



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

SEVENTH REPORT OF THE RECEIVER

ALVAREZ & MARSAL CANADA INC.

MARCH 31, 2025



ALVAREZ & MARSAL

TABLE OF CONTENTS

| | | |
|------|--|--------|
| 1.0 | INTRODUCTION..... | - 2 - |
| 2.0 | PURPOSE OF THE SEVENTH REPORT | - 3 - |
| 3.0 | ACTIVITIES OF THE RECEIVER | - 3 - |
| 4.0 | UPDATE ON THE TRANSACTION | - 4 - |
| 5.0 | PROPOSED ALLOCATION AND FINAL DISTRIBUTION | - 4 - |
| 6.0 | PROFESSIONAL FEES AND DISBURSEMENTS FROM MAY 1, 2024 TO DISCHARGE. - | 7 - |
| 7.0 | RECEIVER’S FINAL STATEMENT OF RECEIPTS AND DISBURSEMENTS | - 8 - |
| 8.0 | BANKRUPTCY OF THE SKEENA ENTITIES..... | - 10 - |
| 9.0 | RECEIVER’S DISCHARGE..... | - 10 - |
| 10.0 | RECOMMENDATIONS | - 11 - |

APPENDIX

Appendix A – Final Distribution schedule

1.0 INTRODUCTION

- 1.1 On September 20, 2023 (the “**Receivership Date**”), upon the application of 1392752 B.C. Ltd. (the “**Petitioner**”) in Supreme Court of British Columbia (the “**Court**”) Action No. S-236214, Vancouver Registry (the “**Receivership Proceedings**”), the Court granted an order (the “**Receivership Order**”) appointing Alvarez & Marsal Canada Inc. (“**A&M**”) as receiver (the “**Receiver**”) of all of the assets, undertakings and property, including real property (collectively, the “**Property**”), of Skeena Sawmills Ltd. (“**Sawmills**”), Skeena Bioenergy Ltd. (“**Bioenergy**”), and ROC Holdings Ltd. (“**ROC**”, and together with Sawmills and Bioenergy, the “**Skeena Entities**” or the “**Company**”).
- 1.2 On April 16, 2024, the Court granted a sale approval and vesting order (the “**SAVO**”) approving the Purchase and Sale Agreement (the “**PSA**”) dated April 16, 2024 between the Receiver, as vendor, and Kitsumkalum First Nation and its affiliates (collectively, “**Kitsumkalum**”), collectively as purchaser, and the transaction (the “**Transaction**”) contemplated thereunder for the sale of the Skeena Entities’ assets (the “**Purchased Assets**”) to Kitsumkalum.
- 1.3 On May 1, 2024, the Phase 1 Transaction (as defined below) closed, with the Phase 2 Transaction (as defined below), being the transfer of the Licences (as defined below), to complete after the approval of the Province of British Columbia (the “**Province**”).
- 1.4 On May 8, 2024, the Court granted a distribution order (the “**Interim Distribution Order**”) approving the Receiver’s proposed cost allocation and interim distributions to certain creditors of the Skeena Entities (the “**Interim Distributions**”).
- 1.5 On May 17, 2024, the Court granted an order (the “**Interim Fee Approval Order**”) approving the Receiver’s activities up to and including the Fifth Report of the Receiver dated May 2, 2024 (the “**Fifth Report**”), and the fees and disbursements of the Receiver and its independent legal counsel, Fasken Martineau DuMoulin LLP (“**Fasken**”), up to April 30, 2024.
- 1.6 Concurrently with filing this seventh report (the “**Seventh Report**”) the Receiver has filed an application seeking an order (the “**Distribution and Discharge Order**”), among other things:
- a) approving the Receiver’s proposed cost allocation and Final Distribution (as defined herein) to certain creditors of the Skeena Entities;
 - b) authorizing the Receiver to assign the Skeena Entities into bankruptcy, as it deems appropriate;
- and

c) approving the activities of the Receiver, the fees of the Receiver and Fasken, and discharging the Receiver upon the filing of a certificate with the Court (the “**Receiver’s Certificate**”).

1.7 The Receivership Order along with select application materials and other documents filed in the Receivership Proceedings (the “**Filed Materials**”) are posted on the Receiver’s website (the “**Receiver’s Website**”) at www.alvarezandmarsal.com/skeena.

1.8 Capitalized terms not defined in this Seventh Report are as defined in the applicable Filed Materials.

2.0 PURPOSE OF THE SEVENTH REPORT

2.1 This Seventh Report has been prepared to provide the Court with information regarding:

- a) the Receiver’s activities since the Fifth Report;
- b) an update on closing of the Phase 2 Transaction;
- c) the fees and disbursements of the Receiver and Fasken for the period May 1, 2024 to discharge;
- d) the Receiver’s final statement of cash receipts and disbursements for the period September 20, 2023 (the Receivership Date) to anticipated discharge date;
- e) the proposed bankruptcies of the Skeena Entities; and
- f) the Receiver’s recommendation regarding its application for the Distribution and Discharge Order.

3.0 ACTIVITIES OF THE RECEIVER

3.1 Since the Fifth Report, the Receiver’s activities have included, but are not limited to, the following:

- a) coordinating with Kitsumkalum and the BC Ministry of Forests regarding the transfer of the Licences and tenures (and the associated road permits) to Kitsumkalum;
- b) attending to the closing of the Phase 2 Transaction;
- c) reviewing draft application materials and attending hearings in these Receivership Proceedings;
- d) preparing the proposed final allocation of the costs incurred in the Receivership Proceedings as detailed herein;
- e) updating the Receiver’s Website; and
- f) preparing two reports to this Honourable Court, including this Seventh Report.

3.2 Activities of the Receiver since the Fifth Report and up to the Seventh Report are detailed herein and in the Receiver’s Sixth Report to Court dated May 14, 2024. The Receiver is of the view that each

of its activities was necessary and appropriate in order for the Receiver to properly carry out its mandate.

4.0 UPDATE ON THE TRANSACTION

- 4.1 As noted above, on April 16, 2024, this Honourable Court granted the SAVO approving the PSA and the Transaction, which contemplated the payment by Kitsumkalum of \$14,047,000 to acquire substantially all of the Property other than current assets and certain equipment. The PSA was executed by all parties on April 22, 2024.
- 4.2 The purchase and sale of the Phase 1 Purchased Assets (the “**Phase 1 Transaction**”) closed on May 1, 2024.
- 4.3 Pursuant to the terms of the PSA, the closing date (the “**Phase 2 Closing Date**”) for the purchase and sale of the Phase 2 Purchased Assets (the “**Phase 2 Transaction**”) was to occur five (5) days after the date the Province of British Columbia (the “**Province**”) approved the transfer of Tree Farm Licence 41, Forest Licence FLA 16882, Forest Licence FLA 16885 and the Replaceable Contracts (collectively, the “**Licences**”) to Kitsumkalum (through 1355387 B.C. Ltd).
- 4.4 On December 4, 2024, the Receiver received a letter from the Province approving the transfer of the Licences to 1355387 B.C. Ltd. The Receiver and Kitsumkalum subsequently agreed that the Phase 2 Closing Date would be February 11, 2025, and the Phase 2 Transaction closed on that date. The Receiver’s certificate confirming the closing of the Phase 2 Transaction (the “**Phase 2 Receiver’s Certificate**”) was executed on February 14, 2025 and filed with this Honourable Court on February 19, 2025.

5.0 PROPOSED ALLOCATION AND FINAL DISTRIBUTION

- 5.1 In accordance with the terms of the Interim Distribution Order, the Receiver made the Interim Distributions to the secured creditors of the Skeena Entities as follows :

| Skeena Entities | |
|--|------------------------|
| Interim Distribution | |
| Prior-ranking Claims | |
| Province of BC - Stumpage | \$ 1,029,302.87 |
| Receiver General ¹ | 210,304.89 |
| Total - Prior-ranking Claims | 1,239,607.76 |
| Secured creditors | |
| 1392752 B.C. Ltd. | 6,804,644.27 |
| Delta Cedar | 510,826.94 |
| Microtec, Inc. | 349,639.36 |
| Caterpillar Financial Services Limited | 270,286.87 |
| Timber Baron | 240,641.02 |
| Dynamic Capital Equipment Finance Inc. | 213,435.50 |
| Corley Manufacturing Company | 110,973.06 |
| CWB National Leasing Inc. | 98,723.65 |
| The Bank of Nova Scotia | 18,451.20 |
| Total - Secured Creditors | 8,617,621.87 |
| Total Interim Distribution | \$ 9,857,229.63 |

Note 1: The amount paid to Receiver General of \$210,304.89 was lower than the amount as stipulated in the Court Order by \$5,473.22, as certain non-deemed trust amounts were incorrectly included in the amounts listed in the Court Order.

- 5.2 As both the Phase 1 Transaction and Phase 2 Transaction have completed, the Receiver is in the position to make the final distributions to the secured creditors of the Skeena Entities in accordance with the detailed allocation attached hereto as Appendix “A” (the “**Final Distributions**”).
- 5.3 When considering the rationale for the Final Distributions, the Receiver referred to and relied on the methodology adopted for the Interim Distributions, which was approved by the Court, where “super-priority” charges ranking ahead of the secured lenders under the *Bankruptcy and Insolvency Act* (the “**BIA**”) were allocated among the Skeena Entities’ secured creditors based on the priority and nature of the costs being allocated. Such prior-ranking charges include amounts due for source deductions, unpaid amounts owing in respect of prescribed pension plans, and amounts owing under the *Wage Earner Protection Program Act* (“**WEPPA**”).
- 5.4 Upon allocating the prior-ranking charges and considering all of the required disbursements made and to be made under the Receivership Order, the Receiver then allocated the remaining forecast cash on hand among the secured creditors, based on the nature, amount and priority of their respective claims (the “**Final Allocated Amounts**”).

5.5 The proposed Final Distributions were then determined as being the difference between the Final Allocated Amounts and the amount received during the Interim Distributions for each secured creditor.

5.6 The following table summarizes the Receiver's proposed Final Distributions:

| Skeena Entities Final Distributions CAD \$'000 | | | | | |
|---|---------------------------------------|-------------------------------|--------------------------------------|-----------------------------------|---------------|
| Creditor | Claim Amount as at May 31, 2024 | Final Allocated Amounts | Interim Distribution (Paid) | Final Distribution | Recovery % |
| Cui Family Holdings Ltd. | \$ 8,069.1 | \$ 7,862.1 | \$ 6,804.6 | \$ 1,057.5 | 97.4% |
| Caterpillar Financial Services Limited - Sawmills | 249.9 | 245.6 | 245.4 | 0.1 | 98.3% |
| Caterpillar Financial Services Limited - Bioenergy | 24.9 | 24.9 | 24.9 | - | 99.8% |
| Canadian Western Bank | 103.3 | 102.6 | 98.7 | 3.9 | 99.3% |
| The Bank of Nova Scotia | 19.6 | 19.2 | 18.5 | 0.7 | 97.8% |
| Dynamic Capital Equipment Finance Inc. | 227.2 | 222.1 | 213.4 | 8.7 | 97.8% |
| Corley Manufacturing Company | 118.1 | 115.5 | 111.0 | 4.5 | 97.8% |
| Microtec Inc. | 372.1 | 363.8 | 349.6 | 14.2 | 97.8% |
| Value of realized inventory | 540.9 | 471.3 | 450.7 | 20.6 | 87.1% |
| Value of realized AR | 361.0 | 314.6 | 300.8 | 13.8 | 87.1% |
| Total | \$ 10,086.1 | \$ 9,741.5 | \$ 8,617.6 | \$ 1,123.9 | |
| <u>Distribution from realized inventory and AR¹:</u> | | | Per Interim Distribution Order | Proposed Final Distribution | |
| Delta Cedar Specialties Ltd. | | | \$ 510.8 | \$ 23.4 | |
| Timber Baron Contracting Ltd. | | | 240.6 | 11.0 | |
| Total - sum of inventory and AR | | | \$ 751.5 | \$ 34.4 | |

Note 1: Allocation percentages between Delta Cedar and Timber Baron is proposed based on the allocation as stipulated per the Interim Distribution Order.

5.7 Additionally, pursuant to Orders of the Court made October 30, 2023 and March 8, 2024, the Receiver holds the amount of approximately \$20,750.00, being the balance of the amount claimed as contributions owed to The Trustees of the IWA - Forest Industry Pension Plan and the Trustees of the IWA - Forest Industry LTD Plan, less the amount paid to IWA, in a segregated trust account. The Receiver intends to release those funds, including interest accrued thereon, to the secured creditors in accordance with the Final Distributions.

5.8 The Receiver is of the view that the proposed Final Distributions are appropriate in the circumstances, including for the following reasons:

- a) the forecast recovery for secured creditors ranges from 87.1% to 99.8%, with the majority of the secured creditors forecast to recover almost 98.0% of their estimated outstanding claim as of May 31, 2024. The Receiver notes that the final recovery ranges are higher than were forecast when the application for the Interim Distribution Order was made as disbursements

were lower than anticipated, including but not limited to insurance payments, professional fees and GST paid after April 19, 2024; and

- b) the allocation methodology largely mirrors the methodology utilized in respect of the Interim Distributions, which was agreed upon among the secured creditors and approved by this Court.

5.9 In the event the Receiver collects additional interest income or other receivables prior to the making Final Distributions, the Final Distributions will be adjusted to take into account any additional receipts.

6.0 PROFESSIONAL FEES AND DISBURSEMENTS FROM MAY 1, 2024 TO DISCHARGE

6.1 The professional fees and disbursements (inclusive of taxes) of the Receiver for the period May 1, 2024 to February 28, 2025 totaled \$100,884.74, comprised of \$93,513.00 in professional fees, out of pocket disbursements of \$2,567.70 and GST of \$4,804.04.

6.2 Additionally, the Receiver estimates its costs from March 1, 2025 to completion of these Receivership Proceedings shall be approximately \$40,000, inclusive of taxes. Accordingly, the Receiver seeks approval of the Court of its fees totaling \$140,884.74 from May 1, 2024 to the conclusion of these proceedings.

6.3 Statements of account of the Receiver are attached as exhibits to the Fifth Affidavit of Anthony Tillman (the “**Fifth Tillman Affidavit**”) made March 31st, 2025.

6.4 The legal fees (inclusive of taxes) of Fasken for the period May 1, 2024 to February 28, 2025 totaled \$49,880.70. Summaries of the legal fees for Fasken and statements of account for Fasken’s legal fees are attached as exhibits to the Second Affidavit of Kibben Jackson made March 31st, 2025 (together with the Fifth Tillman Affidavit, the “**Fee Affidavits**”).

6.5 Additionally, Fasken estimates its costs from March 1, 2025 to completion of these Receivership Proceedings shall be approximately \$20,000, inclusive of taxes. Accordingly, the Receiver seeks approval of the Court of Fasken’s fees totaling \$69,880.70 from May 1, 2024 to the conclusion of these proceedings.

6.6 The Receiver has reviewed the statements of account included in the Fee Affidavits and is of the view that the fees incurred are fair and reasonable and were necessary for the effective administration of the Receivership Proceedings, including but not limited to attending to the conclusion of the Sales Process which led to the completion of the Transaction, attending to various statutory duties in relation to the Receivership, preparing this Seventh Report, attending in Court,

and preparing the final cost allocation and proposed distribution that is presented with this Seventh Report.

6.7 The Fee Affidavits include estimates for the Receiver to prepare and make the proposed Final Distributions, and the discharge of the Receiver on the basis that the Receiver's application for the Distribution and Discharge Order shall be unopposed. The Receiver and its counsel will continue to account for their time in a detailed manner.

6.8 To the extent fees are incurred by the Receiver and its counsel that are greater than the amounts estimated, further approvals of the Receiver's activities and its fees would have to be sought from this Honourable Court.

7.0 RECEIVER'S FINAL STATEMENT OF RECEIPTS AND DISBURSEMENTS

7.1 The Receiver's final statement of cash receipts and disbursements for the period September 20, 2023 to the Receiver's proposed discharge, based on the proposed Final Distributions, is summarized in the table below:

Skeena Entities**Receiver's Final Statement of Receipts and Disbursements****For the period from September 20, 2023 to discharge****Receipts**

| | | |
|--------------------------------------|----|----------------------|
| Pre-filing bank balances - CleanBC | \$ | 1,575,699.34 |
| Pre-filing bank balances - Sawmills | | 19,250.75 |
| Pre-filing bank balances - Bioenergy | | 11,052.26 |
| Accounts receivable - Sawmills | | 361,029.19 |
| Receiver's certificate | | 600,000.00 |
| Sale of assets | | 12,142,072.93 |
| Sale of inventory | | 140,901.38 |
| GST collected | | 299,100.00 |
| GST Refund | | 18,250.01 |
| Other receipts | | 64,703.01 |
| Interest on Deposits | | 94,294.39 |
| Total Receipts | | 15,326,353.26 |

Disbursements

| | | |
|--|--|---------------------|
| Appraisal | | 24,471.69 |
| Bank fees | | 143.00 |
| Computer, subscriptions and IT | | 38,571.69 |
| Contractors | | 640,297.26 |
| Creditor notices (printing, postage, advertisements) | | 3,277.85 |
| Insurance | | 48,284.04 |
| Insurance - Bioenergy | | 243,181.86 |
| Insurance - Sawmills | | 437,066.31 |
| GST remittance | | 264,620.07 |
| Inventory selling costs | | 21,143.50 |
| Office supplies, cleaning and other misc. | | 11,051.62 |
| OSB fees | | 75.30 |
| Pre-filing payroll | | 27,366.00 |
| Professional fees - receiver, counsel | | 1,577,108.03 |
| Receiver's certificate - repayment | | 631,587.76 |
| Sawmill/Pellet plant maintenance | | 12,925.89 |
| Source deductions | | 9,667.35 |
| Tenures and road permits | | 22,137.55 |
| Union Employees retained by Receiver | | 3,198.49 |
| Utilities, rent, phone/internet and snow removal | | 215,287.77 |
| Retainer to bankrupt Sawmills and Bioenergy | | 30,000.00 |
| Total Disbursements | | 4,261,463.03 |

Distributions

| | | |
|---|-----------|----------------------|
| Interim Distribution | | 9,857,229.63 |
| Distribution to IWA Forest Industry Pension | | 83,743.91 |
| Proposed Final Distribution | | 1,123,916.69 |
| Total Distributions | | 11,064,890.23 |
| Cash on hand in trust | \$ | 0.00 |

8.0 BANKRUPTCY OF THE SKEENA ENTITIES

- 8.1 As set out in the First Report of the Receiver dated October 25, 2023, according to the books and records of the Skeena Entities, as at the Receivership Date, there were approximately \$8.0 million and \$6.0 million of unsecured claims recorded on the books of Sawmills and Bioenergy, respectively. There will be no recovery for any holders of these unsecured claims in the Receivership Proceedings.
- 8.2 The Receiver also understands that there may be certain claims from Canada Revenue Agency and Employer Health Tax claims from the Province of British Columbia that are outstanding, and that such claims may be rendered unsecured upon a bankruptcy.
- 8.3 Accordingly, the Receiver seeks authorization from this Court to assign any one or more of the Skeena Entities into bankruptcy and for Alvarez & Marsal Canada Inc. to be permitted to act as trustee in bankruptcy for each of the companies assigned into bankruptcy. The Receiver has included a retainer of \$30,000 in the Final Receipts and Disbursements as presented in section 7.1 herein to cover the costs of any bankruptcy administration(s).

9.0 RECEIVER'S DISCHARGE

- 9.1 Subject to the Court granting the relief sought by the Receiver and the Receiver making the Final Distribution, the Receiver will have completed its duties and obligations under the Receivership Order, save and except for minor administrative matters incidental to the Receivership Proceedings.
- 9.2 It is contemplated that the Receiver will be discharged upon the Receiver filing the Receiver's Certificate, certifying that the Receiver has made all distributions of funds authorized and directed by this Court prior to the date of the Receiver's Certificate, subject to a holdback of \$90,000 (the "**Holdback**"), including the \$30,000 earmarked for the bankruptcy assignments, to cover potential outstanding or unanticipated obligations under the Receivership Proceedings.
- 9.3 The Receiver proposes that upon the filing of the Receiver's Certificate,
- a) the Receiver shall be discharged as Receiver of the assets, undertaking and property of the Skeena Entities;
 - b) the stay of proceedings against or in respect of the Skeena Entities shall terminate; and
 - c) Alvarez & Marsal Canada Inc. shall be released and discharged from any and all liability while acting in its capacity as Receiver, save and except for any liability resulting from gross negligence or willful misconduct.

9.4 The Receiver proposes that the Holdback be retained and drawn upon by the Receiver for six months after the filing of the Receiver's Certificate, after which the Receiver may pay to Cui Holdings any part of the Holdback remaining at the Receiver's discretion.

10.0 RECOMMENDATIONS

10.1 Based on the information and reasons set out above, the Receiver respectfully recommends that this Honourable Court grant the Distribution and Discharge Order, among other things:

- a) approving the Final Distributions;
- b) authorizing the Receiver to bankrupt the Skeena Entities;
- c) approving the professional fees as set out herein and detailed in the Fee Affidavits;
- d) approving the activities of the Receiver since the Fifth Report; and
- e) approving the discharge of the Receiver effective upon filing of the Receiver's Certificate.

All of which is respectfully submitted to this Honourable Court this 31st day of March, 2025.

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 – Final Distribution schedule

Pre-existing charges to be paid

| | | | | | | | | | | | | |
|-----------------------------|---------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|-----------------|
| Pellioner | 8,069,067.38 | - | (13,060.67) | (70,951.39) | (13,534.19) | (67,859.15) | (41,567.24) | 7,862,094.74 | 6,804,644.27 | 1,057,450.47 | 7,862,094.74 | 97.4% |
| CAT - Sawmills | 249,852.02 | - | - | - | - | (2,101.20) | - | 245,553.87 | 245,416.54 | 137.33 | 245,553.87 | 98.3% |
| CAT - Bioenergy | 24,812.11 | - | - | - | (41.78) | - | - | 24,870.33 | 24,870.33 | - | 24,870.33 | 99.8% |
| CWB - Bioenergy | 103,308.64 | - | - | - | (173.28) | - | - | 102,603.17 | 98,723.65 | 3,879.52 | 102,603.17 | 99.3% |
| BNS | 19,638.47 | - | - | - | - | (165.16) | - | 19,199.47 | 18,451.20 | 748.27 | 19,199.47 | 97.8% |
| Dynamic | 227,169.39 | - | - | - | (172.68) | - | - | 222,091.19 | 213,435.50 | 8,655.69 | 222,091.19 | 97.8% |
| Corley | 118,113.82 | - | - | - | (1,597.50) | (1,910.45) | (101.17) | 115,473.48 | 110,973.06 | 4,500.41 | 115,473.48 | 97.8% |
| Microtec | 372,137.53 | - | - | - | (1,038.58) | (993.31) | (608.46) | 363,818.68 | 349,639.36 | 14,179.32 | 363,818.68 | 97.8% |
| Value of realized inventory | 540,901.38 | (57,533.65) | - | - | (3,272.21) | (3,129.60) | (1,917.04) | 471,276.30 | 450,666.68 | 20,609.62 | 471,276.30 | 87.1% See below |
| Value of realized AR | 361,029.19 | (38,401.32) | - | - | (4,756.15) | (4,548.87) | (2,786.02) | 314,557.34 | 300,801.28 | 13,756.06 | 314,557.34 | 87.1% See below |
| Total pre-existing charges | 10,086,129.93 | (85,934.97) | (13,060.67) | (87,560.00) | (13,749.25) | (83,743.91) | (50,542.57) | 9,741,538.56 | 8,617,621.87 | 1,123,916.69 | 9,741,538.56 | |
| | (344,591.37) | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |