of the GDNP Group. GDNP PubCo's common shares are traded on the TSXV under the symbol "GDNP" and on the OTCQB Venture Market under the symbol "GDNPF".
- 5.7 The GDNP Group experienced growth through acquisition, organic growth and initiatives from 2016 through 2022, with revenues increasing from \$146,000 for the year ended December 31, 2016 ("FY16") to a peak of \$101 million in FY22.
- 5.8 Notwithstanding the growth in revenue, from 2021 to 2022, the GDNP Group faced financial pressures, including external supply chain disruptions, inflationary cost increases (due to the COVID-19 pandemic) and the requirement to increase capital investment (in anticipation of higher demand due to supply chain disruptions caused by the COVID-19 pandemic) that ultimately increased debt levels, operating costs and interest expense.
- 5.9 According to the GDNP Group's latest audited financial statements for the year ended December 31, 2023, the GDNP Group incurred a net loss of \$15.5 million. Unaudited management prepared financial statements of the GDNP Group showed a net loss of \$5.0 million for the three-month period ended March 31, 2024 ("Q1 FY24").

#### **Events Leading to the CCAA**

- 5.10 The GDNP Group's revenues declined from \$101 million in FY22 to \$77 million in FY23, mainly due to a general reduction in demand from industrial thermoforming customers causing a 46% decline in the GDNP Group's revenues for the industrial business group. Revenue continued to decline in Q1 FY24 as the GDNP Group's industrial group continued to experience lower demand and higher price competition and volatility.
- 5.11 Considering the recent challenges, Management has taken steps to reduce operating costs, restructure its debt profile via refinancing and restructure its convertible debentures, and attempted to raise additional equity in order to provide liquidity to the operations.
- 5.12 In addition to the above initiatives, the GDNP Group engaged William Blair & Company, a boutique investment bank and financial services company, to assist in exploring a range of strategic alternatives in July 2023. As of the commencement of the CCAA Proceedings on June 28, 2024, this process had not resulted in a viable bid for any portion of the GDNP Group or its assets.

#### **Wells Fargo Facility**

- 5.13 GDNP PubCo is party to and borrower under a credit agreement dated August 25, 2022 (the "**Wells Fargo Facility**") with Wells Fargo Capital Finance Corporation Canada ("**Wells Fargo**") as lender.

All of the Petitioners (other than GDNP PubCo) are parties to the Wells Fargo Facility as guarantors. The Wells Fargo Facility is an asset-based lending facility. Under the Wells Fargo Facility, Wells Fargo has first-ranking security over the GDNP Group's assets, excluding certain consumer goods and owned real estate.

- 5.14 Pursuant to the Wells Fargo Facility, the revolving loan availability is subject to limitations under a weekly borrowing base calculation. To the extent that the outstanding Wells Fargo Facility exceeds the available borrowing base, GDNP PubCo is required to paydown the excess amount (the “**Borrowing Base Payment**”). Given the weaker financial performance in recent months that led to a lower borrowing base, GDNP PubCo has made several Borrowing Base Payments to Wells Fargo in recent weeks, with the most recent Borrowing Base Payment made on June 27, 2024, in the amount of US\$330,000.
- 5.15 Pursuant to the Wells Fargo Facility, GDNP PubCo also has quarterly financial performance targets. GDNP PubCo has requested that Wells Fargo waive GDNP PubCo's EBITDA target for Q2 2024. Wells Fargo required GDNP PubCo to execute a ninth amending agreement to the Wells Fargo Facility to waive the EBITDA target. This amendment, among other things, would grant Wells Fargo cash dominion over the GDNP Group's collection accounts.
- 5.16 In addition to the requirement to enter a cash dominion arrangement, pursuant to the Wells Fargo Facility, the minimum liquidity requirement under the facility was scheduled to increase from US\$3 million to US\$6 million as of July 1, 2024, which would likely require the GDNP Group to repay Wells Fargo approximately US\$3 million at the beginning of July 2024.
- 5.17 As a result of the abovementioned events, the Petitioners were unable to generate sufficient free cash flow to support its working capital requirements, leading to increasingly constrained liquidity and an inability to pay certain debts when they became due.



## The GDNP Group's Financial Position

5.18 The book value of the GDNP Group's assets as at March 31, 2024 are summarized below:

GDNP Group Assets as at March 31, 2024 \$'000	
<u>Current assets</u>	
Cash and cash equivalents	\$ 4,316
Trade and other receivables	7,508
Inventory	11,557
Prepaid expenses	789
Total current assets	24,170
<u>Non-current assets</u>	
Property and equipment, net	44,784
Right-of-use assets	8,274
Customer relationships	1,558
Intangible and other assets	4,329
Goodwill	8,451
Total non-current assets	67,396
Total assets	\$ 91,566

5.19 As at March 31, 2024, the book value of the GDNP Group's assets was \$91.6 million, which was comprised primarily of the following:

- a) cash and cash equivalents of \$4.3 million;
- b) accounts receivable of \$7.5 million;
- c) inventory of \$11.6 million, consisting of raw materials of \$6.6 million and finished goods of \$4.9 million;
- d) property and equipment of \$44.8 million, which included land and buildings (Brampton, Ayr and Richmond), machinery and equipment on site at the manufacturing facilities (Brampton, Ayr, Richmond and Houston), and other tooling equipment;
- e) right-of-use assets, being assets under finance leases, totaling \$8.3 million; and
- f) various intangible assets including goodwill, customer relationships and other intangible assets totaling \$14.3 million.

5.20 The book value of the GDNP Group's liabilities as at March 31, 2024 are summarized below:

GDNP Group		
Liabilities as at March 31, 2024		
\$'000		
<u>Current liabilities</u>		
Accounts payable and accrued liabilities	\$	20,620
Contingent consideration liability		2,219
Current portion of long-term debt		5,913
Total current liabilities		28,752
<u>Non-current liabilities</u>		
Credit facility		11,034
Convertible debentures		15,553
Mortgages		22,473
Lease liability		5,004
Other long-term debt		2,430
Deferred income tax liabilities		465
Total non-current liabilities		56,959
Total liabilities	\$	85,711

5.21 As at March 31, 2024, the book value of the GDNP Group's liabilities was \$85.7 million, which was comprised primarily of the following:

- a) accounts payable and accrued liabilities of \$20.6 million;
- b) contingent consideration liability of \$2.2 million in relation to an acquisition made by GDNP PubCo in 2020, where the vendors may be entitled to an additional payment as a contingent earnout if the appraised value of the Ayr facility is greater than or equal to \$9.5 million at a date between the May 12, 2023, and May 12, 2025. As at the date of the CCAA filing, the terms of that earnout have been satisfied and hence this unsecured liability has crystalized and is no longer contingent;
- c) Wells Fargo Facility obligations of \$11.0 million;
- d) convertible debentures were recorded at \$16.9 million (including current portion of long-term debt) as at March 31, 2024. Subsequent to March 31, 2024, certain debenture holders approved an extraordinary resolution partially redeeming select debentures in exchange for common shares, reducing the GDNP Group's debt outstanding by approximately \$8.6 million, effective May 8, 2024;
- e) the GDNP Group's outstanding mortgage loans totaling approximately \$22.8 million (including current portion of long-term debt) as at March 31, 2024 were related to amounts due to:
  - a. Toronto-Dominion Bank ("TD")- Brampton facility: \$12.9 million;
  - b. Royal Bank of Canada ("RBC") - Ayr facility: \$6.4 million; and

- c. American Community Bank & Trust - Richmond facility: \$3.6 million;
- f) lease liability of \$7.3 million (including current portion of long-term debt) in relation to the right-of-use assets; and
- g) other long-term debt totaling \$4.4 million, representing amounts due to Western Economic Diversification Canada and a vendor take-back loan arising from a prior acquisition.

#### **Cash Management System**

- 5.22 Each of the Petitioners has its own bank accounts. The GDNP Canadian Entities maintain their bank accounts with RBC (following its acquisition of HSBC Bank Canada), and the GDNP US Entities maintain bank accounts with HSBC Bank US. The GDNP Canadian Entities also maintain certain bank accounts with the TD, primarily for mortgage payments. The GDNP Group also uses a limited number of credit cards to facilitate operational corporate payments in Canada and the US.
- 5.23 The GDNP Group maintains a centralized cash and treasury management process for banking, cash planning, and payment approvals. All of the GDNP Group's cash is overseen by GDNP PubCo. Under the guidance of GDNP PubCo, the Petitioners move cash amongst the GDNP Group on a weekly basis to fund accounts payable and payroll (collectively, the "**Cash Management System**").
- 5.24 The current Cash Management System includes the necessary accounting controls to enable the Petitioners to trace funds and ensure that all transactions are adequately ascertainable.
- 5.25 Cash management functions are conducted by the GDNP Group's treasury department, and is ultimately overseen by Mr. Kerry Biggs, the Chief Financial Officer of the GDNP Group (departing the GDNP Group effective July 19, 2024), and Mr. Kevin Leong, Interim Chief Financial Officer, who are both based in Vancouver, British Columbia.

### **6.0 INITIAL ACTIVITIES OF THE MONITOR**

- 6.1 As at the date of this report, the following initial activities were performed by A&M:
  - a) participated in discussions with Management and the Company's counsel, Osler, Hoskin & Harcourt LLP ("**Osler**"), with respect of the GDNP Group's business and financial affairs and potential options available for the GDNP Group's restructuring;
  - b) reviewed and assisted Management with preparation of the CCAA Cash Flow Forecast;
  - c) retained McCarthy Tétrault LLP to act as independent legal counsel to the Monitor;
  - d) reviewed the draft court initial application materials and provided comments to Osler;

- e) reviewed the Court-ordered charges in respect of the Administration Charge (as subsequently defined) and the Directors and Officers Charge (the “**D&O Charge**”);
- f) reviewed and commented on term sheets from two potential interim lenders;
- g) engaged in extensive discussions with the potential interim lenders in relation to the proposed interim financing;
- h) prepared for and took steps under the CCAA and the Initial Order, including:
  - the set-up of the Monitor’s Website and dedicated email and phone number for the proceedings;
  - the distribution of the notice to creditors as referenced in paragraph 40 of the Initial Order either by mail or email on July 5, 2024 to 295 known creditors, a copy of which is attached hereto as Appendix A;
  - the publishing of a notice to creditors in the Globe and Mail (national edition), in accordance with paragraph 40 of the Initial Order, that is scheduled to run on July 9, 2024; and
  - the filing of statutory notices to the Office of the Superintendent of Bankruptcy in the prescribed forms as required under section 23(1)(f) of the CCAA;
- i) communicated with and attended to various inquiries from trade creditors and other stakeholders;
- j) engaged in discussions with secured creditors and their advisors;
- k) engaged in extensive discussions with three (3) investment banks and reviewed proposals in relation to the proposed Sales and Investment Solicitation Process (the “**SISP**”);
- l) established various reporting protocols with the GDNP Group, including but not limited to cash flow reporting; and
- m) prepared this Monitor’s Report.

## **7.0 CCAA CASH FLOW FORECAST**

- 7.1 For the purposes of section 10(2)(a) of the CCAA, Management has prepared a cash flow projection for the GDNP Group on a weekly basis for the period from June 22, 2024 to August 2, 2024 (the “**Forecast Period**”), using the probable and hypothetical assumptions set out in the notes to the CCAA Cash Flow Forecast. A copy of the CCAA Cash Flow Forecast along with its notes, assumptions and Management representation letter were filed with this Honourable Court on June

27, 2024. A copy of the CCAA Cash Flow Forecast along with its notes and assumptions are attached hereto as Appendix “B”. The CCAA Cash Flow Forecast is summarized below:

<b>GDP Group</b>	
<b>Cash flow forecast for the period June 22 to August 2, 2024</b>	
<b>\$'000CAD</b>	
	<b>6 Weeks</b>
<b>Receipts</b>	
Trade Receipt	\$ 5,588
<b>Total Receipts</b>	<b>5,588</b>
<b>Disbursements</b>	
Raw Materials	4,040
Direct Labour	748
COGS Overhead	282
Fulfillment	534
Payroll, benefits and payroll taxes	1,031
Rent	159
Utilities	310
Insurance	109
Sales, general and administration	466
Capex - maintenance	75
<b>Total Disbursements</b>	<b>7,754</b>
<b>Other Disbursements</b>	
Wells Fargo Payment (pre-filing)	473
Professional Fees	655
Legal Fees - US litigation	118
Interim Financing fees and interest	-
Sales advisor fees	-
<b>Total Financing and Professional Fees</b>	<b>1,246</b>
<b>Net Cash Flow</b>	<b>\$ (3,412)</b>
Opening Cash Balance	1,901
Interim Financing (subject to Court Approval)	3,000
<b>Closing Cash Balance</b>	<b>\$ 1,489</b>

7.2 The CCAA Cash Flow Forecast projects that the GDP Group will experience a net cash outflow of approximately \$3.4 million over the Forecast Period and is based on the following key assumptions:

- a) trade receipts from sales are forecast based on current accounts receivables balance, their payment terms and forecast monthly revenue during the Forecast Period;
- b) operating disbursements are forecast on the assumption that the GDP Group will continue to operate as a going concern, and at similar capacity as prior to the CCAA Proceedings, during the Forecast Period;

- c) as previously noted, a Borrowing Base Payment to Wells Fargo of US\$330,000 was made on June 27, 2024 (pre-filing);
- d) professional fees are forecast to be approximately \$655,000 during the Forecast Period and include the Petitioners' counsel (in Canada and in the US), the Monitor and its counsel;
- e) US litigation legal fees represent legal fees to be incurred by the GDNP Group in relation to its intention to commence litigation against a former employee and competitor in the US;
- f) Interim financing fees and interest are to be calculated upon finalization of the interim financing arrangement. Based on the CCAA Cash Flow Forecast, the GDNP Group is forecast to borrow \$3.5 million during the Forecast Period. Terms of the interim financing are being negotiated as at the date of this First Report (subsequently discussed); and
- g) sales advisor fees are to be confirmed upon the selection of a sales advisor for the SISP.

7.3 The Monitor's review of the CCAA Cash Flow Forecast consisted of inquiries, analytical procedures, and discussion related to information supplied to it by Management. Since hypothetical assumptions need not be supported, the procedures with respect to them were limited to evaluating whether they were consistent with the purposes of the CCAA Cash Flow Forecast. The Monitor also reviewed the support provided by Management for the probable assumptions and the preparation and presentation of the CCAA Cash Flow Forecast.

7.4 Based on the Monitor's preliminary review of the CCAA Cash Flow Forecast, nothing has come to its attention that causes A&M to believe that, in all material respects:

- a) the hypothetical assumptions are not consistent with the purpose of the CCAA Cash Flow Forecast;
- b) as at the date of this First Report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of the Company or do not provide a reasonable basis for the CCAA Cash Flow Forecast, given the hypothetical assumptions; or
- c) the CCAA Cash Flow Forecast does not reflect the probable and hypothetical assumptions.

7.5 Since the CCAA Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Monitor expresses no assurance as to whether the CCAA Cash Flow Forecast will be accurate. The Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon by us in preparing this report.

- 7.6 The CCAA Cash Flow Forecast has been prepared solely for the purpose described in Note 1 to the CCAA Cash Flow Forecast, and readers are cautioned that it may not be appropriate for other purposes.

## **8.0 INTERIM FINANCING**

- 8.1 As noted in the First Antoniadis Affidavit, prior to the commencement of the CCAA Proceedings, the Petitioners obtained a term sheet for interim financing from a lender, which would provide liquidity of up to \$7 million to the Petitioners. A commitment letter has been issued by the said lender to the GDNP Group on July 4, 2024.
- 8.2 At the hearing on June 28, 2024 for the initial order, counsel for Wells Fargo expressed that Wells Fargo may be interested in providing interim financing to the Petitioners in the CCAA Proceedings.
- 8.3 Accordingly, the Petitioners, with the review of the Monitor, and Wells Fargo (and its advisors) have been in extensive discussions over the past days to negotiate a form of agreement that would be acceptable to all parties for an interim financing facility to be provided by Wells Fargo.
- 8.4 As at the date of this First Report, negotiations between the GDNP Group and Wells Fargo are still ongoing. It is the Monitor's understanding that both GDNP Group and Wells Fargo hope to reach an agreement on terms in the coming days.
- 8.5 As noted in the CCAA Cash Flow Forecast, the GDNP Group was expected to borrow \$1.75 million from an interim financing lender during the week ending July 12, 2024. The Monitor notes that the GDNP Group has been preserving its liquidity in light of a potential delay in the finalization and court approval of interim financing. The Monitor will work with the Petitioners to ensure they can continue to manage their short-term liquidity until the finalization of the interim financing arrangements and obtain Court approval.
- 8.6 Subject to this Honourable Court's availability, the Monitor understands that it is GDNP Group's intention to make an application to this Honourable Court for the approval of the interim financing and the associated relief during the week of July 8, 2024.

## **9.0 COURT-ORDERED CHARGES**

- 9.1 The Initial Order granted the following Court ordered charges as sought by the Petitioners:
- a) the Administration Charge; and
  - b) the D&O Charge.

9.2 The Monitor understands that the Initial Order provides that the priorities of the above noted charges are as follows:

- a) first – Administration Charge (to the maximum amount of \$100,000); and
- b) second – D&O Charge (to the maximum amount of \$400,000).

Administration Charge

9.3 The Initial Order provides for a charge in the amount of \$100,000 in favour of the Monitor, the counsel to the Monitor and the counsel to the Company, as security for professional fees and disbursements (the “**Administration Charge**”) incurred both before and after the making of the Initial Order in respect of the CCAA Proceedings.

9.4 The Petitioners have made an application with this Honourable Court to increase the Administration Charge to \$250,000 at the Comeback Application.

9.5 The Monitor has worked with the GDNP Group to estimate the quantum of the Administration Charge and is satisfied that it is reasonable in the circumstances of the CCAA Proceedings.

D&O Charge

9.6 The Initial Order also provides for a charge of \$400,000 in favour of the directors and officers of the GDNP Group against obligations and liabilities that they may incur as directors and officers of the GDNP Group after commencement of the CCAA proceedings.

9.7 The D&O Charge is intended to address potential claims that may be brought against directors and officers that are not covered under existing insurance or to the extent coverage is insufficient to cover such claims.

9.8 There is no application to increase this charge. It is the Monitor’s view that the continued support and services of the directors and officers of the Petitioners during the CCAA Proceedings would be beneficial to the Petitioners’ efforts to preserve value and maximize recoveries for stakeholders through completion of the CCAA Proceedings. The Monitor has reviewed the underlying assumptions upon which the Petitioners have based the estimate of the potential liability in respect of the directors’ statutory obligations and is of the view that the D&O Charge remains reasonable in relation to the quantum of the estimated potential liability and is appropriate in the circumstances.

## **10.0 EXTENSION OF STAY OF PROCEEDINGS**

10.1 Pursuant to the Initial Order, the Stay Period will expire on July 8, 2024. The Petitioners are seeking an extension of the Stay Period to July 22, 2024. As previously noted, the Petitioners intend to



make an application to this Honourable Court for the approval of the interim financing during the week of July 8, 2024.

10.2 The Monitor supports extending the Stay Period to July 22, 2024 for the following reasons:

- a) the extension of the Stay Period provides time for the Petitioners to continue negotiate the required interim financing, locate a sale advisor and seek Court approval for the interim financing and the SISP;
- b) no creditor of the Petitioners would be materially prejudiced by the extension of the Stay Period;
- c) the Petitioners are managing their liquidity to ensure they have sufficient funding to operate until interim financing can be obtained and approved; and
- d) the Petitioners have acted in good faith and with due diligence in these CCAA Proceedings since the date of the Initial Order.

## **11.0 RECOMMENDATIONS**


11.1 The Monitor respectfully recommends that this Honourable Court:


- a) grant the ARIO;
- b) approve the increase to the Administration Charge to \$250,000; and
- c) grant the extension of the Stay Period to July 22, 2024.

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**All of which is respectfully submitted to this Honourable Court this 5<sup>th</sup> day of July, 2024.**

**Alvarez & Marsal Canada Inc.,**  
in its capacity as Monitor of  
good natured Products Inc.  
& those entities listed in Schedule "A"

  
Per: Anthony Tillman  
Senior Vice President

  
Per: Pinky Law  
Vice President

**Appendix A – Notice to Creditors dated July 4, 2024**



**Alvarez & Marsal Canada ULC**  
Cathedral Place Building  
925 West Georgia Street, Suite 902  
Vancouver, BC V6C 3L2  
Phone: +1 604 638 7440  
Fax: +1 604 638 7441

July 4, 2024

To whom it may concern:

**Re: good natured Products Inc., et al (collectively, "GDNP" or the "Company")**

On June 28, 2024, good natured Products Inc., good natured Real Estate Holdings (Ontario) Inc., 1306187 B.C. Ltd., good natured Products (CAD) Inc., good natured Products Packaging Canada GP Inc., good natured Products Packaging Brampton GP Inc., good natured Products Industrial Canada GP Inc., good natured Products Packaging Canada LP, good natured Products Packaging Brampton LP, good natured Products Industrial Canada LP, good natured Products (US) Inc., good natured Products (Illinois), LLC, good natured Products Real Estate U.S., LLC, good natured Products Packaging US LLC, good natured Products Direct LLC and good natured Products (Texas) LLC (collectively, "GDNP" or the "Company") were granted an order (the "Initial Order") by the Supreme Court of British Columbia (the "Court") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"). Alvarez & Marsal Canada Inc. was appointed pursuant to the CCAA as monitor (the "Monitor") of the business and financial affairs of GDNP.

On July 1, 2024, good natured Products Inc., as foreign representative, filed petitions for recognition for each of the Company under Chapter 15 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Illinois, Jointly Administered Case No. 24-80891.

The Initial Order provides for, among other things, a stay of proceedings initially expiring on July 8, 2024 (the "Stay Period"). The Stay Period may be extended by the Court from time to time.

A copy of the Initial Order as well as the other materials filed in these CCAA proceedings may be obtained at [www.alvarezandmarsal.com/goodnatured](http://www.alvarezandmarsal.com/goodnatured).

GDNP is continuing to operate in the ordinary course in accordance with the provisions of the Initial Order.


Pursuant to the Initial Order, all persons having oral or written agreements with GDNP or statutory or regulatory mandates for the supply of goods and/or services are restrained until further Order of the Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by GDNP, provided that the normal prices or charges for all such goods or services received after the date of the Initial Order are paid by GDNP in accordance with normal payment practices of GDNP or such other practices as may be agreed upon by the supplier or service provider and each of GDNP and the Monitor, or as may be ordered by the Court.

During the Stay Period, parties are prohibited from commencing or continuing any legal proceeding or enforcement action against GDNP and all rights and remedies of any party against or in respect of GDNP or their assets are stayed and suspended except in accordance with the Initial Order, or with the written consent of GDNP and the Monitor, or with leave of the Court.

To date, no claims procedure has been approved by the Court and creditors are therefore not required to file a proof of claim at this time.

If you have any questions regarding the foregoing or require further information, please consult the Monitor's website at [www.alvarezandmarsal.com/goodnatured](http://www.alvarezandmarsal.com/goodnatured). Should you wish to speak to a representative of the Monitor, please email [goodnatured@alvarezandmarsal.com](mailto:goodnatured@alvarezandmarsal.com).

Yours very truly,  
**Alvarez & Marsal Canada Inc.**  
in its capacity as Court-appointed Monitor of  
good natured Products Inc., et al,  
and not in its personal or corporate capacity

Per:   
Anthony Tillman  
Senior Vice President

**Appendix B – CCAA Cash Flow Forecast for the Period from June 22 to August 2, 2024**

Good Nutured Products Inc., et al <sup>1</sup>									
Cash flow forecast for the period June 22 to August 2, 2024									
\$CAD			Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	
Week ending	Notes	28-Jun	5-Jul	12-Jul	19-Jul	26-Jul		2-Aug	6 Weeks Total
<b>External Receipt</b>									
Trade Receipt	3	751,000	786,000	615,000	1,354,000	918,000		1,164,000	5,588,000
<b>Total Receipts</b>		<b>751,000</b>	<b>786,000</b>	<b>615,000</b>	<b>1,354,000</b>	<b>918,000</b>		<b>1,164,000</b>	<b>5,588,000</b>
<b>Disbursement</b>									
Raw Materials	4	440,000	400,000	950,000	950,000	750,000		550,000	4,040,000
Direct Labour	4	82,000	165,000	82,000	165,000	84,000		170,000	748,000
COGS Overhead	4	47,000	47,000	47,000	47,000	47,000		47,000	282,000
Fulfillment	4	89,000	89,000	89,000	89,000	89,000		89,000	534,000
Payroll, benefits and payroll taxes	5	195,000	163,000	37,000	286,000	37,000		313,000	1,031,000
Rent	6	-	61,000	37,000	-	-		61,000	159,000
Utilities	7	-	115,000	-	80,000	-		115,000	310,000
Insurance	8	-	27,000	55,000	-	-		27,000	109,000
Sales, general and administration	7	80,000	63,000	49,000	108,000	73,000		93,000	466,000
Capex - maintenance	9	-	-	-	75,000	-		-	75,000
<b>Total Disbursement</b>		<b>933,000</b>	<b>1,130,000</b>	<b>1,346,000</b>	<b>1,800,000</b>	<b>1,080,000</b>		<b>1,465,000</b>	<b>7,754,000</b>
<b>Other Disbursement</b>									
Wells Fargo Payment	10	473,000	-	-	-	-		-	473,000
Professional Fees	11	250,000	-	205,000	-	200,000		-	655,000
Legal Fees - US litigation	12	50,000	-	-	-	68,000		-	118,000
DIP fees and interest	13	-	-	-	-	-		-	-
Sales advisor fees	14	-	-	-	-	-		-	-
<b>Total Financing and Professional Fees</b>		<b>773,000</b>	<b>-</b>	<b>205,000</b>	<b>-</b>	<b>268,000</b>		<b>-</b>	<b>1,246,000</b>
<b>Net Cash Flow</b>									
		<b>(955,000)</b>	<b>(344,000)</b>	<b>(936,000)</b>	<b>(446,000)</b>	<b>(430,000)</b>		<b>(301,000)</b>	<b>(3,412,000)</b>
<b>Operating Cash Balance</b>	2	1,901,000	946,000	602,000	1,416,000	970,000		540,000	1,901,000
<b>DIP Financing (subject to Court Approval)</b>	13	-	-	1,750,000	-	-		1,250,000	3,000,000
<b>Closing Cash Balance with DIP</b>		<b>946,000</b>	<b>602,000</b>	<b>1,416,000</b>	<b>970,000</b>	<b>540,000</b>		<b>1,489,000</b>	<b>1,489,000</b>
<b>DIP Financing (subject to Court Approval)</b>									
Opening	13	-	-	-	1,750,000	1,750,000		1,750,000	-
Draws		-	-	1,750,000	-	-		1,250,000	3,000,000
Planned Repayment		-	-	-	-	-		-	-
<b>Ending Financing</b>		<b>-</b>	<b>-</b>	<b>1,750,000</b>	<b>1,750,000</b>	<b>1,750,000</b>		<b>3,000,000</b>	<b>3,000,000</b>

**good natured Products Inc., et al (“GNDP” or the “Company”)  
CCAA Cash Flow Forecast  
Notes and Assumptions**

1. The cash flow statement (the “CCAA Cash Flow Forecast”) has been prepared by management (“Management”) of good natured Products Inc. and its affiliates and subsidiaries, to set out the liquidity requirements of the Company during the *Companies’ Creditors Arrangement Act* proceedings (the “CCAA Proceedings”).

The CCAA Cash Flow Forecast is presented on a weekly basis from June 22 to August 2, 2024 (the “Period”) and represents Management’s best estimate of the expected results of operations during the Period. Readers are cautioned that since the estimates are based on future events and conditions that are not ascertainable, the actual results achieved will vary, even if the assumptions materialize, and such variations may be material. There are no representations, warranties or other assurances that any of the estimates, forecasts, or projections will be realized. The projections are based upon certain estimates and assumptions discussed below and may be amended from time to time during the CCAA proceedings. Upon such amendments, Management will update its cash flow forecast accordingly as included herein.

Unless otherwise noted, the CCAA Cash Flow Forecast is presented in Canadian dollars.

2. The opening cash position as presented in the CCAA Cash Flow Forecast includes the Company’s actual cash availability as of the first day of the CCAA Cash Flow Forecast.
3. Trade receipts from sales are forecast based on current accounts receivables balance, their payment terms and forecast revenue for July 2024.
4. Operating disbursements, including raw materials purchases, direct labour, overhead and fulfillment cost, are forecast based on Management’s forecast of monthly production activities. Additional raw material purchases or payments are expected during the first two weeks of the CCAA proceedings, as terms with GNDP’s suppliers may be amended in certain circumstances..
5. Payroll, benefits and payroll taxes includes payments to GNDP’s employees, group benefits and payroll taxes. It is assumed that operations at all facilities will continue uninterrupted with all payroll tax remittances kept current during the CCAA Proceedings. Employees are paid under the following payment frequencies:
  - Vancouver corporate office: semi-monthly;
  - Ayr, ON facility, Brampton, ON facility and Richmond, IL facility: bi-weekly; and
  - Houston, TX facility: weekly.

6. Rent payments are forecast based on actual payments terms assuming operations and production continue uninterrupted at all locations during the Period.
7. Utilities and sales, general and administration ("SG&A") expenses, including marketing, product development, travel/automobile expense, telephone and internet and employees' expenses, and are forecast to be paid in the ordinary course of business.
8. Insurance payments represents GDNP's payment to its insurance premium financier. Monthly instalment payable totaled approximately \$82,000.
9. Monthly maintenance capital expenditures of \$75,000, covering any potential capital maintenance required at the four facilities: Ayr, ON, Brampton, ON, Richmond, IL and Houston, TX.
10. Payment to Wells Fargo represents a payment made on June 27, 2024 (i.e. prior to the CCAA Proceedings) due to the reduction in borrowing base available under the Wells Fargo credit facility.
11. Restructuring professional fees have been forecast based on projected costs of professional services firms relating to the proposal proceedings and the CCAA proceedings and include the Company's legal counsel (Canada and the U.S. for the Chapter 15 Recognition Proceedings) as well as the Monitor and its legal counsel. Certain retainers were funded prior to the CCAA Proceedings.
12. GDNP is in the process of commencing litigation against certain former employee and competitor in the U.S. Estimated legal fees for the litigation proceeding is approximately \$118,000 during the Period.
13. Under the CCAA Cash Flow Forecast, it is forecast that interim financing of \$3 million will be required after the Comeback Hearing (latest by July 8, 2024). Fees and interest payable under the proposed Interim financing are to be confirmed.
14. Upon the commencement of the CCAA Proceedings, it is GDNP's Management's intention to seek a sales advisor and commence a sales process in due course.



good natured Products Inc.

814 – 470 Granville Street, Vancouver, BC Canada V6C 1V5 1-877-286-0617

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June 27, 2024

Alvarez & Marsal Canada Inc.  
Cathedral Place Building  
925 West Georgia Street, Suite 902  
Vancouver, BC V6C 3L2

Attention: Anthony Tillman  
Senior Vice President

Dear Sirs,

**Re: Proceedings under the *Company*' *Creditors Arrangement Act* ("CCAA") for  
good natured Products Inc., et al ("GDNP" or the "*Company*")  
Responsibilities/Obligations and Disclosure with Respect to Cash-flow Projections**

In connection with the application by GDNP for the commencement of proceedings under the CCAA in respect of the Company, the management of the Company ("*Management*") has prepared the attached cash-flow statement and the assumptions on which the cash-flow statement is based.

GDNP confirms that:

1. the cash-flow statement and the underlying assumptions are the responsibility of GDNP;
2. all material information relevant to the cash-flow statement and to the underlying assumptions has been made available to Alvarez & Marsal Canada Inc. in its capacity as Monitor; and
3. Management has taken all actions that it considers necessary to ensure:
  - a) That the individual assumptions underlying the cash-flow statement are appropriate in the circumstances;
  - b) That the assumptions underlying the cash-flow statement, taken as a whole, are appropriate in the circumstances; and
  - c) That all relevant assumptions have been properly presented in the cash-flow statement or in the notes accompanying the cash-flow statement.

TSX-V: GDNP  
goodnatured.ca





good natured Products Inc.

814 – 470 Granville Street, Vancouver, BC Canada V6C 1V5 1-877-286-0617

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4. Management understands and agrees that the determination of what constitutes a material adverse change in the projected cash flow or financial circumstances, for the purposes of our monitoring the on-going activities of the Company, is ultimately at your sole discretion, notwithstanding that Management may disagree with such determination.
5. Management understands its duties and obligations under the CCAA and that a breach of these duties and obligations could make GDNP's Management liable to fines and imprisonment in certain circumstances.
6. The cash-flow statement and assumptions have been reviewed and approved by the GDNP's board of directors or Management has been duly authorized by GDNP's board of directors to prepare and approve the cash-flow assumptions.

Yours truly,

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Name: Kerry Biggs

Title: CFO