

In the Supreme Court of British Columbia

Between:

1392752 B.C. Ltd.

Petitioner

And:

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

Respondents

SUBMISSIONS OF DELTA CEDAR SPECIALTIES LTD.

PART I: INTRODUCTION

1. Delta Cedar Specialties Ltd. (“**Delta Cedar**”) takes no position on the reverse vesting order deal proposed by Cui Family Holdings Ltd. (the “**Deal**”), subject to the following conditions and qualifications:
 - a. The proposed Retention Agreement is amended to require that the purchaser pay to the Receiver \$400,000 allocated exclusively to the raw log inventory of Sawmills, which sum will be paid out to the party that has priority over that amount of the inventory of Sawmills.
 - b. Delta Cedar is relying on the Receiver and the Court to confirm that the Deal is the best offer available to creditors, especially after considering the relatively-higher legal costs associated with assessing the providence of the proposed transaction. Should there be a deal of relatively lower value that will not be subject to this level of controversy, that offer may be better for the creditors.
 - c. In response to the Application Response filed by Timber Baron Contracting Ltd., filed 8 March 2024, Delta Cedar disputes that Timber Baron Contracting Ltd. has priority over the inventory of Sawmills, and, in

any event, asks that this court make no finding as to the priority of any security at this stage.

PART II: THE FACTS

2. In the Receiver's second supplemental report dated 11 March 2024, the Receiver has indicated that "the \$400,000 of work-in-progress inventory is allocated exclusively to raw log inventory held by Sawmills". No value was ascribed to the fibre inventory. The Receiver and the Purchaser have agreed to amend the Retention Agreement to require payment by the purchaser of \$400,000 on account exclusively of the raw log inventory held by Sawmills.

PART III: ARGUMENT

3. This Court does not have the inherent jurisdiction to make orders that are inconsistent with a duly enacted statute.

Standard Trust Co. (Liquidator of) v. Lindsay Holdings Ltd. (1994), 100 B.C.L.R. (2d) 378

4. The issue in this application is whether there are any aspects of the proposed reverse vesting order that are inconsistent with statutes. Otherwise, the concept of a reverse vesting order is not, *per se*, illegal, and can be granted upon, *inter alia*, considerations of the interests of the parties.

Harte Gold Corp. (Re), 2022 ONSC 653

5. Initially, Delta Cedar took issue with the proposed reverse vesting order because it was not clear that all the \$400,000 allocated to the purchase of inventory (comprised of raw log inventory charged by Delta Cedar's security and fibre charged by security against Skeena Bioenergy) would be allocated to the raw log inventory and, therefore, whether the purchaser (Cui Holdings) would be paying the Receiver fair market value for that inventory. If the Receiver is not

paid fair market value for that raw log inventory, then the proposed reverse vesting order would be inconsistent with Delta Cedar's rights under the PPSA.

6. The Receiver has obtained the purchaser's agreement to an amendment of the Retention Agreement whereby the purchaser would pay \$400,000 for the raw log inventory, which Delta Cedar accepts as roughly the fair market value of the same. As such, assuming that the Receiver is proceeding with approval of the Reverse Vesting Order on the basis that the Retention Agreement is amended to provide that the purchaser will pay \$400,000, without any set-off, for the raw log inventory, there would be no illegality with respect to Delta Cedar's rights as secured creditor.
7. Delta Cedar has not been made aware of the content of alternative offers made, which have been made known to this Court but otherwise has not been made public. The creditors have been informed that the offer made is unfortunately the best offer.
8. In particular, Delta Cedar is conscious and concerned about the very high cost of this receivership, which appears to be the product, in part, of the complexity of the proposed transaction (as can be seen from the professional fees anticipated to be incurred in completing this receivership). If there is an offer of a similar amount (albeit slightly less) that will not encounter similar objection as to those made by other creditors, it may be more cost-effective for the Receiver to pursue another deal given the high costs associated with this one. If the purchaser's offer is clearly higher than any other offer received, and the order sought is not made, it is likely that recovery will be significantly reduced.
9. Delta Cedar takes no position on whether the Proposed Reverse Vesting Order is inconsistent with other statutes affecting other parties participating in this hearing.
10. Delta Cedar has expressed serious concerns in the past over the extremely high cost of a receivership that has all the appearances of being railroad as an

exercise in debt restructuring for the purchaser/debtor rather than an effort to sell its assets to the highest bidder and distribute the proceeds to the creditors in accordance with their respective priorities. This, in turn, has forced Delta Cedar to incur significant legal fees to protect its interests.

11. Delta Cedar respectfully requests leave of the Court to make its brief submissions orally, respond to questions from the Court and then be granted leave to be excused from the hearing thereafter.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

Dated at the City of Vancouver, in the Province of British Columbia, this 27 day of March 2024.

Per: 
Francis Lamer