



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

EIGHTH REPORT OF THE MONITOR

DELOITTE RESTRUCTURING INC.

JUNE 30, 2025

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INTRODUCTION

- (1) On November 29, 2024, 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;
 - 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**"). The Monitor understands that certain of the DIP Financing Facility has or may be transferred or assigned to the Business Development Bank of Canada ("**BDC**" together with RBC, the "**DIP Lenders**") by way of syndication or participation; 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 the Monitor since the granting of the Initial Order, and the Monitor's observations with respect to the Petitioners' cash flow forecast for San Industries, San Forest Products Ltd. ("**San Forest**"), Coulson Manufacturing 2017 Ltd. ("**Coulson**"), Acorn Forest Products Ltd. ("**Acorn**"), Super-Cut Lumber Industries Ltd. ("**Super-Cut**"), and Axon Lumber Ltd. and (collectively, the "**Operating Entities**") 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 and described 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 an update on the Current Concerns.
- (6) On December 19, 2024 the Court issued a Second Amended and Restated Initial Order (the "**Second ARIO**") which, among other things, granted further enhanced powers for the Monitor in the CCAA Proceedings, authorized an increase in the DIP Financing Facility to \$1,000,000, and granted 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**"). 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 an update on the Current Concerns. 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 to \$5,000,000 (the "**Second DIP Financing Facility Increase**");
 - 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 Orders which, among other things, authorized the Second DIP Financing Facility Increase and approved the SISP and the Third Stay Extension.
- (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. ("**San Specialty**") and Mountainside Logging Ltd. ("**Mountainside**"), as well as CWB's specific security over certain property of San Forest and San Industries and (collectively, the "**Enforcement Property**"). On the same day, the Court issued an 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) On February 3, 2025, the Monitor issued its fourth report in the CCAA Proceedings (the "**Fourth Report**"). The Fourth Report was filed to provide the Court with information concerning Kingsley Trucking Ltd., Coombs Shadwell Holdings Ltd., 1351697 B.C. Ltd., and Cojax Heavy Duty Repair Ltd. (collectively, the "**Kingsley Group**"). The Fourth Report was filed with respect to the application made by RBC to have the Kingsley Group added as petitioners in the CCAA Proceedings and included a summary on the operations of the Kingsley Group and details regarding certain related party transactions between San Group and the Kingsley Group.
- (11) On February 4, 2025, the Court made an Order (the "**Kingsley Group Protective Order**") to, among other things, compel the Kingsley Group to operate only in the normal course, to provide counsel for RBC a list of all of the Kingsley Group's bank accounts, and to permit the Monitor to have access to Kingsley Group's physical assets and property to take an inventory of same.
- (12) On February 18, 2025, the Monitor issued its fifth report in the CCAA Proceedings (the "**Fifth Report**"). The Fifth Report was filed to provide the Court with, among other things:
 - a) An update on the Monitor's activities in connection with the Kingsley Group Protective Order;
 - b) An overview of the material adverse change in the projected cash flows of the Operating Entities and the fourth cash flow forecast for the Operating Entities covering the period from February 8, 2025 to May 30, 2025; and
 - c) The Monitor's request to obtain certain orders with respect to the *Wage Earner Protection Program Regulations*, SOR/2008-222 (the "**WEPP Regulations**") and the release of inventory held by Jace and JPH, and the Log Loader held by Central Island Excavating Ltd. ("**CIE**").
- (13) On February 21, 2025, the Court made an Order declaring that Acorn, San Industries, and Super-Cut met the criteria established by section 3.2 of the WEPP Regulations.
- (14) On February 27, 2025, the Court granted Orders:
 - a) Requiring CIE to release the Log Loader to San Forest and return it to the Coulson Mill; and
 - b) Requiring Jace to provide certain documentation and records pertaining to the inventory it previously held in respect of sales orders SG86876 and SG86956.

- (15) On April 30, 2025, the Monitor issued its sixth report in the CCAA Proceedings (the "**Sixth Report**"). The Sixth Report was filed to provide the Court with, among other things, information pertaining to the Monitor's proposed plan to sell San Group's remaining lumber inventory and the Monitor's observations with respect to the Petitioners' updated cash flow projection for the Operating Entities for the 13-week period from April 19, 2025 to July 18, 2025 (the "**Fifth Cash Flow Forecast**").
- (16) On May 7, 2025, the Court issued an Order approving the Monitor's plan to sell the San Group's remaining lumber inventory (the "**Inventory Sale Process Approval Order**"). Additionally, the Court granted an Order increasing the Petitioners' borrowing authority under the DIP Financing Facility to \$7,000,000 and extended the stay to July 18, 2025.
- (17) On June 4, 2025, the Monitor issued its seventh report in the CCAA Proceedings (the "**Seventh Report**") and collectively with the First Report through Sixth Reports, the "**Prior Reports**"). The Seventh Report was filed to provide the Court with, among other things, the Monitor's comments with respect to the outcome of the SISP, the Monitor's efforts undertaken to realize on the assets of the San Group, and the non-confidential details of the Coulson Mill APA, the SFP Plant APA, and the Langley Plant APA (all as defined in the Seventh Report). The Seventh Report also included the Monitor's recommendation for the confidential supplement to the Seventh Report (the "**Confidential Report**") to be filed under seal and its need to remain under seal, unless otherwise ordered by the Court or until the closing of each of the Coulson Mill Transaction, the SFP Transaction, and the Langley Plant Transaction (all as defined in the Seventh Report).
- (18) On June 4, 2025, the Monitor issued the Confidential Report to provide the Court with an overview of the offers received from bidders during the SISP and further confidential information in respect of those offers.
- (19) On June 12, 2025, the Court issued approval and vesting Orders for each of the Coulson Mill Transaction, the SFP Transaction, and Langley Plant Transaction approving the transactions and authorizing and directing the Monitor to take all necessary steps to complete the transactions. Additionally, the Court granted a Sealing Order over the Confidential Report.
- (20) This is the Monitor's eighth report to the Court (the "**Eighth Report**" or "**this Report**").
- (21) The Monitor has made the Prior 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**").
- (22) All dollar amounts in this Report are in Canadian dollars, unless otherwise indicated.
- (23) Unless otherwise provided, all capitalized terms not defined in this Report are as defined in the Second ARIQ or the Prior Reports, as applicable.

Purpose of the Eighth Report

- (24) The purpose of this Eighth Report is to provide information to the Court, and the Monitor's comments thereon, regarding the following:
 - a) The status of the Coulson Mill Transaction, SFP Plant Transaction, and Langley Plant Transaction;
 - b) The Monitor's observations with respect to the Petitioner's future cash flow requirements and their performance against the Fifth Cash Flow Forecast; and
 - c) The relief sought by the Monitor pertaining to granting a further extension of the Stay Period up to and including August 29, 2025 (the "**Fifth Stay Extension**").
- (25) The Monitor's detailed activities since the Seventh Report will be outlined in a report to be issued at a later date and are not included herein.

Disclaimer and Terms of Reference

- (26) 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 the Corporate Operating Officer and the Vice President of Finance ("**Management**"), 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.
- (27) 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 CPA 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 CPA Canada Handbook, has not been performed.
- (28) 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.
- (29) 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.
- (30) 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.

CASH FLOW

- (31) The Monitor has worked closely with the Petitioners and the DIP Lenders in respect of managing and monitoring cash receipts and cash disbursements in accordance with the Fifth Cash Flow Forecast as prepared by Management.
- (32) In the Fifth Cash Flow Forecast, the net cash outflow for the nine week period ended June 20, 2025 was projected to total approximately \$2.2 million, with an anticipated need for an additional \$2.0 million in funding from the DIP Financing Facility during May and June 2025. However, the actual net cash outflow for the nine week period ended June 20, 2025 was only \$1.6 million, and just \$1.0 million in funding was required under the DIP Financing Facility. To date, a total of \$6.0 million has been drawn from the \$7.0 million available under the current DIP Financing Facility.
- (33) The Monitor is projecting that the Petitioners will not require an increase to the DIP Financing Facility until at least the week of August 29, 2025.

- (34) In addition to the \$1.0 million available on the DIP Financing Facility, the Petitioners also have access to the proceeds from the Coulson Mill Transaction if required, subject to certain holdbacks.
- (35) Since the cash flows are based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material. Accordingly, at this time, the Monitor cannot provide any assurance as to whether the Fifth Cash Flow Forecast will be achieved. The Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information referenced in this Report or relied upon by the Monitor in preparing this Report.

UPDATE ON THE SALE PROCESS

- (36) The Coulson Mill Transaction closed on June 20, 2025. Upon collecting the remaining sale proceeds for the Coulson Mill Transaction from the purchaser and, as per the closing date in the Coulson Mill APA, the Monitor executed a Monitor's Certificate and closed the Coulson Mill Transaction.
- (37) With respect to the SFP Transaction, on June 20, 2025, the Monitor agreed, with the consent of BDC, to an amendment of the SFP Plant APA to extend the closing date from June 20, 2025 to July 11, 2025. As a part of this amendment, the Monitor collected a \$240,000 extension fee from the purchaser to cover various hold costs in relation to the extended closing.
- (38) The Langley Plant Transaction remains scheduled to close on July 15, 2025.
- (39) The Monitor continues to market the Langley Farm Property, as discussed in the Seventh Report.

REQUESTED STAY EXTENSION

- (40) The current stay expires on July 18, 2025. The Monitor seeks an extension of the stay period to August 29, 2025.
- (41) The Monitor believes that the creditors of the Petitioners will not be prejudiced by the Fifth Stay Extension as this will allow the Monitor to take the steps necessary to close the SFP Transaction and the Langley Plant Transaction. In addition, granting the Fifth Stay Extension will permit the Monitor to continue its efforts with Cushman to market and sell the Langley Farm Property, take steps towards obtaining a distribution order, address the various insurance claim related matters, pursue other potential estate recoveries, and take other steps required to continue the Petitioners' restructuring.
- (42) In the Monitor's view, extending the stay of proceedings until August 29, 2025 is reasonable and appropriate in the circumstances provided the DIP Financing Facility remains in place to provide the Petitioners with sufficient liquidity through the end of the Fifth Stay Extension. The DIP Lenders were consulted on the stay extension period and are supportive.

CONCLUSIONS AND RECOMMENDATIONS

- (43) Based on the foregoing, the Monitor respectfully recommends that this Court grant an order extending the stay of proceedings to August 29, 2025.

This Report is respectfully submitted this 30th day of June, 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



Paul Chambers, FCA(UK), CIRP, LIT
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.