Court of King's Bench of Alberta

Citation: Coast Automotive Group Inc (Re), 2026 ABKB

Date:
Docket: 2503 13640
Registry: Edmonton

In the *Matter of the Companies' Creditors Arrangement Act*,
RSC 1985, c C-36, as amended

And in the Matter of the Compromise or Arrangement of
Coast Automotive Group Inc, Coast North Vancouver Auto Sales Inc,
Coast Auto Drayton Inc, and 2461765 Alberta Ltd.

Between:

Coast Automotive Group Inc, Coast North Vancouver Auto Sales Inc,
Coast Auto Drayton Inc, 2461765 Alberta Ltd, Sundeep Cheema and Deepak Parmar

Applicants

- and -

BDO Canada Limited, in its Capacity as Court-Appointed Monitor
of the Coast Group and Bank of Montreal

Respondents

Endorsement
of the
Honourable Justice L.K. Harris

I. Endorsement

[1] Coast North Vancouver Auto Sales Inc., Coast Auto Drayton Inc., 2461765 Alberta Ltd., and Coast Automotive Group Inc. (collectively, the "Coast Auto Group") operated automotive dealerships in North Vancouver, British Columbia, and Drayton Valley, Alberta. These entities are the subject of the present proceedings under the *Companies' Creditors Arrangement Act* ("*CCAA*").

[2] Sundeep Cheema, Deepak Parmar, Harjot Randhawa, and Deerfoot Atria Partners Ltd. (the "Non-*CCAA* Parties") are principals of the Coast Auto Group entities.

[3] For ease of reference, I refer to the Coast Auto Group and the Non-*CCAA* Parties collectively as the "Cross-Applicants".

[4] On July 16, 2025, the Bank of Montreal ("BMO"), the senior secured lender to the Coast Auto Group, obtained an Initial Order granting *CCAA* protection. BDO Canada Limited ("BDO"), previously acting as financial advisor, was appointed as Monitor with expanded powers.

[5] On July 25, 2025, the Monitor obtained an Amended and Restated Initial Order ("ARIO"). At the same time, the Court approved a Sale and Investment Solicitation Process ("SISP").

[6] On October 16, 2025, this Court approved purchase and sale agreements arising from the SISP by way of a Sale Approval and Vesting Order ("SAVO"), with closings scheduled for December 2025. The Monitor also sought approval of its fees and activities to date, but that portion of the application was adjourned at the request of the Cross-Applicants.

[7] The Cross-Applicants received notice of the Initial Order, the ARIO, the SISP, and the SAVO hearings. They were represented by counsel and did not oppose the applications, save for seeking an adjournment of part of the October hearing. They have not sought leave to appeal any of the Orders.

[8] On November 28, 2025, the Cross-Applicants commenced an Action against BMO (the "Founders Claim"), alleging breach of contract, breach of fiduciary duty, misrepresentation, defamation, improvident realization, and constructive trust. No claim is advanced against the Monitor, and the Monitor has taken no role in the issuance of the Founders Claim.

[9] On December 9, 2025, the Monitor renewed its application for approval of its accounts and those of its counsel, sought authorization to distribute remaining funds to BMO, and requested termination of the *CCAA* proceedings upon filing a termination certificate. The Monitor also sought approval to assign the Coast Auto Group into bankruptcy if advisable. The application relied on the Monitor's Third Report dated December 2, 2025, and the Fee Affidavit of Paul Clark Lonergan ("Lonergan").

[10] It is generally accepted that the proceeds available in these *CCAA* proceedings will be insufficient to satisfy the Coast Auto Group's indebtedness to BMO.

[11] At the December 9th hearing, the Cross-Applicants sought an adjournment. They had filed a cross-application seeking amendments to the ARIO and authorization to pursue the Founders Claim. They also sought leave to question the Monitor through written interrogatories and to cross-examine Lonergan on his Fee Affidavit before the substantive hearing.

[12] The adjournment was granted, and the parties agreed to a procedural order setting timelines leading to a February 18, 2026 hearing of the substantive issues.

[13] Pursuant to the Procedural Order, the Cross-Applicants delivered written interrogatories on January 8, 2026. The Monitor responded on January 15, 2026. Lonergan was cross-examined on January 22, 2026.

[14] The week before the February 18th hearing, the Cross-Applicants sought a further adjournment, asserting dissatisfaction with the Monitor's interrogatory responses and Lonergan's cross-examination answers. They sought leave to compel further responses and additional cross-examination, which would require amending the procedural order and adjourning the substantive hearing. That adjournment was granted.

[15] BMO has also brought an application for security for costs.

II. Issues

[16] The issues before me are:

(a) Whether to order an oral examination of Lonergan, as the Monitor's representative, regarding the Monitor's Third Report, or alternatively, whether to compel further and better responses to the written interrogatories;

(b) Whether to direct Lonergan to re-attend for further cross-examination on his fee affidavit; and

(c) Whether to order the Non-*CCAA* Parties to post $200,000 as security for costs.

III. The Application of the Cross-Applicants

A. Governing Principles

[17] Canadian courts consistently hold that court-appointed officers in *CCAA* proceedings—such as monitors—are not generally subject to questioning absent unusual or exceptional circumstances. This principle is well-established in ***Confectionately Yours Inc., Re***, 2001 CanLII 28453, var'd 2002 CanLII 45059 (ON CA), and has been applied in ***Wallace & Carey Inc. (Re)***, 2025 ABKB 750 at para 80; ***Re Big Sky Living Inc. (Bankrupt)***, 2007 ABQB 249 at para 4; and ***Canadian Western Bank v Goshen Professional Care Inc.***, 2025 SKKB 5 at para 47. Court officers are expected to remain neutral and objective, and extensive questioning risks compromising that role.

[18] Where clarification is required, the appropriate mechanism is written interrogatories, not oral examination. A court officer may properly decline to answer questions that are overly broad, irrelevant, or outside the scope of its mandate.

[19] As stated in ***Pinnacle v Kraus***, 2012 ONSC 6376, a court-appointed receiver must respond to reasonable requests for information, but reasonableness is assessed in light of the requesting party's interest, the relevance of the information, and the officer's duty of neutrality.

[20] Court officers owe a duty of full disclosure to interested parties, but only as to matters relevant to the insolvency proceeding itself. They are not required to produce documents unrelated to the receivership's purpose: ***Goshen*** at para 49.

[21] While fiduciary duties exist, they do not entitle stakeholders to embark on a "fishing expedition" for information: ***Pinnacle***, at para 27.

(i) The Written Interrogatories

[22] The Monitor's Third Report dated December 2, 2025, states that its purpose is to provide the Court with information regarding the Monitor's activities since the Second Report, the status of the sale transactions, the Coast Auto Group's cash flow, and the background to the December 9th Application. The Report also notes that it should be read together with the Syed Affidavit sworn July 9, 2025, as well as the Monitor's pre-filing report and its First and Second Reports.

[23] The Cross-Applicants delivered 25 written interrogatories to the Monitor. These questions were broad and wide-ranging, falling generally into the following categories:

- inquiries into BDO's pre-filing activities;
- questions about discussions with management during the *CCAA* proceedings, including requests for "written material," correspondence, notes, or "documents";
- questions about the necessity of the Monitor's expanded powers and the removal of management;
- questions alleging potential conflicts of interest;
- questions about BDO's experience with other automotive dealership monitorships;
- questions about the Monitor's position on the Founders Claim; and
- questions about the termination of the *CCAA* proceedings and the potential bankruptcy of the Coast Auto Group.

[24] The Monitor responded by grouping several interrogatories together. In its preamble, the Monitor stated that it had not reviewed its file for the purpose of producing correspondence, notes, or documents, as doing so would create unnecessary expense and fall outside the proper scope of written interrogatories directed to a court officer.

[25] In several responses, the Monitor referred the Cross-Applicants to other documents already on the record, including the Syed Affidavit and the First Report.

[26] The Monitor declined to answer certain questions on the basis that they were irrelevant, outside its knowledge, or beyond the permissible scope of interrogatories directed to a court officer.

[27] The Cross-Applicants argue that the Monitor's responses were inadequate. They submit that the responses should have been provided by affidavit, that the Monitor failed to review its files, that some responses were inconsistent with other evidence, and that many answers were vague or incomplete. They contend that these alleged deficiencies constitute "unusual circumstances" justifying an order for oral examination, or alternatively, an order compelling further written responses.

[28] The Coast Auto Group's significant assets have already been sold, and interim distributions have been made to BMO. The steps taken by the Monitor to date have been approved through the Initial Order, the ARIO, and the SAVO, none of which were meaningfully opposed by the Cross-Applicants. Remaining tasks include the wind-down of the Coast Auto

Group, final distributions, WEPP-related matters, approval of the Monitor's fees, and the potential bankruptcy of the Coast Auto Group.

[29] The Cross-Applicants' cross-application raises additional issues, including:

- whether they may assume control of the Founders Claim;
- whether the ARIO should be amended to remove the Monitor's expanded powers and certain charges;
- whether the *CCAA* proceedings should continue rather than transition to bankruptcy; and
- whether the Monitor should be replaced.

[30] Given the advanced stage of the proceedings, the absence of prior objections to the Monitor's conduct, and the Court's approval of the major steps already taken, the scope of what is now reasonable and relevant is narrow. It must be confined to the remaining live issues.

[31] Many of the interrogatories relate to historical concerns about the Monitor's conduct or BMO's actions leading up to the sale of the dealerships. Those matters have already been resolved through Court orders and cannot be reopened in the context of these *CCAA* proceedings. Any such concerns may be pursued, if at all, within the Founders Claim.

[32] The scope of written interrogatories directed to a Monitor is limited. It is not comparable to questioning under Part 5 of the *Rules of Court*. Requiring the Monitor to answer the broad and historical questions posed would not assist the Court in resolving the remaining issues and would risk compromising the Monitor's neutrality by drawing it into matters relevant only to the Founders Claim.

[33] The only potentially relevant interrogatories are those concerning the Monitor's position on the Founders Claim and the termination of the *CCAA* proceedings (questions 14 - 25). However, these questions appear aimed at gathering information to support the Founders Claim itself, and therefore amount to the type of "fishing expedition" prohibited by the jurisprudence.

[34] The Cross-Applicants have not demonstrated exceptional or unusual circumstances warranting further examination of the Monitor, whether orally or through additional written interrogatories. This is not a situation where the Monitor has refused to cooperate, warranting such an unusual step. The Cross-Applicants simply are dissatisfied with the response they have received. Dissatisfaction with the Monitor's approach does not justify using the *CCAA* process to build a record for the Founders Claim: ***Big Sky Living*** at para 4.

[35] It follows that no further responses are required, and the request to examine the Monitor is denied.

[36] Two remaining concerns raised by the Cross-Applicants warrant brief comment.

[37] First, they argue that the Monitor should have responded by affidavit pursuant to *Rule* 5.28(1). Given the Monitor's role as an independent court officer, and the purpose of interrogatories—to clarify matters in its reports—this argument is misplaced. A Monitor provides information through reports, not sworn evidence, and is not a litigant whose evidence is to be tested: ***Jethwani v Damji***, 2017 ONSC 1702 at paras 8–9.

[38] Second, the Cross-Applicants argue that the Monitor refused to review its files. I do not interpret the preamble in that manner. The Monitor declined to review its files for the purpose of producing documents, which is outside the scope of interrogatories. The responses themselves demonstrate that the Monitor reviewed its materials to some extent to answer the questions posed.

[39] In summary, the application to compel further responses or to examine the Monitor is dismissed.

(ii) Further Cross-Examination of Lonergan

[40] Counsel for the Cross-Applicants cross-examined Lonergan on his Fee Affidavit. The transcript reflects approximately 43 objections, all relating to the permissible scope of cross-examination.

[41] The Cross-Applicants submit that they were entitled to ask questions relevant not only to the Monitor's December 9th Application but also to the broader issues raised in their cross-application. They argue that the cross-examination should not have been confined to the "four corners" of the Fee Affidavit and seek an order directing Lonergan to re-attend and answer the objected-to questions.

[42] The Monitor responds that, as an independent officer of the Court, it is entitled to protection from irrelevant or improper questioning. It argues that the objected-to questions did not relate to whether the Monitor's fees and activities were reasonable and proper, which is the only issue engaged by a fee affidavit.

[43] While cross-examinations on affidavit are common in civil litigation and generally governed by the *Rules of Court*, different considerations apply in insolvency proceedings. The jurisprudence recognizes that court officers are entitled to protection from harassment and that cross-examination of a Monitor is permitted only in exceptional circumstances.

[44] That said, the threshold is somewhat lower when the cross-examination concerns a fee affidavit. A Monitor's accounts are subject to scrutiny, and cross-examination is an accepted mechanism for testing whether fees and disbursements are fair and reasonable.

[45] One purpose of passing accounts is to provide judicial oversight of a receiver's activities and remuneration. Interested parties may question the receiver's conduct to the extent it relates to the accounts. However, where the receiver has already obtained court approval for a particular action, the passing of accounts is not an opportunity to revisit that approval. The inquiry must remain focused on the accounts themselves, including whether the receiver exceeded its authority or acted without authorization.

[46] This distinction is critical. The passing of accounts permits scrutiny of the Monitor's fees and the manner in which they were incurred, but it does not reopen matters already approved by the Court. Many of the objected-to questions sought to revisit historical events, strategic considerations, or actions already sanctioned by prior Orders. Such questioning is inconsistent with the judicial protection afforded to court officers and with the need to preserve their neutrality.

[47] The objections raised on Lonergan's behalf were therefore proper. The disputed questions did not relate to the reasonableness of the Monitor's accounts but instead sought information about pre-filing events, the Monitor's conduct already approved by the Court, or potential future

roles in a bankruptcy. Lonergan is not required to answer such questions. The request for further cross-examination is dismissed.

IV. Application for Security for Costs

[48] BMO seeks an order requiring the Non-*CCAA* Parties to post $200,000 as security for costs pursuant to *Rule* 4.22 of the *Rules of Court*. BMO submits that the *CCAA* proceedings are nearing completion, that none of the Orders granted to date have been appealed, and that the Cross-Applicants' Actions have delayed termination of the proceedings and increased costs—expenses that would otherwise reduce BMO's shortfall.

[49] *Rule* 4.22 grants the Court discretion to order security for costs where just and reasonable, having regard to:

(a) the likelihood of enforcing a costs award against assets in Alberta;

(b) the respondent's ability to pay a costs award;

(c) the merits of the underlying action;

(d) whether security would unduly prejudice the continuation of the action; and

(e) any other relevant factor.

[50] The Court's jurisdiction to order security for costs extends to interlocutory applications within *CCAA* proceedings: ***In the Matter of a Plan of Compromise or Arrangement of BZAM Ltd. et al***, 2024 ONSC 3902.

[51] BMO bears the onus of establishing, on a balance of probabilities, that security should be ordered. The analysis requires balancing one party's right to economic protection against the other's right to pursue litigation: ***Arcuri v Adamson***, 2006 ABCA 360 at para 6. Access to justice does not immunize a party from the costs' consequences of litigation: ***Aski Construction Ltd v Markos***, 2017 ABCA 341 at para 11.

[52] If BMO meets its burden, the evidentiary onus shifts to the non-*CCAA* Parties to demonstrate why the Court should decline to exercise its discretion: ***Mudrick Capital Management v Wright***, 2018 ABQB 648 at para 8.

[53] BMO argues that the Coast Auto Group is impecunious following the *CCAA* process and that the Non-*CCAA* Parties require third-party funding to prosecute the Founders Claim. BMO submits that none of the Cross-Applicants can satisfy a substantial costs award arising from the additional litigation steps they have initiated.

[54] The Non-*CCAA* Parties respond that there is no evidence they lack the ability to pay a costs award or that BMO would be unable to enforce such an award in Alberta.

[55] The Monitor's Third Report shows that the Coast Auto Group's primary assets—the dealerships—have been sold, and remaining cash will likely be exhausted by March 2026. There is no evidence of significant assets belonging to the Non-*CCAA* Parties in Alberta. Their reliance on third-party financing for the Founders Claim, while not determinative, raises concerns when viewed alongside the broader financial picture.

[56] On a balance of probabilities, I conclude that there is little likelihood of meaningful assets in Alberta against which BMO could enforce a costs award.

[57] For the same reasons, I find that the Cross-Applicants' ability to pay a costs award weighs in favour of ordering security.

[58] With respect to the merits, this is not the forum to adjudicate the substantive issues raised in the Cross-Application or the Monitor's position. The appropriate threshold is whether there is a serious question to be tried and whether the application is not frivolous: ***RDX Technologies Corporation v Appel***, 2019 ABCA 338 at para 37. I cannot conclude that the Cross-Application is frivolous, nor can I conclude that the Monitor's position lacks merit. This factor is neutral.

[59] I am not persuaded that ordering security would unduly prejudice the Cross-Applicants. They have not suggested that posting security would jeopardize their ability to pursue the Founders Claim or the Cross-Application. There is no evidence that the litigation would be stifled.

[60] Other relevant considerations include the fact that BMO is financing the entirety of the *CCAA* proceedings. The Cross-Application consumes what little liquidity remains, and every dollar spent reduces BMO's recovery. This is a significant factor weighing in favour of security for costs.

[61] I conclude that BMO has satisfied the criteria for an order requiring security for costs.

[62] The appropriate quantum is less clear. BMO's request for $200,000—$50,000 for each Non-*CCAA* Party—is largely a rough estimate. While that amount may ultimately prove reasonable, there is no concrete evidence, such as a draft bill of costs, to support it.

[63] Fees calculated using a multiple of Column 5 of Schedule C of the *Rules of Court* is appropriate given the scale of these proceedings. Based on my review, a fair amount of security is $100,000.

[64] The Non-*CCAA* Parties shall post $100,000 in security within two weeks, to be held either in counsel's trust account or by the Clerk of the Court, as agreed, pending further order.

[65] If the Non-*CCAA* Parties fail to comply, the Justice hearing the substantive applications may make any further order deemed appropriate.

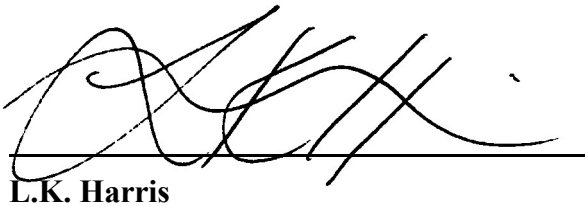
V. Conclusions

[66] For the reasons set out above, the Cross-Applicants' request for further cross-examination of the Monitor and of Lonergan, or alternatively for further and better responses to the written interrogatories, is dismissed.

[67] BMO's application for security for costs is granted. The Non-*CCAA* Cross-Applicants shall post security in the amount of $100,000, to be held either in their counsel's trust account or by the Clerk of the Court, pending further order.

[68] The security must be posted within two weeks of this Endorsement. Any consequences arising from non-compliance shall be determined by the justice hearing the substantive applications.

Heard on the 6th day of February, 2026.
Dated at the City of Edmonton, Alberta this 10th day of March, 2026.



L.K. Harris
J.C.K.B.A.

Appearances:

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