

Vancouver

12-Jul-24

REGISTRY

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

SECOND REPORT OF THE MONITOR

ALVAREZ & MARSAL CANADA INC.

JULY 11, 2024



ALVAREZ & MARSAL

TABLE OF CONTENTS

| | | |
|-----|---|----|
| 1.0 | INTRODUCTION | 3 |
| 2.0 | PURPOSE OF REPORT | 4 |
| 3.0 | TERMS OF REFERENCE | 5 |
| 4.0 | CASH FLOW VARIANCES FOR THE PERIOD ENDED JULY 5, 2024 | 5 |
| 5.0 | SECOND CCAA CASH FLOW FORECAST | 6 |
| 6.0 | INTERIM FINANCING | 9 |
| 7.0 | SISP | 12 |
| 8.0 | EXTENSION OF STAY OF PROCEEDINGS | 15 |
| 9.0 | RECOMMENDATIONS | 16 |

APPENDICES

Appendix A – Second CCAA Cash Flow Forecast for the Period from June 29 to October 25, 2024

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**”) and on July 8, 2024 granted an Amended and Restated Initial Order (the “**ARIO**”), which, among other things:
- a) increased the Administration Charge from \$100,000 to \$250,000; and
 - b) extended the Stay Period to July 11, 2024 (the “**First Stay Extension**”).

- 1.5 On July 10, 2024, the Petitioners filed an application (the “**July 10 Application**”) to seek an order (the “**July 10 Order**”):
- a) extending the Stay Period until and including October 25, 2024 (the “**Second Stay Extension**”);
 - b) authorizing the Petitioners to obtain interim financing (the “**DIP Financing**”) from Wells Fargo Capital Finance Corporation Canada (“**Wells Fargo**”) under the Ninth Amendment to Credit Agreement and Forbearance (the “**Amendment and Forbearance Agreement**”), which amends the Petitioners existing credit agreement with Wells Fargo (the “**Credit Agreement**”), and granting a charge on the Property (as such term is defined in the Initial Order, but excluding owned real estate located in the United States) in respect of the DIP Financing;
 - c) approving a sale and investment solicitation process (the “**SISP**”) and authorizing the Petitioners to implement the SISP pursuant to its terms; and
 - d) authorizing and directing the Petitioners and the Monitor to perform their respective obligations and do all things reasonably necessary to perform their obligations under the SISP.
- 1.6 On July 11, 2024, the Petitioners filed an application (the “**July 11 Application**”) to seek an order (the “**July 11 Order**”):
- a) granting Capital West Partners (the “**Sales Agent**”) the Work Fee Charge (as defined below) and the Success Fee Charge (as defined below) to secure obligations owing to the Sales Agent.
- 1.7 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 (the “**Monitor’s Website**”).

2.0 PURPOSE OF REPORT

- 2.1 This report (the “**Second 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) a comparison of the actual receipts and disbursements of the Petitioners as compared to the statement of projected cash flow (the “**CCAA Cash Flow Forecast**”) for the period from June 22 to July 5, 2024;
 - b) the updated statement of projected cash flow cash flow for the period from June 29 to October 25, 2024 (the “**Second CCAA Cash Flow Forecast**”);
 - c) the DIP Financing;
 - d) the SISP;

- e) the Sales Agent Charges (as defined below); and
- f) the Second Stay Extension.

2.2 The Second Report should be read in conjunction with the Affidavit #1 of Paul Antoniadis sworn on June 27, 2024 (the “**First Antoniadis Affidavit**”), the second Affidavit of Paul Antoniadis sworn on July 10, 2024, the filed materials for the Comeback Application and the filed materials for the July 10 Application and the July 11 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 Second Report are expressed in Canadian dollars.

4.0 CASH FLOW VARIANCES FOR THE PERIOD ENDED JULY 5, 2024

- 4.1 As part of the ongoing oversight and monitoring of the business and financial affairs of the GDNP Group, the Monitor has set up a weekly cash flow review protocol with the Petitioners to compare actual cash flows against the CCAA Cash Flow Forecast. The GDNP Group’s actual cash receipts and disbursements as compared to the CCAA Cash Flow Forecast for the period June 22 to July 5, 2024 (the “**Reporting Period**”) are summarized below:

Good Natured Products Inc., et al
 CCAA Cash Flow Forecast
 For the 2 weeks ended July 5, 2024
 \$'000CAD

| | Forecast | Actual | Variance |
|--|-------------------|-----------------|---------------|
| External Receipts | | | |
| Trade Receipt | \$ 1,537 | \$ 2,037 | \$ 500 |
| Total Receipts | 1,537 | 2,037 | 500 |
| Disbursements | | | |
| Raw Materials | 840 | 747 | (93) |
| Direct Labour | 247 | 208 | (39) |
| COGS Overhead | 94 | 40 | (54) |
| Fulfillment | 178 | 8 | (170) |
| Payroll, benefits and payroll taxes | 358 | 360 | 2 |
| Rent | 61 | 13 | (48) |
| Utilities | 115 | 1 | (114) |
| Insurance | 27 | 11 | (16) |
| Sales, general and administration | 143 | 211 | 68 |
| Capex - maintenance | - | - | - |
| Total Disbursements | 2,063 | 1,599 | (464) |
| Other Disbursements | | | |
| Wells Fargo Payment | 473 | 446 | (27) |
| Professional Fees | 300 | 303 | 3 |
| Total Financing and Professional Fees | 773 | 748 | (25) |
| Net Cash Flow | \$ (1,299) | \$ (310) | \$ 989 |
| Opening Cash Balance | 1,901 | 1,901 | 0 |
| DIP Financing (subject to Court Approval) | - | - | - |
| Closing Cash Balance | \$ 602 | \$ 1,591 | \$ 989 |

4.2 Over the Reporting Period, the Petitioners experienced a favourable cash flow variance of \$1.0 million. The principal components of the variance are:

- a) collections were \$500,000 higher than forecast; and
- b) operating disbursements were \$464,000 lower than forecast, mainly due to the timing differences in payment, as a result of the commencement of the CCAA Proceedings and the statutory holidays in Canada and the US during the week ended July 5, 2024.

5.0 SECOND CCAA CASH FLOW FORECAST

5.1 Further to the CCAA Cash Flow Forecast presented to this Honourable Court on June 27, 2024, Management has prepared an extended cash flow projection for the GDNP Group on a weekly basis

for the period from June 29 to October 25, 2024 (the “**Second Forecast Period**”), using the probable and hypothetical assumptions set out in the notes to the Second CCAA Cash Flow Forecast. A copy of the Second CCAA Cash Flow Forecast along with its notes and assumptions are attached hereto as Appendix “A”. The Second CCAA Cash Flow Forecast is summarized below:

| GDNP Group | |
|---|-------------------|
| Cash flow forecast for the period June 29 to October 25, 2024 | |
| \$'000CAD | |
| | 17 Weeks |
| Receipts | |
| Trade Receipt | \$ 19,232 |
| Total Receipts | 19,232 |
| Disbursements | |
| Raw Materials | 11,426 |
| Direct Labour | 2,180 |
| COGS Overhead | 928 |
| Fulfillment | 1,856 |
| Payroll, benefits and payroll taxes | 2,775 |
| Rent | 392 |
| Utilities | 779 |
| Insurance | 369 |
| Sales, general and administration | 1,401 |
| Capex - maintenance | 300 |
| Key Employee Retention Plan | 125 |
| Total Disbursements | 22,532 |
| Other Disbursements | |
| Professional Fees | 1,948 |
| Interim Financing fees and interest | 375 |
| Sales agent fees | 300 |
| Total Financing and Professional Fees | 2,623 |
| Net Cash Flow | \$ (5,923) |
| Continuity of Financing | |
| <u>Revolving credit facility</u> | |
| Opening revolver balance | \$ 9,851 |
| Cash receipts | (9,851) |
| Ending revolver balance | - |
| <u>DIP Financing</u> | |
| Opening balance | - |
| Draws/(repayment) | 14,940 |
| Ending DIP Financing Balance | 14,940 |
| Total Financing | \$ 14,940 |

- 5.2 The Second CCAA Cash Flow Forecast projects that the GDNP Group will experience a net cash outflow of approximately \$5.9 million over the Second 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 Second Forecast Period;
 - b) operating disbursements are forecast on the assumption that the GDNP Group will continue to operate as a going concern, and at similar capacity as prior to the CCAA Proceedings, during the Second Forecast Period;
 - c) Key Employee Retention Plan (“**KERP**”) payment of \$125,000 is included in the Second CCAA Cash Flow Forecast for illustrative purposes. As of the date of this Second Report, GDNP has not made an application to the Court for the approval of a KERP;
 - d) professional fees are forecast to be approximately \$1.9 million during the Second Forecast Period and include the Petitioners’ counsel (in Canada and in the US), the Monitor and its counsel, Wells Fargo’s counsel and financial advisor, and the 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;
 - e) sales agent fees represent the monthly work fee payable to the Sales Agent under the SISP; and
 - f) the ending balance of total financing of approximately \$14.9 million represents an incremental increase in financing of \$5.9 million (forecast net cash flow during the Second Forecast Period) to the secured debt held by Wells Fargo.
- 5.3 The Second CCAA Cash Flow Forecast includes a forecast borrowing base analysis confirming that the Petitioners expect to have sufficient ability to access funding from Wells Fargo based on the current asset-based lending platform throughout the Second Forecast Period.
- 5.4 The Monitor’s review of the Second 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 Second CCAA Cash Flow Forecast. The Monitor also reviewed the support provided by Management for the probable assumptions and the preparation and presentation of the Second CCAA Cash Flow Forecast.
- 5.5 Based on the Monitor’s preliminary review of the Second CCAA Cash Flow Forecast, nothing has come to its attention that causes the Monitor believe that, in any material respects:

- a) the hypothetical assumptions are not consistent with the purpose of the Second CCAA Cash Flow Forecast;
- b) as at the date of this Second 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 Second CCAA Cash Flow Forecast, given the hypothetical assumptions; or
- c) the Second CCAA Cash Flow Forecast does not reflect the probable and hypothetical assumptions.

5.6 Since the Second 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 Second 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.

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

6.0 INTERIM FINANCING

6.1 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.

6.2 At the hearing for the Initial Order on June 28, 2024, counsel for Wells Fargo expressed that Wells Fargo may be interested in providing interim financing to the Petitioners in the CCAA Proceedings.

6.3 Accordingly, the Petitioners, with the assistance 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 interim financing to be provided by Wells Fargo.

6.4 On July 10, 2024, the Petitioners and Wells Fargo agreed to the terms to interim financing, in the form of the Amendment and Forbearance Agreement.

6.5 Select material terms have been set out in the July 10 Application and accompanying affidavit materials filed by the Petitioners and are not repeated in their entirety herein; however, the Monitor has highlighted the following for consideration by this Honourable Court:

| DIP Financing - Summary of Key Terms | |
|--|--|
| Lender | Wells Fargo |
| Maximum amount under the DIP Financing | DIP Financing shall be utilized in accordance with the applicable approved cash flow forecast and availability will not exceed the Petitioners' operating cash flow requirements as set out in the applicable approved cash flow forecast |
| Applicable Margin | (i) 3.50% for SOFR Loans, CORRA Loans and Letter of Credit Fees; and (ii) 2.50% for Canadian Base Rate Loans and Base Rate Loans. |
| DIP Lender Fee | \$100,000 |
| Maturity Date | Earlier of: (i) September 27, 2024, provided that the date shall be extended to October 25, 2024 provided at least one Phase 2 Bid acceptable to Wells Fargo is received on or before the Phase 2 Bid Deadline (each as defined in the SISP discussed below); and (ii) the occurrence of a Terminating Event. |
| DIP Lender's Charge | The Petitioners must seek and obtain the DIP Lender's Charge in favour of Wells Fargo in respect of all Property other than real property located in the US for funds advanced under the Credit Agreement following the date of the July 10 Order, having priority to all charges and security other than (i) the Administration Charge, (ii) the Work Fee Charge; and (iii) the TD Loan Lender's lien in respect of the TD Priority Collateral and the HSBC Loan Lender's lien in respect of the HSBC Loan Priority Collateral (as such terms are defined in the Third Amended and Restated Intercreditor Agreement dated February 22, 2024 among the Petitioners' lenders and described in First Antoniadis Affidavit (the " Intercreditor Agreement ")) in respect of the Canadian real estate of the Petitioners. |
| Reporting requirements | <ul style="list-style-type: none"> - Continued reporting as stipulated in the existing Wells Fargo Credit Agreement; - Weekly borrowing base and variance reporting; - Weekly accounts receivable reporting; - Monthly inventory reporting; - Monthly financial statements; - Monthly update of the cash flow forecast; and |

| DIP Financing - Summary of Key Terms | |
|---|---|
| | - Weekly call with the Petitioners, the sales agent, Wells Fargo and its financial advisor (Ernst & Young Inc.), and the Monitor to provide updates on the operations and the SISP. |

- 6.6 The Petitioners are required to cause all amounts in their bank accounts to be transferred on a daily basis (or with such other frequency as Wells Fargo may otherwise specifically agree) to the Lender Payment Account (as defined in the Amendment and Forbearance Agreement). Post-filing operating and other costs of the Petitioners would be funded as required by advances from the DIP Financing. The result is that the Petitioners' existing, pre-filing Wells Fargo indebtedness will be repaid from ongoing revenue, while expenses will be paid from the DIP Financing. The Amendment and Forbearance Agreement expressly provides that the DIP Financing cannot be used to pay any pre-filing obligations owing to Wells Fargo and the DIP Lender's Charge does not secure any obligation that existed prior to the date of filing.
- 6.7 The Monitor was involved in the discussions and negotiations surrounding the terms of the Amendment and Forbearance Agreement and is of the view that the DIP Financing represents market terms and is necessary to provide the requisite financial support during the CCAA Proceedings.

DIP Lender's Charge

- 6.8 As a condition to executing the Amendment and Forbearance Agreement, the July 10 Order provides for the creation of a court-ordered security interest, lien and charge over all of the assets and undertakings of the Petitioners to secure the DIP Financing advances (the "**DIP Lender's Charge**"). The DIP Lender's Charge would rank in priority to all liens and charges, other than the Administration Charge, the Work Fee Charge, and the Carve Out (described below).
- 6.9 The DIP Lender's Charge would not prime existing mortgages in relation to the real estate (and related site-specific personal property registrations), equipment subject to a purchase money security interest, equipment leases, and other assets that are not subject to Wells Fargo's existing security (the "**Carve Out**"). In addition, the Intercreditor Agreement would continue to remain effective.
- 6.10 The Monitor is of the view that the DIP Financing proposed, including the DIP Lender's Charge, represents a necessary and timely financing solution which affords the Petitioners the opportunity to move towards commencement of the SISP and/or otherwise reorganize their affairs and it does

not appear that there will be material financial prejudice to other GDNP Group stakeholders as a result of this financing, in particular in light of the Carve Out.

7.0 SISP

7.1 The GDNP Group, with the assistance of the Monitor, contacted four investment banks at the outset of these CCAA Proceedings and ultimately obtained marketing proposals from three firms.

7.2 In regard to the selection of a sales agent to assist with the SISP, the Monitor and the GDNP Group considered several factors, including: the sales agent's experience, particularly in the packaging manufacturing business, familiarity with the GDNP Group's assets, ability to rapidly commence the SISP, and access to potential buyers in Canada and internationally.

7.3 In consultation with the Monitor, the Petitioners ultimately selected Capital West Partners to assist with the SISP as the Sales Agent.

7.4 In the July 10 Application, the Petitioners seek, among other things, court approval of the engagement letter, which sets out the terms of the Sales Agent's engagement (the "**Sales Agent Agreement**"). A complete, unredacted copy of the Sales Agent Agreement (the "**Confidential Sales Agent Agreement**") is attached as an exhibit Affidavit #3 of Paul Antoniadis sworn on July 11, 2024 (the "**Confidential Affidavit**"). The GDNP Group intends to apply to have the Confidential Affidavit sealed.

7.5 In the July 11 Application, the Petitioners seek approval of the following charges securing the Sales Agent's fees:

a) A work fee charge of \$75,000 (the "**Work Fee Charge**"). In accordance with the Sales Agent Agreement, a monthly work fee is \$75,000, due and payable monthly in advance commencing on the date of the Sales Agent Agreement and for a minimum of four months. The Work Fee Charge is proposed to rank ahead of the DIP Lender's Charge but behind the Administration Charge; and

b) a success fee charge of \$1,250,000 (the "**Success Fee Charge**"). The success fee is calculated based on a percentage of the Enterprise Value (as defined in the Sales Agent Agreement), with a minimum of \$1,250,000. The Success Fee Charge is proposed to be secured solely against the sale proceeds arising from a transaction under the proposed SISP

(collectively, the "**Sales Agent Charges**").

7.6 For the following reasons, the Monitor considers the scope of the Sales Agent Agreement and the proposed compensation payable thereunder to be commercially reasonable:

- a) the scope of the Sales Agent Agreement is generally consistent with the SISP, and is comparable to other SISP's the Monitor has been engaged with as well as the proposals submitted by the investment banks who provided marketing proposals at the outset of the CCAA Proceedings;
- b) the quantum of fees proposed by the Sales Agent is competitive with fee levels charged in the market, and comparable to the fees proposed by the investment banks who provided marketing proposals at the outset of the CCAA Proceedings;
- c) the Work Fee Charge secures payment by the GDNP Group up to the maximum sum of CAD \$75,000 and is based on a month of Work Fees payable by the GDNP Group to the Sales Agent. The Monitor is of the view that the quantum and basis for this charge is reasonable given the GDNP Group's cash flows and the scope of the Sales Agent's engagement; and
- d) the Success Fee Charge is only charged against proceeds payable to the GDNP Group from a transaction arising from the SISP. The Monitor is of the view that the basis for the charge is reasonable given that the Sales Agent's efforts will have generated the sale proceeds.

Summary of SISP and Timetable

- 7.7 The key milestones and target dates in the SISP are summarized in the following table. Capitalized terms used but not otherwise defined have the meanings ascribed to them in the SISP.

| Phases | Target Date | Event |
|---|---------------------------------|---|
| SISP to commence | July 18, 2024 | <p>The Sales Agent to have finalized the Teaser Letter, the Confidentiality Agreement, a list of Known Potential Bidders, and a press release for the SISP, and set up the Virtual Data Room (“VDR”).</p> <p>The GDNP Group to issue press release and Sales Agent to commence outreach to Potential Bidders with reference to the Teaser Letter and Confidentiality Agreement. Also, the Sales Agent is to draft a confidential information memorandum that will be posted in the VDR.</p> |
| Phase I deadline for submission of non-binding Letters of Intent (“LOIs”) | August 22, 2024 | <p>Monitor to receive LOIs by August 22, 2024.</p> <p>The Petitioners, with the assistance of the Monitor and the Sales Agent, shall review and evaluate the LOIs and select party(ies) to participate in Phase II of the SISP.</p> |
| Phase II of the SISP begins | August 26, 2024 | Select participants to be invited to the Phase II VDR and arrange management presentations and site visits (as necessary). |
| Final Bid Deadline | September 12, 2024 | <p>Monitor to receive definitive proposals by September 12, 2024.</p> <p>The Petitioners, with the assistance of the Monitor and the Sales Agent (and with the Monitor and Wells Fargo’s consent), shall review and evaluate the definitive proposals and select the winning bidder (the “Successful Bidder”) and a backup bidder (the “Backup Bidder”), as applicable.</p> <p>Successful Bidder and each Backup Bidder shall pay a deposit (the “Deposit”) of ten percent (10%) to the Monitor.</p> |
| Final Agreement Deadline | September 19, 2024 | Deadline for the Petitioners to enter into a definitive agreement or agreements (each a “ Final Agreement ”) with the Successful Bidder. |
| Court approval | On or around September 26, 2024 | The Petitioners shall apply for an order from this Court (and seek recognition under the Chapter 15 Proceedings in the US Court) approving the transaction contemplated in the Final Agreement and any necessary relief required to consummate the winning bid. |
| Closing date | October 11, 2024 | Target closing date. |
| Outside Closing Date | October 25, 2024 | Outside closing date. |

- 7.8 The above timeline may be amended and/or extended by the GDNP Group and the Monitor, subject to approval from Wells Fargo.

Monitor's observations and comments

- 7.9 The Monitor's comments on the SISP are as follows:

- a) the SISP was developed with the assistance of the Monitor and input from the proposed Sales Agent, which has extensive experience in mid-market manufacturing and packaging transactions;
- b) based on discussions with the proposed Sales Agent, the Monitor is advised that the Sales Agent intends to launch the marketing program with an extensive group of Potential Bidders (over 100). The Monitor is therefore satisfied that the SISP will constitute a thorough, fair and transparent marketing process;
- c) the Monitor recognizes that adherence with certain deadlines in the SISP may be challenging to meet for potential bidders given the relatively short timeframe under Phase I (approximately five (5) weeks assuming SISP commences on July 18, 2024), but is satisfied that the SISP contains sufficient flexibility to amend milestones and deadlines as required (subject to the consent rights of the DIP Lender), particularly given the prior marketing efforts of the Petitioners as well as the limited additional preparation that is required before the SISP can be launched; and
- d) based on the above, it is the Monitor's view that the SISP terms and timelines are reasonable in the circumstances.

8.0 EXTENSION OF STAY OF PROCEEDINGS

- 8.1 Pursuant to the ARIO, the Stay Period will expire on July 11, 2024. The Petitioners are seeking an extension of the Stay Period to October 25, 2024.

- 8.2 The Monitor supports extending the Stay Period to October 25, 2024 for the following reasons:

- a) during the proposed extension of the Stay Period, the Petitioners will have an opportunity to engage in the SISP with a view to advancing a transaction(s) with a potential purchaser or alternatively, an investor in the Petitioners' respective businesses, that can be presented to this Honourable Court in due course;
- b) with the DIP Financing, the Petitioners are forecast to have sufficient liquidity to continue operating in the ordinary course of business during the requested extension of the Stay Period;

- c) no creditor of the Petitioners would be materially prejudiced by the extension of the Stay Period; and
- d) the Petitioners have acted in good faith and with due diligence in these CCAA Proceedings since the date of the ARIO.

9.0 RECOMMENDATIONS

9.1 The Monitor respectfully recommends that this Honourable Court:

- a) approve the DIP Financing and the DIP Lender's Charge;
- b) approve the SISP;
- c) approve the appointment of the Sales Agent and the Sales Agent Charges;
- d) extend the Stay Period to October 25, 2024.

All of which is respectfully submitted to this Honourable Court this 11th 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 – Second CCAA Cash Flow Forecast for the Period from June 29 to October 25, 2024

good natured Products Inc., et al ("GDNP" or the "Company")
Second CCAA Cash Flow Forecast
Notes and Assumptions

1. The cash flow statement (the "Second 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 29 to October 25, 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 Second CCAA Cash Flow Forecast.
3. Trade receipts from sales are forecast based on current accounts receivables balance, their payment terms and forecast revenue during the Period.
4. Operating disbursements, including raw materials purchases, direct labour, overhead and fulfillment cost, are forecast based on Management's forecast of monthly production activities.
5. Payroll, benefits and payroll taxes includes payments to GDNP'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. GDNP expects an additional payment of \$55,000 payable during Week 7 as GDNP's US insurance policies are renewed.
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. Key Employee Retention Plan ("KERP") payment is included in the Second CCAA Cash Flow Forecast for illustrative purposes. As of July 10, 2024 (the finalization date for the Second CCAA Cash Flow Forecast), GDNP has not made an application to the Court for the approval of a KERP.
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), the Monitor and its legal counsel and the advisors to the Interim Lender, Wells Fargo. Certain retainers were funded prior to the CCAA Proceedings.

Included in professional fees are the legal fees in relation to a potential litigation against certain former employee and competitor in the U.S.
12. Interim financing during the CCAA Proceedings will be provided by Wells Fargo pursuant to the Ninth Amendment to Credit Agreement and Forbearance. Interim lending is forecast to be required during the Period. Interim Facility interest costs and fees are subject to the Ninth Amendment to Credit Agreement and Forbearance.
13. Sales Advisor fees represent the monthly work fee payable to the Sales Advisor under the Sale and Investment Solicitation Process. No success fees have been included in the Second CCAA Cash Flow Forecast