



No. S-248267
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, AS AMENDED

AND

IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*, R.S.C. 1985, c.
C-44, AND THE *BUSINESS CORPORATIONS ACT*, S.B.C. 2002, C. 57, AS AMENDED

AND

IN THE MATTER OF SAN INDUSTRIES LTD., AND THOSE OTHER ENTITIES LISTED
ON SCHEDULE "A"

PETITIONERS

FOURTH REPORT OF THE MONITOR

DELOTTE RESTRUCTURING INC.

FEBRUARY 3, 2025

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INTRODUCTION

- (1) On November 29, 2024 (the "**Filing Date**"), San Industries Ltd. ("**San Industries**") and those parties listed in **Appendix "A"** (collectively the "**Petitioners**", or "**San Group**"), were granted an order (the "**Initial Order**") by the Supreme Court of British Columbia (the "**Court**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985 c. C-36, as amended. The Petitioners' proceedings pursuant to the CCAA are referred to herein as the "**CCAA Proceedings**".
- (2) The Initial Order, among other things:
 - a) Appointed Deloitte Restructuring Inc. to monitor the business and financial affairs of the Petitioners (in such capacity, the "**Monitor**");
 - b) Granted a stay of proceedings against the Petitioners up to and including December 9, 2024 (the "**Initial Stay of Proceedings**");
 - c) Authorized the Petitioners to borrow \$600,000 under a debtor-in-possession financing facility (the "**DIP Financing Facility**") made available by the Royal Bank of Canada ("**RBC**" or the "**DIP Lender**"); and
 - d) Granted the Administration Charge and the DIP Lender's Charge (both as defined in the Initial Order).
- (3) On December 7, 2024, the Monitor issued its first report in the CCAA Proceedings (the "**First Report**"). The First Report was filed to, among other things, provide the Court with an update on the activities of the Petitioners and Monitor since the granting of the Initial Order, and the Monitor's observations with respect to the Petitioners' cashflow forecast for the Operating Entities (as defined in the First Report) dated November 29, 2024 (the "**First Cash Flow Forecast**").
- (4) On December 9, 2024 the Court issued an Amended and Restated Initial Order (the "**ARIO**") which granted, among other things, an extension of the Initial Stay of Proceedings to December 19, 2024 (the "**First Stay Extension**"). The First Stay Extension granted was shorter than the initial request sought by the Petitioners in order to allow the Monitor to, among other things, try and better understand and address the Current Concerns (as defined in the First Report) identified in the First Report.
- (5) On December 18, 2024, the Monitor issued its second report in the CCAA Proceedings (the "**Second Report**"). Among other things, the Second Report was filed to provide the Court with an update since the date of the First Report on the activities of the Petitioners, activities of the Monitor, and the Current Concerns.
- (6) On December 19, 2024 the Court issued a Second Amended and Restated Initial Order (the "**Second ARIO**") which granted, among other things, further enhanced powers for the Monitor in the CCAA Proceedings, the First DIP Financing Facility Increase, and an extension of the Initial Stay of Proceedings to January 17, 2025.
- (7) On January 13, 2025, the Monitor issued its third report in the CCAA Proceedings (the "**Third Report**", together with the First Report and the Second Report, the "**Prior Reports**"). The Third Report was filed to provide the Court with an update since the date of the Second Report on the activities of the Petitioners, activities of the Monitor, and the Current Concerns (as defined later herein). The Third Report also included the Monitor's review of the actual cash flows for the four weeks ended January 10, 2025 compared to the projected amounts in the First Cash Flow Forecast, along with the Monitor's observations with respect to the Petitioners' updated cash flow forecast for the Operating Entities for the period January 11, 2025 to May 30, 2025. In the Third Report, the Monitor also provided its views on the relief sought by the Monitor which included, among other things:

- a) Increasing the Petitioners' authority to borrow under the DIP Financing Facility, and increase the Interim Lender's Charge by \$4.0 million (the "**Second DIP Financing Facility Increase**") from \$1.0 million to a maximum of \$5.0 million in respect of the Borrowers' Property (as defined in the ARIIO);
 - b) Approving the sale and investment solicitation process (the "**SISP**"); and
 - c) Granting a further stay extension to May 30, 2025 (the "**Third Stay Extension**").
- (8) On January 16, 2025 the Court issued an order which granted, among other things, the approval of the Second DIP Financing Facility Increase which increased the total DIP Financing Facility to a maximum of \$5.0 million, the approval of the SISP, and the approval of the Third Stay Extension to May 30, 2025.
- (9) On January 29, 2025, the Monitor's counsel brought an application to have the stay of proceedings lifted to allow Canadian Western Bank ("**CWB**") to enforce its security interests as against the property of San Forest Specialty Ltd. and Mountainside Logging Ltd., as well as CWB's specific security over certain property of San Industries and San Forest Products Ltd. (collectively, the "**Enforcement Property**"). On the same day, the Court issued an order (the "**CWB Order**") to allow CWB to pursue the Enforcement Property and for any net proceeds to be accounted for and held by CWB's counsel pending further order of the Court.
- (10) This is the Monitor's fourth report to the Court (the "**Fourth Report**" or "**this Report**").
- (11) The Monitor has made its reports along with the various orders and other information related to these CCAA Proceedings available on its website at www.insolvencies.deloitte.ca/sangroup (the "**Monitor's Website**").
- (12) All dollar amounts in this Report are in Canadian dollars, unless otherwise indicated.
- (13) Unless otherwise provided, all capitalized terms not defined in this Report are as defined in the Second ARIIO or the Prior Reports, as applicable.

Purpose of the Fourth Report

- (14) The purpose of this Fourth Report is to provide information the Monitor has obtained concerning the application by the Royal Bank of Canada ("**RBC**"), one of the two primary secured creditors of the Petitioners. RBC is seeking to add Kingsley Trucking Ltd. ("**Kingsley**"), Coombs Shadwell Holdings Ltd. (formerly Robinson Ventures Ltd.) ("**Coombs**"), 1351697 B.C. Ltd., and Cojax Heavy Duty Repair Ltd. ("**Cojax**", and collectively, the "**Kingsley Group**") as petitioners in the CCAA Proceedings.

Disclaimer and Terms of Reference

- (15) In preparing this Report and conducting its analysis, the Monitor has been provided with, and has relied upon, certain unaudited financial information, draft and internal financial information from the books and records of the Petitioners, as applicable. The Monitor has also relied on information gathered from discussions with various parties, including senior management of the Petitioners ("**Management**") (with the Petitioners' Management having been terminated on or about January 31, 2025), shareholders, and the Petitioners' legal and financial advisors (collectively, the "**Information**"). The Monitor may refine or alter its observations as further information is obtained or brought to its attention after the date of this Report.
- (16) Except as otherwise described in this Report:
- a) The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of such information in a manner that would wholly or partially comply with Generally Accepted Assurance

Standards ("**GAAS**") pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information; and

- b) Some of the Information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in Chartered Professional Accountants Canada Handbook, has not been performed.
- (17) Future oriented financial information referred to in this Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.
- (18) Except as otherwise indicated, the Monitor's understanding of factual matters expressed in this Report concerning the Petitioners and its business is based on the Information, and not independent factual determinations made by the Monitor.
- (19) The Monitor assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction, or use of this Report. Any use, which any party makes of this Report, or any reliance or decision to be made based on this Report, is the sole responsibility of such party.

SAN GROUP BACKGROUND

- (20) The background on the business and operations of San Group is described in the Monitor's Prior Reports and in the First Affidavit of Mr. Sukhjot Singh Sanghera ("**Suki**") sworn on November 27, 2024 and is not repeated here.
- (21) Reference is also made to the Monitor's Prior Reports, which, among other things, provide an update on the operations of the Petitioners, actual and projected cash flows, and information with respect to the various concerns and issues identified by the Monitor in the course of the CCAA Proceedings.

KINGSLEY GROUP

Background

- (22) Based on the interactions the Monitor has had with Kingsley, which have been limited, the Monitor understands the following:
 - a) Suki and Mr. Kamaljit Singh Sanghera are listed as directors of both Kingsley and Cojax and many other companies in San Group;
 - b) Kingsley is based in Coombs, British Columbia (the "**Kingsley Premises**") on Vancouver Island;
 - c) Prior to the Petitioners' business being transitioned to care and maintenance, Kingsley played a key role in San Group's operations in Port Alberni by providing most, if not all, of the transport of San Group's products on Vancouver Island. San Group's products were picked up by Kingsley from the Coulson Mills or the SFP Plant and either delivered directly to customers or shipped to other San Group locations for further processing or shipping to customers;
 - d) Kingsley also transported chips from the Coulson Mills and was used to move various equipment for San Group;

- e) Cojax operates from a separate shop on the Kingsley Premises and provides various repair and maintenance services on Kingsley's trucks and trailers and for other customers;
- f) The Kingsley Premises are owned by Coombs and are subject to a mortgage held by RBC; and
- g) Kingsley stores its trucks and trailers at the Kingsley Premises but also utilizes San Group locations to occasionally park its trucks and trailers, including at the SFP Plant and the Acorn Mill. The arrangement with Acorn Forest Products Ltd. ("**Acorn**"), one of the Petitioners, is explained in more detail later in this Report.

Related Company Payments

- (23) In the Prior Reports, the Monitor has set out the Current Concerns with respect to San Group. As discussed in the Prior Reports, certain of these concerns relate to various transactions with parties related to San Group (the "**Related Party Transactions**").
- (24) The Monitor is continuing to investigate the Related Party Transactions and has not yet been provided with sufficient information from former San Group Management to explain the Related Party Transactions, which include significant payments made to Kingsley in the months leading up to the CCAA Proceedings.
- (25) Based on the information the Monitor has been able to obtain to date, the Monitor is concerned that notable and unusual payments were made by San Group to Kingsley shortly prior to the commencement of the CCAA Proceedings.
- (26) As of September 30, 2024, San Group reported a combined accounts payable ("**AP**") balance of \$1.1 million owed to Kingsley and Cojax. Approximately \$549,000, or 49%, of this balance was aged over 120 days. The AP balance was relatively consistent with the combined balances reported by San Group as owed to Kingsley and Cojax on July 31 and August 31, 2024. However, significant payments appear to have been made to Kingsley in October and November 2024, reducing the combined AP balance for Kingsley and Cojax to approximately \$144,000, nearly \$1.0 million lower than the balance on September 30, 2024.
- (27) The Monitor has not received a clear answer on why these payments were made leading up to the CCAA Proceedings.
- (28) The Monitor also understands that two payments totalling approximately \$300,000 were made to Kingsley from San Group in October 2024, which do not appear to relate to or be applied against specific AP invoices or recorded in the San Group AP subledger for Kingsley.
- (29) The Monitor is not certain of the total payments made to the Kingsley and Cojax for AP or other amounts, and further information and analysis is required.
- (30) A summary of the San Group's AP balances with Kingsley and Cojax from July 31, 2024 to December 13, 2024, based on information currently available to the Monitor, is attached hereto as **Appendix "B"**. This summary also includes an aging analysis of the AP balances as of September 30, 2024 and October 31, 2024.

Amounts owing to Acorn

- (31) The lands on which the Acorn Mill is situated (the "**Acorn Leased Lands**" or the "**Truck Yard**") are subject to a lease agreement dated May 14, 2022 as between the Vancouver Fraser Port Authority (the "**Acorn Landlord**"), Interfor Corporation as the assignor, Acorn as the assignee, and San Industries as the guarantor (the "**Acorn Lease Agreement**").
- (32) The Monitor understands that Acorn entered into an Agreement for Parking Space Rental and Management Services (the "**Parking Agreement**") with Kingsley, effective October 1, 2024. Under this agreement, Kingsley took over the management and operation of the Truck Yard on

a subcontract basis from Acorn and rents parking space to various trucking companies. Additionally, Kingsley parks its own trucks and trailers in the Truck Yard.

- (33) Pursuant to the Parking Agreement, a monthly fee of \$85,000 per month (plus GST) is due on the 1st day of each month, payable by Kingsley to Acorn, and Kingsley is responsible to manage and maintain the Truck Yard at its own expense.
- (34) The Monitor directed Acorn to invoice Kingsley for the monthly fees due from October 2024 to January 2025 of \$340,000 (plus GST) (the "**Arrears**") pursuant to the Parking Agreement and these invoices were issued by Acorn to Kingsley on or around January 2, 2025.
- (35) The Monitor held various discussions with Kingsley to arrange for payment of the Arrears. However, as Kingsley did not remit the payment, the Monitor, on behalf of Acorn, issued a notice of default of the Parking Agreement to Kingsley on January 15, 2025 (the "**Notice of Default**"), demanding payment of the Arrears by January 22, 2025.
- (36) Kingsley provided a written response to the Notice of Default on January 22, 2025. Kingsley alleged numerous set-offs that would result in no amounts owing by Kingsley to Acorn and took the position that no amounts were owing for the entire period that Kingsley has occupied the Truck Yard under the Parking Agreement. Kingsley did not provide any supporting documentation for the offset amounts being claimed and many of the amounts did not appear to be related to Acorn but instead to other companies within San Group.
- (37) The Monitor, on behalf of Acorn, issued a termination notice of the Parking Agreement to Kingsley on January 23, 2025 demanding that Kingsley provide vacant possession of the Truck Yard by no later than 4:00pm on February 7, 2025.
- (38) On behalf of Acorn, the Monitor issued a notice to the Acorn Landlord on January 29, 2025 to disclaim the Acorn Lease Agreement in accordance with the CCAA Proceedings, effective February 28, 2025.

Movement of Acorn Equipment

- (39) The Monitor was made aware that various Acorn mobile and mill equipment were removed from the Acorn Leased Lands (the "**Acorn Removed Assets**") prior to and possibly after the Filing Date. Former Management has not clarified who directed the removal of these assets, but the Monitor understands that Kingsley transported some or all of the Acorn Removed Assets to various locations, including to the Kingsley Premises.
- (40) In an attempt to recover and secure the Acorn Removed Assets, the Monitor hired a bailiff to find the Acorn Removed Assets and return them to the San Group locations. The bailiff attended at the Kingsley Premises and was permitted to recover the Acorn Removed Assets.
- (41) The Monitor understands that the bailiff was made aware of other San Group assets in Kingsley's possession that were not at the Kingsley Premises. After discussion with Kingsley, additional Acorn Removed Assets were delivered to San Forest by Kingsley.
- (42) When the Monitor made inquiries related to the Acorn Removed Assets, Kingsley advised the Monitor that they were trying to safeguard the assets from being sold. The Monitor has received conflicting information as to why Kingsley remained in possession of certain of the Acorn Removed Assets and further investigation is needed.

This Report is respectfully submitted this 3rd day of February, 2025.

DELOITTE RESTRUCTURING INC.,

In its capacity as Court-appointed
Companies' Creditors Arrangement Act Monitor of
San Group (as defined herein)
and not in its personal capacity



Per: Jeff Keeble, CPA, CA, CIRP, LIT, CBV
Senior Vice-President

APPENDIX "A"

LIST OF PETITIONERS

1. Acorn Forest Products Ltd.
2. Axon Lumber Ltd.
3. Coulson Manufacturing 2017 Ltd.
4. San Cedar Direct Sales Ltd.
5. San Forest Products Ltd.
6. San Holdings Inc.
7. Super-Cut Lumber Industries Ltd.
8. 1224676 B.C. Ltd.
9. 1260729 B.C. Ltd.
10. Mountainside Logging Ltd.
11. 1170518 B.C. Ltd.
12. 1175465 B.C. Ltd.
13. San Farming Ltd.
14. San Forest Specialty Ltd.
15. San Terminals Inc.

APPENDIX "B"

**Summary of San Group Accounts Payable Balances with Kingsley Trucking Ltd. and
Cojax Heavy Duty Repair Ltd.**

San Group
Accounts Payable Balances with Kingsley Trucking Ltd. and Cojax Heavy Duty Repair Ltd. (\$ CA)

	7/31/2024	8/31/2024	9/30/2024 ²	10/31/2024 ^{1,3}	11/29/2024	12/13/2024	Change from Sept to Nov
Cojax	12,450	96,504	102,723	4,212	4,212	4,212	(98,512)
Kingsley	144,875	80,374	135,818	128,027	49,295	66,407	(86,524)
Kingsley (USD in CAD)	757,278	1,003,972	893,552	235,836	90,317	72,000	(803,235)
Total	914,603	1,180,850	1,132,094	368,075	143,824	142,618	(988,271)

Notes:

(1) The following payments to Kingsley don't appear to be applied against AP invoices or recorded in AP and may be prepayments or for other amounts:

Date	Amount
10/11/2024	152,178
10/31/2024	146,963
Total	299,141

(2) Kingsley and Cojax AP aging as at September 30, 2024

Account	0-30	31-60	61-90	91-120	Over 120	Total
Cojax	4,554	85,719	1,714	3,361	7,375	102,723
Kingsley	82,508	53,311	-	-	-	135,818
Kingsley (USD in CAD)	253,888	27,919	45,871	23,754	542,121	893,552
Total	340,950	166,949	47,585	27,116	549,496	1,132,094

(3) Kingsley and Cojax AP aging as at October 30, 2024

Account	0-30	31-60	61-90	91-120	Over 120	Total
Cojax	-	4,212	-	-	-	4,212
Kingsley	128,027	-	-	-	-	128,027
Kingsley (USD in CAD)	18,964	23,841	27,702	45,515	119,814	235,836
Total	146,992	28,052	27,702	45,515	119,814	368,075