



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

**THIRD REPORT OF THE MONITOR**

**ALVAREZ & MARSAL CANADA INC.**

**AUGUST 27, 2024**



ALVAREZ & MARSAL

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## 1.0 INTRODUCTION

- 1.1 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, good natured Products (Texas) LLC (collectively, 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, good natured Products Inc., 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 in the United States Bankruptcy Court for the Northern District of Illinois, Jointly Administered Case No. 24-80891.
- 1.4 On July 8, 2024, this Honourable Court 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.
- 1.5 On July 10, 2024, this Honourable Court granted an order (the “**July 10 Order**”):
  - a) extending the Stay Period until and including October 25, 2024;
  - 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, which amended the Petitioners’ existing credit agreement with Wells Fargo, and granted a charge on the Property (as such term is defined in the Initial Order, but excluding certain owned real estate) 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, this Honourable Court granted an order (the “**July 11 Order**”) appointing Capital West Partners as the sales agent of the Petitioners to implement and carry out duties under the SISP (in such capacity, the “**Sales Agent**”), granting the Sales Agent the benefit of a charge on certain property of the Petitioners to secure its work fees (the “**Work Fee Charge**”), and granting the Sales Agent the benefit of a charge on the proceeds derived from the sale for its success fee (the “**Success Fee Charge**”).
- 1.7 On August 26, 2024, the Petitioners filed an application seeking approval of the Key Employee Retention Plan (the “**KERP**”) and the corresponding charge (the “**KERP Charge**”).
- 1.8 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 “**Third 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 proposed KERP.
- 2.2 The Third Report should be read in conjunction with the materials filed by the Petitioners for approval of the KERP, including the First Affidavit of Jason Braam sworn on August 26, 2024, and the confidential Second Affidavit of Jason Braam sworn on August 26, 2024 (the “**Braam Confidential Affidavit**”), as background information contained in the Petitioners’ 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 Third Report are expressed in Canadian dollars.

#### **4.0 KEY EMPLOYEE RETENTION PROGRAM**

- 4.1 As part of the ongoing restructuring efforts of the Petitioners, Management, together with its Board of Directors and its legal counsel, and with input from the Monitor, have identified eight employees (the “**Key Employees**”) who are critical to the ongoing operations of the Petitioners and a successful SISP.
- 4.2 The Petitioners believe that the Key Employees each provide a unique range of experience and company knowledge that will be essential to maintain ongoing operations during the CCAA Proceedings and are critical to the success of the SISP. The role of each Key Employee, and a summary of their relevant skills, are detailed in the KERP.
- 4.3 The KERP has been developed to incentivize the Key Employees to continue their employment with the GDNP Group through to the closing of a transaction under the SISP.
- 4.4 Select key terms of the KERP are:
- a) eight employees have been identified as Key Employees;
  - b) the total KERP payments are expected to be \$116,000 (the “**KERP Funds**”), which represents approximately 5% to 12% of the Key Employees’ current individual salaries;
  - c) the KERP Funds are to be disbursed to the Key Employees upon the earlier of:
    - a. the full anticipated term of the restructuring and the completion of the CCAA Proceedings;
    - b. completion of a transaction under the SISP; or
    - c. the end of each employees respective term of employment, without cause, with the Petitioners.

- 4.5 The Petitioners propose to secure the KERP Funds with a charge over all of the Petitioners' property up to a maximum of \$116,000, and will rank fourth, behind the D&O Charge (the "**KERP Charge**").
- 4.6 Similar to the DIP Lender's Charge that was granted by this Honourable Court on July 11, 2024, the proposed KERP 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**").
- 4.7 When determining the quantum of the KERP Funds payable to each Key Employee under the KERP, Management, with input from the Monitor, performed a review to evaluate each employee's role at the GDNF Group, current salary, involvement in the SISP, and other recently approved key employee retention programs in similar CCAA filings.
- 4.8 The Monitor is of the view that the KERP and the KERP Charge are reasonable and appropriate in the circumstances for the following reasons:
- a) the continued employment of the Key Employees is important for the stability of the business and promotes the success of the SISP;
  - b) in the absence of the KERP, there is a material risk that the Key Employees would consider other employment options;
  - c) the Key Employees each have significant knowledge of the business in their respective areas, which would be difficult for the Petitioners to replace in the near term;
  - d) the number of Key Employees is reasonable and appropriate for the size of the Petitioners' operations and its organizational structure;
  - e) the Monitor has compared the KERP to other recent key employee retention plans approved under the CCAA and noted that the number of employees and quantum of payments is reasonable;
  - f) the timing of payment of the KERP Funds is consistent with the SISP and its timeline;
  - g) the Company's independent Board of Directors has reviewed the KERP and is supportive of it;
  - h) Wells Fargo, the lender providing the DIP Financing, has reviewed the proposed KERP. It is the Monitor's understanding that Wells Fargo does not oppose the KERP and the KERP Charge; and

- i) the KERP Charge is proposed to rank behind all other court-ordered super-priority charges and is subject to the Carve Out. The Monitor is of the view that the priority ranking of the KERP Charge is reasonable.


## **5.0 RECOMMENDATIONS**

- 5.1 The Monitor respectfully recommends that this Honourable Court approve the KERP and the KERP Charge.

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**All of which is respectfully submitted to this Honourable Court this 27<sup>th</sup> day of August, 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