



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

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

**March 27, 2024**



ALVAREZ & MARSAL

## TABLE OF CONTENTS

1.0	PURPOSE .....	- 2 -
2.0	AMENDMENTS TO THE PRA .....	- 2 -
3.0	KITSUMKALUM OFFER .....	- 3 -
4.0	IMPLICATIONS OF A FAILED SALE PROCESS .....	- 5 -

### Appendix A – The Kitsumkalum Offer

## 1.0 PURPOSE

- 1.1 This third supplemental report (the “**Third Supplemental Report**”) has been prepared by the Receiver to provide this Honourable Court with additional information in respect of: (i) certain amendments to the PRA (as defined herein); (ii) an offer (the “**Kitsumkalum Offer**”) received by the Receiver from the Kitsumkalum First Nation (“**Kitsumkalum**”); and (iii) a question posed by Court during the March 12, 2024 hearing (the “**Hearing**”) in these receivership proceedings as to the likely outcome in the event the orders sought by the Receiver in relation to the approval of the PRA were not granted.
- 1.2 The Third 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**”), the Supplemental Report to the Fourth Report of the Receiver dated March 6, 2024 (the “**Supplemental Report**”), the Second Supplemental Report to the Fourth Report of the Receiver dated March 11, 2024 (the “**Second Supplemental Report**”), the Affidavit #2 of Anthony Tillman sworn on March 21, 2024 (the “**Second Tillman Affidavit**”), 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 Third Supplemental Report are expressed in Canadian dollars unless otherwise noted.

## 2.0 AMENDMENT TO THE PRA

- 2.1 On February 29, 2024, the Receiver filed an application with this Honourable Court 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.
- 2.2 On March 21, 2024, the Receiver and Cui Holdings executed an Amendment to Payment and Retention Agreement (the “**Amendment**”) which was intended, in part, to address concerns raised by certain stakeholders regarding the PRA and the Transaction. Among other things, the Amendment: (i) confirmed which contracts would be Approved Contracts under the PRA, including the collective bargaining agreement; (ii) specified the Permits and Licences to be retained by Skeena Sawmills Ltd., Skeena Bioenergy Ltd. and ROC Holdings Ltd. (collectively, the “**Skeena Entities**”) after closing; (iii) confirmed that the Retained Liabilities under the PRA included any environmental liabilities; and (iv) confirmed that the existing employees would not

be terminated prior to closing. The Amendment is attached as Exhibit “A” to the Second Tillman Affidavit.

### 3.0 KITSUMKALUM OFFER

3.1 In the Second Supplemental Report, the Receiver noted that at least one of the parties that 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 (adjourned to April 2, 2024). The Receiver subsequently requested that all interested parties submit any offers before March 22, 2024, so that the Receiver would be able to review any offers received and report to this Honourable Court in a timely manner.

3.2 On March 22, 2024, the Receiver received the Kitsumkalum Offer. Follow up correspondence and discussions with Kitsumkalum and its advisors to clarify the Kitsumkalum Offer continued through to close of business on March 26, 2024. A copy of the Kitsumkalum Offer is attached hereto as Appendix “A”.

3.3 No other offers have been received by the Receiver as of the date of this Third Supplemental Report.

3.4 Tabled below is a summary comparison between Cui Holdings’ offer and the Kitsumkalum Offer:

	<b>Cui Holdings</b>	<b>Kitsumkalum</b>
Bid price	\$13,460,000  Combination of a credit bid and cash, as detailed in the Second Supplemental Report	\$14,147,000  Cash bid
Assets included	All of the assets, undertaking and properties of the Skeena Entities, with exceptions (discussed below)	All of the assets, undertaking and properties of the Skeena Entities, with exceptions (discussed below)
Liabilities to be paid out from purchase price	Financing leases, stumpage, source deduction remittances, property taxes	Promissory notes due to 1392752 B.C. Ltd, Receiver’s Certificate, financing leases, stumpage, source deduction remittances, property taxes

	<b>Cui Holdings</b>	<b>Kitsumkalum</b>
Assumed liabilities/contracts	Silviculture liabilities, environmental liabilities, permits and licenses associated with the operations, Collective Bargaining Agreement	Silviculture liabilities, environmental liabilities, permits and licenses associated with the operations, Collective Bargaining Agreement
Excluded contracts	Replaceable Contracts	Replaceable Contracts
Deposit received by Receiver	\$400,000 (approximately 10% of the cash bid portion)	\$1,320,000
Closing Date	By April 19, 2024	Upon the completion of the Transfer Process (defined below) of Tree Farm Licence 41 and two forest licences (FLA 16882 and FLA 16885) (collectively, the “Tenures”)
Obligation to fund the Receivership Proceedings until Tenures can be transferred	N/A – consultation process not required under the RVO	The Receiver may draw upon the deposit paid by Kitsumkalum to fund ongoing costs of the receivership, and, if the Tenures have not yet transferred upon exhaustion of the deposit, Kitsumkalum will continue to fund those ongoing costs of the administration. All such amounts to be deducted from the final purchase price

- 3.5 The Receiver requested that Kitsumkalum provide an indication of their financial wherewithal to close a transaction. Kitsumkalum confirmed that such information would be provided on a confidential basis. As of the date of this report no further information has been submitted to the Receiver.

3.6 Upon comparing the two offers, the Receiver concluded that the PRA remains the only viable offer for the following reasons:

- a) Closing risk: as there would be a transfer of the Tenures under the Kitsumkalum Offer, the approval of the Province would be required before the Tenures could be transferred. According to the Ministry of Forests, this process (the “**Transfer Process**”) may take three (3) to nine (9) months, and there is no assurance that all the Tenures (if any) will be approved for transfer, which could jeopardize the closing of the transaction; and
- b) Lower purchase price: as noted in the Second Supplemental Report, monthly holding and administration costs of the Receivership Proceedings are estimated at approximately \$300,000, meaning that the additional costs that may be incurred during the Transfer Process range from \$900,000 to \$2.7 million. As the bid price difference between the PRA and the Kitsumkalum Offer is approximately \$700,000, it is the Receiver’s conclusion that after deducting the ongoing cost of administration while the Transfer Process is concluded, the Kitsumkalum Offer is inferior to the PRA.

#### **4.0 IMPLICATIONS OF A FAILED SALE PROCESS**

- 4.1 During the Hearing, this Honourable Court raised a question as to likely outcomes in the event the PRA or an alternate viable bid is not approved.
- 4.2 In such an event, the Receiver expects that it would initiate a short sale process seeking liquidation offers for the Skeena Entities’ assets on a piecemeal basis, including obtaining additional bids from liquidators to auction and otherwise dispose of the fixed assets and other equipment, while soliciting alternative bids for the Tenures.
- 4.3 It would also be necessary to source additional funding to complete such sale process and the receivership proceeding generally. There is no certainty that any additional funding will be available, in which case the Receiver may be required to seek its discharge prior to completing the liquidation. It should also be noted that any additional funding will be borne by the creditors.

\*\*\*\*\*

All of which is respectfully submitted to this Honourable Court this 27<sup>th</sup> 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

  
Per: Pinky Law  
Vice President

## **Appendix A – The Kitsumkalum Offer**



March 22, 2024

**To: Alvarez & Marsal Canada Inc., ("A&M")**  
in its capacity as Receiver of Skeena Sawmills Ltd., Skeena Bioenergy Ltd., and ROC Holdings Ltd.  
and not in its personal capacity  
925 West Georgia Street, Suite 902  
Vancouver, BC V6C 3L2  
  
Attention: Taylor Poirier ([tpoirier@alvarezandmarsal.com](mailto:tpoirier@alvarezandmarsal.com)), and  
Anthony Tillman ([atillman@alvarezandmarsal.com](mailto:atillman@alvarezandmarsal.com))

**Re: Receivership of Skeena Sawmills Ltd., Skeena Bioenergy Ltd., And ROC Holdings Ltd.**

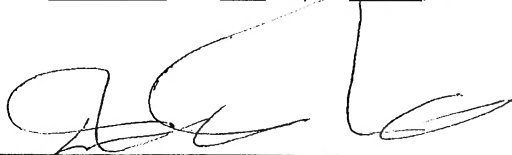
---

By this letter Kitsumkalum First Nation (the "Purchaser") offers to purchase of all of the assets, undertakings and properties of Skeena Sawmills Ltd., Skeena Bioenergy Ltd., and ROC Holdings Ltd. on the terms and conditions set out herein.

1. **Purchaser:** Kitsumkalum First Nation as represented by Kitsumkalum Band Council  
PO Box 544 Terrace BC V8G 4B5  
Tel (250) 635-6177 Fax (250) 635-4622  
  
Contacts: Steve Roberts, Kitsumkalum Band Manager  
Email: [sroberts@kitsumkalum.com](mailto:sroberts@kitsumkalum.com)  
  
Rick Brouwer, Kitsumkalum Policy Advisor  
Email: [rbrouwer@westlandresources.ca](mailto:rbrouwer@westlandresources.ca)
2. **Assets to Be Acquired:** All of the assets, undertakings and properties of Skeena Sawmills Ltd., Skeena Bioenergy Ltd., and ROC Holdings Ltd., as more particularly set out in the Asset Information Package prepared by A&M dated October 2023 (collectively, the "Assets").
3. **Purchase Price:** \$14,147,000.00  
(Fourteen million one hundred forty-seven thousand dollars)
4. **Deposit:** The Purchaser has paid a deposit in the amount of \$1,320,000.00.  
The Deposit was paid to A&M in trust and is to be applied as follows:
  - (a) applied to the Purchase Price on closing once the Purchaser completes the purchase of the Assets;
  - (b) forfeited to A&M on account of liquidated damages if the Purchaser, through its default after having waived or satisfied the Purchaser's Conditions, fails to complete the purchase of the Assets, as the A&M's sole and exclusive remedy;
  - (c) paid to the Purchaser if A&M through its default fails to complete the sale of the Assets, without prejudice to any other right or remedy of the Purchaser; or
  - (d) paid to the Purchaser if the offer is withdrawn or the Purchaser's Conditions or the Mutual Conditions are not satisfied or waived.

5. **Closing:** The balance of the purchase price, subject to normal adjustments, shall be paid on closing.
6. **Purchaser's Condition:** The obligation of the Purchaser to complete the purchase of the Assets is subject to the Tenures vesting free and clear of any replaceable contracts or subcontracts pursuant to the Timber Harvesting Contract and Subcontract Regulation (also known as "Bill 13 Contracts").
7. **Mutual Conditions:** The obligation of the parties to complete the purchase and sale of the Assets is subject to the following conditions (the "Mutual Conditions"):
  - (a) the parties entering into an agreement of purchase and sale incorporating the terms herein and such other terms and conditions as are agreed upon and approved by the Court.
8. **Assignment:** The Purchaser may sell or assign its interest in this Agreement, and/or direct that title to the Assets be registered in the name of any such assignee of the Purchaser, provided that the Purchaser shall not be released from its obligations hereunder by reason of such assignment.
9. **Definitions:** In this Offer:
  - (a) "Governmental Authority" means any federal, provincial, municipal, county, regional or local government or government authority, domestic or foreign, and includes any department, commission, bureau, board, administrative agency or regulatory body of any of the foregoing.
10. **Offer and Acceptance:** This Offer is open for acceptance until such time as it is withdrawn in writing or a counter-offer is proposed.

Dated at Terrace BC this 22<sup>nd</sup> day of March, 2024.



**Steven W. Roberts**

Kstiyaawłgaax, Łagaax Lik'ayget  
Band Manager, Kitsumkalum Band