



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

**SUPPLMENTAL REPORT TO THE FIFTH REPORT OF THE MONITOR**

**ALVAREZ & MARSAL CANADA INC.**

**OCTOBER 30, 2024**



ALVAREZ & MARSAL

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### Appendix A – Fourth CCAA Cash Flow Forecast

## 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 “**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 (the “**CCAA**”).
- 1.2 Among other things, the Initial Order afforded the Petitioners 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 Petitioners 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 (the “**Chapter 15 Proceedings**”).
- 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 (the “**Ninth Amendment**”), 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 29, 2024, this Honourable Court granted an order approving a Key Employee Retention Plan (the “**KERP**”) and the corresponding charge over certain property of the Petitioners to secure the KERP obligations (the “**KERP Charge**”).
- 1.8 On October 17, 2024, this Honourable Court granted an order extending the Stay Period through to October 31, 2024 (the “**Second Stay Extension Order**”).
- 1.9 On October 23, 2024, the Petitioners filed an application (the “**October 23 Application**”) seeking the following relief, among other things:
- a) Approval of a subscription agreement (the “**Subscription Agreement**”) between Good Natured Products Inc. (the “**Vendor**”) and HUK 149 Limited (the “**Purchaser**”), pursuant to which the Purchaser would subscribe for and purchase from the Vendor all of the new shares of the Vendor; and
  - b) Granting of an approval and reverse vesting order (“**RVO**”) to complete and implement the Subscription Agreement (the “**Transaction**”).
- 1.10 The Court did not grant the relief sought in October 23 Application at the hearing on October 28, 2024.
- 1.11 On October 30, 2024, the Petitioners filed an updated application seeking the following relief:
- a) approval of an updated Subscription Agreement (the “**Updated Subscription Agreement**”) between the Vendor and the Purchaser;
  - b) granting of an updated approval and reverse vesting order (the “**Updated RVO**”) to complete and implement the Updated Subscription Agreement (the “**Updated Transaction**”); and

c) approval of a further extension of the Stay Period through to November 12, 2024 (the “**Third Stay Extension Order**”).

1.12 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 supplemental report to the Fifth Report of the Monitor dated October 25, 2024 (the “**Supplemental Report**”) has been prepared by A&M in its capacity as Monitor of the Petitioners in the CCAA Proceedings, and to provide information and an update to this Honourable Court in respect of the following:

- a) an updated cash flow forecast for the period November 1 to 12, 2024 (the “**Fourth CCAA Cash Flow Forecast**”);
- b) the Petitioners’ application for the Updated RVO, which approves the Updated Subscription Agreement;
- c) the proposed extension of the Stay Period to November 12, 2024; and
- d) the Monitor’s conclusions and recommendations in connection with the foregoing.

2.2 This Supplemental Report should be read in conjunction with the Monitor’s Fifth Report dated October 25, 2024 (the “**Fifth Report**”), as well as the materials filed by the Petitioners, including but not limited to the Fifth Affidavit of Paul Antoniadis sworn on October 30, 2024 (the “**Fifth Antoniadis Affidavit**”), the Fourth Affidavit of Paul Antoniadis sworn on October 24, 2024 (the “**Fourth Antoniadis Affidavit**”), and the Third Affidavit of Paul Antoniadis sworn on July 11, 2024 (the “**Third Antoniadis 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 Petitioners (“**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 Supplemental Report are expressed in Canadian dollars.

#### **4.0 FOURTH CCAA CASH FLOW FORECAST**

4.1 The Fourth CCAA Cash Flow Forecast has been prepared by Management in consultation with the Monitor for the period from November 1 to 12, 2024 (the “**Fourth Forecast Period**”). The Fourth CCAA Cash Flow Forecast is attached herewith as Appendix “A” along with accompanying notes and assumptions. A summary of the Fourth CCAA Cash Flow Forecast is tabled below:

<b>GDP Group</b>	
<b>Cash flow forecast for the period November 1 to November 12, 2024</b>	
<b>\$'000CAD</b>	
	<b>3 Weeks</b>
<b>Receipts</b>	
Trade Receipts	\$ 1,830
<b>Total Receipts</b>	<b>1,830</b>
<b>Disbursements</b>	
Raw Materials	897
Critical Supplier payments	-
Direct Labour	108
COGS Overhead	103
Fulfillment	106
Payroll, benefits and payroll taxes	354
Rent	36
Utilities	104
Insurance	78
Sales, general and administration	120
Key Employee Retention Plan	116
<b>Total Disbursements</b>	<b>2,022</b>
<b>Other Disbursements</b>	
Professional Fees	172
<b>Total Other Disbursements</b>	<b>172</b>
<b>Net Cash Flow</b>	<b>\$ (363)</b>
<b>Opening cash balance</b>	<b>1,245</b>
Net Cash Flow	(363)
Net Advances	163
<b>Closing cash balance</b>	<b>1,045</b>
<b>DIP Financing</b>	
Opening balance	(13,681)
Net Repayment/(draws)	(381)
<b>Ending DIP Financing Balance</b>	<b>\$ (14,062)</b>

4.2 The Fourth CCAA Cash Flow Forecast projects that the Petitioners will experience a net cash outflow of \$363,000 over the Fourth Forecast Period and is based on the following key assumptions:

- trade receipts for sales are forecast based on current accounts receivables balances, their payment terms and forecast weekly revenue during the Fourth Forecast Period;
- operating disbursements are forecast to be limited to essential payments while the Petitioners and the Purchaser work on closing the Updated Transaction;
- the KERP payment of \$116,000 is included in the Fourth CCAA Cash Flow Forecast and will be paid in accordance with the terms of the Updated Subscription Agreement;

- d) professional fees are forecast to be approximately \$172,000 during the Fourth Forecast Period and include the Petitioner's counsel (in Canada and in the US), and the Monitor's counsel; and
- e) the ending balance of total financing is forecast at approximately \$14.0 million, representing an incremental increase in financing of \$381,000 (net advances of \$163,000 and interest and fees of \$218,000) due to Wells Fargo.

## **5.0 THE UPDATED TRANSACTION**

- 5.1 Further to the hearing on October 28, 2024, the Purchaser, secured lenders, and Sales Agent have reached an agreement on the treatment of the Success Fee Charge, whereby the Sales Agent has agreed to accept \$850,000 plus applicable taxes in respect of the Success Fee Charge.
- 5.2 Accordingly, the Updated Subscription Agreement increases the value of the Closing Payment used to pay and satisfy the Success Fee Charge from \$300,000 plus GST for a total of \$315,000 to \$850,000 plus GST for a total of \$892,500 (the "**Updated Closing Payment**"). The Updated Closing Payment will be paid to the Monitor at Closing and the Monitor may utilize the Updated Closing Payment to pay and satisfy the Success Fee Charge.
- 5.3 A copy of the Updated Subscription Agreement is attached to the Fifth Antoniadis Affidavit.
- 5.4 As noted in the Fifth Report, the Monitor was unable to recommend to this Honourable Court that the Subscription Agreement, the Transaction and the RVO be approved due to the proposed treatment of the Success Fee Charge in the proposed Transaction. Absent this concern, the Monitor was satisfied that the Transaction was the best available option for the Petitioners and would have been supportive of the proposed RVO.
- 5.5 As its concerns have now been addressed, the Monitor is now in a position to recommend that this Honourable Court approve the Updated Subscription and the Updated Transaction, and grant the Updated RVO.

## **6.0 STAY EXTENSION**

- 6.1 Pursuant to the Second Stay Extension Order, the Stay Period will expire on October 31, 2024. The Petitioners are seeking a 12-day extension of the Stay Period to November 12, 2024.
- 6.2 The Monitor believes the extended Stay Period is reasonable for the following reasons:
  - a) the proposed extension of the Stay Period will allow the Petitioners time to complete the Updated Transaction, if approved. Closing of the Updated Transaction is scheduled to occur on November 12, 2024;

- b) the Petitioners are scheduled to appear in front of the United States Bankruptcy Court to seek the recognition of the Updated RVO, if granted, in the Chapter 15 Proceedings on November 8, 2024 and hence will require the Stay Period to be extended accordingly;
- c) the Petitioners have acted in good faith and with due diligence in these CCAA Proceedings since the date of the Initial Order; and
- d) no creditor of the Petitioners would be materially prejudiced by the extension of the Stay Period.


## **7.0 RECOMMENDATIONS**


- 7.1 The Monitor respectfully recommends that this Honourable Court grant the Updated RVO and the Third Stay Extension Order.

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**All of which is respectfully submitted to this Honourable Court this 30<sup>th</sup> day of October, 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 – Fourth CCAA Cash Flow Forecast**

**Good Natured Products Inc., et al<sup>1</sup>****Cash flow forecast for the period November 1 to November 12, 2024****\$CAD**

<b>Week Ending</b>	<b>Notes</b>	<b>Week 1 01-Nov</b>	<b>Week 2 08-Nov</b>	<b>Week 3 (partial) 12-Nov</b>	<b>Total</b>
<b>External Receipt</b>					
Trade Receipt	3	967,248	863,235	-	1,830,483
<b>Total Receipts</b>		<b>967,248</b>	<b>863,235</b>	<b>-</b>	<b>1,830,483</b>
<b>Disbursement</b>					
Raw Material	4	(425,000)	(472,000)	-	(897,000)
Direct Labour	4	-	(108,000)	-	(108,000)
COGS Overhead	4	(43,022)	(60,000)	-	(103,022)
Fulfillment	4	(45,623)	(60,000)	-	(105,623)
Payroll, benefits and payroll taxes	5	(274,000)	(80,000)	-	(354,000)
Rent	6	-	(35,620)	-	(35,620)
Utilities	6	(24,158)	(80,000)	-	(104,158)
Insurance	7	(9,931)	(68,000)	-	(77,931)
SG&A	6	(72,874)	(47,356)	-	(120,230)
Key Employee Retention Plan	8	-	(116,000)	-	(116,000)
<b>Total Disbursement</b>		<b>(894,608)</b>	<b>(1,126,976)</b>	<b>-</b>	<b>(2,021,584)</b>
<b>CCAA COSTS</b>					
Professional Fees	9	-	(171,688)	-	(171,688)
<b>Total CCAA Costs</b>		<b>-</b>	<b>(171,688)</b>	<b>-</b>	<b>(171,688)</b>
<b>Net Cash Flow</b>		<b>72,640</b>	<b>(435,429)</b>	<b>-</b>	<b>(362,788)</b>
<b>Opening Cash Balance</b>	2	1,244,677	1,244,677	1,044,677	1,244,677
<b>DIP Financing</b>		<b>(72,640)</b>	<b>235,429</b>	<b>-</b>	<b>162,788</b>
<b>Closing Cash Balance with DIP</b>		<b>1,244,677</b>	<b>1,044,677</b>	<b>1,044,677</b>	<b>1,044,677</b>
<b>Rolling DIP facility</b>					
	10				
DIP opening balance		(13,680,744)	(13,608,103)	(14,061,532)	(13,680,744)
Net DIP repayment/(draws)		72,640	(235,429)	-	(162,788)
Interest and fees		-	(218,000)	-	(218,000)
Ending DIP balance		(13,608,103)	(14,061,532)	(14,061,532)	(14,061,532)
<b>Total DIP Facility</b>		<b>(13,608,103)</b>	<b>(14,061,532)</b>	<b>(14,061,532)</b>	<b>(14,061,532)</b>
<b>Borrowing base collateral</b>					
Net AR availability		5,231,384	5,002,865	5,002,865	
Net Inventory availability		5,237,580	5,237,580	5,237,580	
M&E Availability		4,611,968	4,611,968	4,611,968	
Less: Credit line reserve		(681,770)	(681,770)	(681,770)	
Less: Availability Block		-	-	-	
<b>Collateral balance</b>		<b>14,399,161</b>	<b>14,170,643</b>	<b>14,170,643</b>	
<b>Borrowing base availability</b>		<b>791,058</b>	<b>109,111</b>	<b>109,111</b>	

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

**Fourth CCAA Cash Flow Forecast**

**Notes and Assumptions**

1. The cash flow statement (the "Fourth 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 November 1 to November 12, 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 Fourth 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, 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.
7. Insurance payments represent GDNP's payment to its insurance premium financier. Monthly instalments payable are expected to total approximately \$78,000.
8. Key Employee Retention Plan ("KERP") payment is included in the Fourth CCAA Cash Flow Forecast and was approved by this Honourable Court on August 29, 2024. The KERP payment is expected to occur in Week 2 of the Fourth CCAA Cash Flow Forecast.

9. 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.
10. 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.