



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.
AND ROC HOLDINGS LTD.**

RESPONDENTS

**SECOND SUPPLEMENTAL REPORT TO
THE FOURTH REPORT OF THE RECEIVER
ALVAREZ & MARSAL CANADA INC.**

March 11, 2024



ALVAREZ & MARSAL

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1.0 PURPOSE

- 1.1 This second supplemental report (the “**Second Supplemental Report**”) has been prepared by the Receiver to provide this Honourable Court with additional information in respect of certain matters raised during the March 8, 2024 hearing (the “**Hearing**”) in the receivership proceedings of Skeena Sawmills Ltd., Skeena Bioenergy Ltd. and ROC Holdings Ltd. (collectively, the “**Skeena Entities**”). Specifically, this Second Supplemental Report provides additional information relevant to the Receiver’s application for an order (the “**RVO**”) seeking approval of a payment and retention agreement (the “**PRA**”) dated February 29, 2024 proposed to be entered into by the Receiver and Cui Family Holdings Ltd. (“**Cui Holdings**”), and the transaction (the “**Transaction**”) contemplated thereunder.
- 1.2 The Second Supplemental Report should be read in conjunction with the First Confidential Report of the Receiver dated January 19, 2024 (the “**First Confidential Report**”), the Fourth Report of the Receiver dated February 29, 2024 (the “**Fourth Report**”) and the Supplemental Report to the Fourth Report of the Receiver dated March 6, 2024 (the “**Supplemental Report**”), and and other materials filed in the Receivership Proceedings (collectively, the “**Filed Materials**”). Background information, including capitalized terms not defined herein, are contained in the Filed Materials.
- 1.3 All monetary amounts contained in this Second Supplemental Report are expressed in Canadian dollars unless otherwise noted.

2.0 PAYMENT ESTIMATE

- 2.1 During the Hearing, this Honourable Court requested additional clarification regarding the total payment (the “**Payment Estimate**”) to be made by Cui Holdings pursuant to the PRA. Tabled below is a summary of the Receiver’s calculation of the Payment Estimate:

Skeena Entities Offer from Cui Holdings - Payment Estimate CAD\$'000		
Components		\$
<u>Credit bid</u>		
Promissory Notes		
- Principal	\$ 7,494	
- Interest (up to April 19, 2024)	507	\$ 8,000
Receiver's Certificates		
- Principal as at March 11, 2024	500	
- Interest (up to April 19, 2024)	27	
- Forecast advances to closing	400	
- Forecast interest for additional advances (up to April 19, 2024)	5	931
Total Credit bid amount		\$ 8,931
<u>Priority claims - estimate</u>		
- Property taxes	1,800	
- Stumpage	1,177	
- Source deduction remittances	82	
- Equipment leases - Sawmills (exclude Canter Line)	961	
- Equipment leases - Bioenergy	79	4,098
Work-in-progress inventory (Sawmills)		400
Fees to bankrupt ResidualCo.		30
Total Payment Estimate		\$ 13,460

2.2 The Receiver notes the following:

- interest amounts included in the Credit bid are calculated pursuant to the Order pronounced on January 25, 2024, assuming a Closing Date of April 19, 2024 in accordance with the PRA;
- the Receiver's Certificates amount of \$931,000 represents principal and interest in relation to the outstanding principal of \$500,000 as of March 11, 2024, and the forecast additional advances totaling \$400,000 prior to the closing of the Transaction in order to fund the administration of the Receivership Proceedings as well as interest to the assumed Closing Date of April 19, 2024;
- amounts listed under priority claims represent the estimated amounts according to the books and records of the Skeena Entities and are subject to confirmation with creditors including the various equipment financiers, Canada Revenue Agency ("CRA"), the City of Terrace and the Province of British Columbia;
- the \$400,000 of work-in-progress inventory is allocated exclusively to raw log inventory held by Sawmills; and
- the current Payment Estimate excludes additional holding costs that may be incurred in the event the Closing Date is later than April 19, 2024 (i.e. the Drop-dead Date as noted in the Fourth Report). Monthly holding and administration costs are estimated at approximately

\$300,000, and include insurance, contractor costs, utilities and other site expenses totaling approximately \$200,000 - \$225,000/month, and professional fees of approximately \$75,000 - \$100,000/month.

3.0 TAX LIABILITIES KNOWN TO DATE

3.1 During the Hearing, this Honourable Court raised a question as to whether Canada Revenue Agency (“CRA”) had notice of the Receiver’s application.

3.2 The following table lists the outstanding CRA claims that the Receiver is aware of, and the proposed treatment under the Transaction.

Skeena Entities CRA - known claims and proposed treatment under the PRA CAD\$'000			
Entity	Claim description	Amount	Proposed treatment
Sawmills (Estimate)	Property claim - Source deductions	\$ 64	Pay from proceeds of the Transaction
	Unsecured claim	27	Assign to ResidualCo - unsecured claim
Total potential CRA claim - Sawmills		\$ 91	
Bioenergy (POC filed)	Property claim - Source deductions	\$ 14	Pay from proceeds of the Transaction
	Unsecured claim	8	Assign to ResidualCo - unsecured claim
Total claim - Bioenergy		\$ 22	
Total	Property claim - Source deductions	\$ 78	
	Unsecured claim	35	
Total		\$ 113	

3.3 While the Receiver has yet to call for submission of proofs of claim (“POC”), the CRA filed a POC against Bioenergy on February 1, 2024. The Receiver notes that neither the CRA nor Department of Justice has requested to be added to the Service List under the Receivership Proceedings. Nevertheless, on March 11, 2024, the Receiver delivered to the person identified in CRA’s POC copies of the Receiver’s application materials.

4.0 OTHER MATTERS

4.1 The Receiver has been advised that at least one of the interested parties who has submitted a Definitive Bid and another stakeholder (that did not previously submit a bid) may submit offers in advance of the hearing scheduled for March 13, 2024.

All of which is respectfully submitted to this Honourable Court this 11th day of March, 2024.

Alvarez & Marsal Canada Inc.,
in its capacity as Receiver of Skeena Sawmills Ltd.,
Skeena Bioenergy Ltd. and ROC Holdings Ltd.
and not in its personal capacity


Per: Anthony Tillman
Senior Vice President