



No. S-236214
Vancouver Registry

In the Supreme Court of British Columbia

Between:

1392752 B.C. Ltd.

Petitioner

And:

Skeena Sawmills Ltd.
Skeena Bioenergy Ltd.
ROC Holdings Ltd.

Respondents

APPLICATION RESPONSE

Application Response of: Delta Cedar Specialties Ltd. (the “**Application Respondent**” or “**Delta Cedar**”)

THIS IS A RESPONSE TO the Notice of Application of Receiver Alvarez & Marsal Canada Inc. filed February 29, 2024 for approval of a reverse vesting order (the “**Vesting Order Application**”).

The Application Respondent estimates that the application will take 2 hours.

Part 1: ORDERS CONSENTED TO

The application respondent consents to the granting of the orders set out in the following paragraphs of Part 1 of the Vesting Order Application on the following terms: **None**

Part 2: ORDERS OPPOSED

The application respondent opposes the granting of the orders set out in paragraphs **ALL** of Part 1 of the Vesting Order Application.

Part 3: ORDERS ON WHICH NO POSITION IS TAKEN

The application respondent takes no position on the granting of the orders set out in paragraphs **NOT APPLICABLE** of Part 1 of the Vesting Order Application.

Part 4: FACTUAL BASIS

1. All defined terms in the Vesting Order Application have the same meaning in this Response.

2. The Petitioner seeks approval of the Retention Agreement and, pursuant to the Retention Agreement, the purchaser Cui Holdings is to obtain clear title to the “Retained Assets”, including the “Inventory”.

3. The definition of “Inventory” includes a raw log inventory of over 10,000 cubic meters of various raw logs (described in Schedule D to the Retention Agreement) and covered by Delta Cedar’s security interest.

4. Delta Cedar’s security interest over Sawmill’s Inventory was registered in the PPR before Cui Holdings’ general security interest and ranks in priority to Cui Holdings’ general security agreement. This raw log inventory has a value of approximately \$483,000.

5. Cui Holdings proposes to pay for the Retained Assets by way of debt offset an amount equal to the debt it is owed which is secured by a security interest ranking behind in priority to Delta Cedar’s security interest plus the payment of certain amounts including \$400,000 on account of the “Inventory” which includes:

- a) The raw log inventory owned by Sawmill;
- b) The fibre inventory owned by Bioenergy.

6. There is no valuation supporting the allocation of \$400,000 to the totality of the “Inventory” nor is this value supported by the Fourth Receiver’s Report.

7. The additional borrowing powers sought by the receiver are excessive and unsupported.

Part 5: LEGAL BASIS

8. The order sought cannot be granted because it deprives the Applicant Respondent’s statutory priority over Sawmill’s inventory by cancelling Delta Cedar’s security interest without proper compensation for the fair market value of the raw log inventory that is part of the “Retained Assets” to be purchased by Cui Holdings. This Court therefore has no jurisdiction to grant the orders sought. A proper allocation of

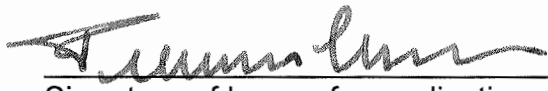
the purchase price to "Inventory" corresponding to the fair market value of all of the "Inventory" (including both the raw logs and the fiber) is necessary before approval of the Retention Agreement.

9. The additional borrowing powers sought by the receiver are excessive and unsupported. The Receiver proposes to borrow more for the end of the Receivership than all that was spent to date, which has been excessive from the very beginning since this receivership has been, from the very beginning, nothing more than a debt restructuring with the pre-ordained objective of wiping out creditors and cleanse the debtor's balance sheet.

Part 6: MATERIAL TO BE RELIED ON

1. The affidavit of Rozina Krishan sworn March 5, 2024;
 2. The affidavit of Cecilia Conto sworn January 3, 2024;
 3. The affidavit of Glen Franke sworn September 18, 2023;
 4. Such other material as the Application Respondent may advise.
- ☒ The application respondent has filed in this proceeding a document that contains the application respondent's address for service.
- ☐ The application respondent has not filed in this proceeding a document that contains an address for service. The application respondent's ADDRESS FOR SERVICE is:

Dated: March 6, 2024


 Signature of lawyer for application
 respondent
 Francis Lamer

This **APPLICATION RESPONSE** was prepared by the law firm of Kornfeld LLP whose place of business is 1100-505 Burrard Street, Vancouver, BC, V7X 1M5 Tel: 604-331-8300.

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Application Response of: Delta Cedar Specialties Ltd. (the “**Application Respondent**” or “**Delta Cedar**”)

THIS IS A RESPONSE TO the Notice of Application of Receiver Alvarez & Marsal Canada Inc. filed February 29, 2024 for an order directing garnisheed funds to be paid to counsel for the Receiver (the “**Garnishment Application**”).

The Application Respondent estimates that the Garnishment Application will take 10 minutes.

Part 1: ORDERS CONSENTED TO

The application respondent consents to the granting of the orders set out in the following paragraphs of Part 1 of the Garnishment Application on the following terms: **ALL**

Part 2: ORDERS OPPOSED

The application respondent opposes the granting of the orders set out in paragraphs **NONE** of Part 1 of the Garnishment Application.

Part 3: ORDERS ON WHICH NO POSITION IS TAKEN

The application respondent takes no position on the granting of the orders set out in paragraphs **NOT APPLICABLE** of Part 1 of the Garnishment Application.

Part 4: FACTUAL BASIS

1. **NOT APPLICABLE.**

Part 5: LEGAL BASIS


1. Delta Cedar agrees that the garnisheed funds that are the subject-matter of this application should be remitted to the Receiver for ultimate distribution to the creditors of Respondents in accordance with their lawful priorities in this receivership proceeding.

Part 6: MATERIAL TO BE RELIED ON

1. NONE

- ☒ X The application respondent has filed in this proceeding a document that contains the application respondent's address for service.
- ☐ The application respondent has not filed in this proceeding a document that contains an address for service. The application respondent's ADDRESS FOR SERVICE is:

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