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**BLG**  
Borden Ladner Gervais

September 30, 2019

File No: 564306/1

**By Courier**

Ministry of Forests  
Lands and Natural Resource Operations  
1520 Blanshard St  
Victoria, B.C. V8T 4J1

**Attention: Doug Stewart, Director Forest Tenures Branch**

Dear Doug:

**Re: Hampton Lumber Mills – Canada, Ltd. and Conifex Inc.**

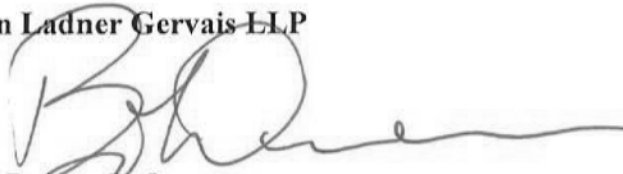
Further to our letter dated July 12, 2019 enclosing a notice of intended disposition in connection with the disposition of Forest Licence A77955 and associated road permits currently held by Conifex Inc., we understand that the Ministry's records identified an additional 15 road permits held by Conifex Inc. that are associated with the Forest Licence and one road permit that was listed in the notice of intended disposition that is not held by Conifex Inc. Chris Finke, RPF, Timber Tenures Specialist, Ministry of Forests, Lands, Natural Resource Operations and Rural Development has advised that an amended list of active road permits cannot be used as an amendment to the initial notice of intended disposition and an amended notice of intended disposition with an updated list of road permits should be submitted.

Accordingly, we enclose (i) a signed amended notice of intended disposition, (ii) an unsigned lined copy of the amended notice disposition showing the changes that have been made to the initial notice of intended disposition, and (iii) cheque payable to the Minister of Finance in the amount of \$1,400 as payment of the non-refundable transfer fee of \$100 for the net increase of 14 additional road permits.

Yours truly,

**Borden Ladner Gervais LLP**

By:



Robert G. Owen

RGO/md  
Encls.

cc: Hampton Lumber Mills – Canada, Ltd.  
Sangra Moller LLP

**AMENDED NOTICE OF INTENDED DISPOSITION  
of a  
TREE FARM LICENCE; FOREST LICENCE; or PULPWOOD AGREEMENT  
under  
SECTION 54 OF THE *FOREST ACT***

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To: The Director,  
Forest Tenures Branch,  
Ministry of Forests, Lands, Natural Resource Operations and Rural Development

Re: Forest Licence A77955 (the "Agreement")

We jointly hereby give notice of the intended disposition of the Agreement:

From: Conifex Inc.  
(Current Holder of the Agreement)

To: Fort St. James Forest Products Limited Partnership.  
(Intended Recipient of the Agreement)

The following information pertaining to each of the Current Holder and the Intended Recipient of the Agreement is provided:

1. Current Holder of the Agreement

Corporation Name: Conifex Inc.

Jurisdiction of Incorporation: Canada (Federal)

Incorporation Number: 678715-1

Address: Suite 980 - 700 West Georgia Street, Vancouver, BC V7Y 1B6

Directors and Officers:

Directors:  
Kenneth Shields

Officers:  
Kenneth Shields, President and CEO  
Yuri Lewis, Chief Financial Officer  
Adam Infanti, VP Finance

Major Shareholders (including % held): Conifex Timber Inc. (100%)

Intended Recipient of the Agreement

Corporation Name: The Intended Recipient of the Agreement is not a corporation, but is Fort St. James Forest Products Limited Partnership, a British Columbia limited partnership



having Fort St. James Forest Products General Partner Ltd. as the sole general partner and Trans-Pacific Trading Ltd. as the sole initial limited partner.

Jurisdiction of Incorporation: Fort St. James Forest Products Limited Partnership is a limited partnership formed under the laws of the Province of British Columbia. The jurisdiction of incorporation of Fort St. James Forest Products General Partner Ltd. and of Trans-Pacific Trading Ltd. is British Columbia.

Incorporation Number: The registration number for Fort St. James Forest Products Limited Partnership is LP782437. The incorporation number for Fort St. James Forest Products General Partner Ltd. is BC1215499 and the incorporation number for Trans-Pacific Trading Ltd. is BC0940926.

Address: The registered office of Fort St. James Forest Products Limited Partnership is 1200 Waterfront Centre, 200 Burrard Street, Vancouver, BC V7X 1T2, the registered office of Fort St. James Forest Products General Partner Ltd. is 1200 Waterfront Centre, 200 Burrard Street, P.O. Box 48600, Vancouver, BC V7X 1T2, and the registered office Trans-Pacific Trading Ltd. is 1500 Royal Centre, 1055 West Georgia Street, P.O. Box 11117, Vancouver, BC V6E 4N7.

Directors and Officers: Fort St. James Forest Products Limited Partnership does not have any directors or officers. The directors and officers of Fort St. James Forest Products General Partner Ltd. and Trans-Pacific Trading Ltd. are:

Fort St. James Forest Products General Partner Ltd.

Directors:

Dave Salmon  
Vicki Shaylor

Officers:

Dave Salmon, President  
Vicki Shaylor, Secretary

Trans-Pacific Trading Ltd.

Directors:

Steven J. Zika  
Robert L. Bluhm

Officers:

Steven J. Zika, CEO  
Robert L. Bluhm, Vice-President  
Finance and CFO  
James Michael Tyrer, President  
Trent Gustafson, Vice-President  
Dave Salmon, Vice-President  
Human Resources  
Brian Vetrone, Treasurer  
Vicki Shaylor, Secretary

Major Shareholders (including % held): As a limited partnership, Fort St. James Forest Products Limited Partnership does not have shareholders. The major shareholder of Fort St. James Forest Products General Partner Ltd. is Hampton Lumber Mills – Canada Ltd. (100%) and the major shareholder of Trans-Pacific Trading Ltd. is Hampton Lumber Mills – Canada, Ltd. (100%).

2. The transaction proposed includes the disposition of the Agreement (including any cutting permits issued pursuant to the Agreement) and the following road permits which have been issued in association with the Agreement:

R02268 – Kuzkwa South	R20663 – Kuzkwa
R02274 – Nielsp-Karena	R20831 – Rottacker
R03466 – Purvis	R21175 – Elliot
R07464 – Takatoot	R21663 – Sawtooth
R07564 – Hat Lake	R07580 – Necoslie
R07465 – Inzana	R07511 – Takatoot
R12083 – Necoslie-Inzana	R10381 – Rottacker
R12084 – Cunningham	R11672 – Hat Lk
R12088 – Kuzkwa	R12080 – Hat Lk
R12089 – Takatoot	R12081 – Cunningham
R15371 – Hat North	R12082 – South Meridian
R18627 – Hat Lake	R00064 – Inzana
R18965 – Kuzkwa	R01522 – Hat Lk
R20144 – Hat Lake East-Hunitlin North Road	R01524 – Whitefish
R20525 – Hat Lake West	R01565 – Takatoot
R20526 – Necoslie	R03439 – Takatoot (Kloch Lk)
R20541 – Tchentlo	R03452 – Elliot
	R06004 – Elliot
	R06526 – Purvis

3. The current timber harvesting rights of each of the Current Holder and the Intended Recipient are as follows:

	<i>Forest Act Agreement (includes all agreements within the relevant corporate group, with the registered licensee noted)</i>	AAC (m <sup>3</sup> )
<b>Current Holder</b>		
Conifex Inc.	Forest Licence A77955 in the Prince George Timber Supply Area	440,000
Conifex Mackenzie Forest Products Inc.	Forest Licence A15385 in the Mackenzie Timber Supply Area	632,500
1040806 B.C. Ltd. (50% ownership interest)	Forest Licence A93631 in the Mackenzie Timber Supply Area	300,000
<b>Intended Recipient</b>		
Babine Forest Products Limited	Forest Licence A16823 in the Lakes Timber Supply Area	334,951
Babine Forest Products Limited	Forest Licence A96136 in the Lakes Timber Supply Area	10,000
Babine Timber Limited	Forest Licence A16825 in the Lakes Timber Supply Area	94,748
Babine Timber Limited	Forest Licence A96137 in the Lakes Timber Supply Area	10,000

Northwest BC Timber Resources Ltd.	Forest Licence A16833 in the Kispiox Timber Supply Area	87,571
0736238 BC Ltd.	Forest Licence A74498 in the Kispiox Timber Supply Area	11,381

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5. List any Private Lands that are currently subject to the Tree Farm Licence as per section 54.7 (1) of the Forest Act (if applicable): Not Applicable.
6. List any licences that have been directly awarded in respect to treaty related measures, interim measures or economic measures: Not Applicable.
7. Detailed information with respect to replaceable contract obligations (if any) associated with the licence(s) being transferred (Recipients of the Agreement must assume the contracts – see Section 54(d.1) of the Forest Act): None.

8. In regard to licence deposit, the 1<sup>st</sup> Intended Recipient of the Agreement and Current Holder of the Agreement have agreed to the following (*select one option*):
- (i) ~~The current deposit held under the Agreement is to be applied on behalf of the Intended Recipient of the Agreement (Applies to Cash deposits only);~~
  - Or
  - (ii) A new licence deposit payable to the Minister of Finance for the total of the current deposit required for the agreement will be submitted and the current deposit held under the Agreement is to be returned to the current holder of the Agreement (B.C. Reg. 55/2006).
9. Payment of a non-refundable transfer fee of \$100.00 for each agreement and road permit listed in the initial notice dated for reference the 11<sup>th</sup> day of July, 2019 was included with the initial notice in the form of a check made payable to the Minister of Finance, and payment of a non-refundable transfer fee of \$100.00 for each road permit for the net increase in the number of additional road permits listed in this amended notice is included with this amended notice in the form of a check made payable to the Minister of Finance.
10. Contact particulars (name, address, telephone number, email address):

Current Holder of the Agreement:

Conifex Inc.  
ATTN: Adam Infanti  
Vice President, Finance  
Suite 980 - 700 West Georgia Street,  
Vancouver, BC V7Y 1B6  
Phone: 604-216 6828  
Fax: 778-331-8944  
Email: adam.infanti@conifex.com

Intended Recipient of the Agreement:


Fort St. James Forest Products Limited Partnership  
ATTN: Heath Curtiss  
Vice President, Legal & Government Affairs  
Hampton Lumber  
9600 SW Barnes Rd., Suite 200  
Portland, OR 97225-6666  
Phone: 503-203-6610  
Email: heathcurtiss@hamptonlumber.com

11. The intended date of the disposition is the fifth (5<sup>th</sup>) business day after the approval of the Minister is received for the dispositions, provided that date is not later than November 30, 2019.

We hereby seek a notice that the intended dispositions may proceed to completion.

Dated for reference this 23<sup>rd</sup> day of September, 2019.

**Conifex Inc.**

By:   
\_\_\_\_\_  
Authorized Signatory  
Name: Kenneth Shields  
Title: President and CEO

**Fort St. James Forest Products General Partner Ltd.,**  
in its capacity as the general partner of  
**Fort St. James Forest Products Limited Partnership**

By: \_\_\_\_\_  
Authorized Signatory  
Name:  
Title:

We hereby seek a notice that the intended dispositions may proceed to completion.

Dated for reference this 23<sup>rd</sup> day of September, 2019.

**Conifex Inc.**

By: \_\_\_\_\_

Authorized Signatory

Name:

Title:

**Fort St. James Forest Products General Partner Ltd.,**

in its capacity as the general partner of

**Fort St. James Forest Products Limited Partnership**

By: Vicki Shaylor

Authorized Signatory

Name: VICKI SHAYLOR

Title: SECRETARY

**AMENDED NOTICE OF INTENDED DISPOSITION**  
**of a**  
**TREE FARM LICENCE; FOREST LICENCE; or PULPWOOD AGREEMENT**  
**under**  
**SECTION 54 OF THE *FOREST ACT***

To: The Director,  
Forest Tenures Branch,  
Ministry of Forests, Lands, Natural Resource Operations and Rural Development

Re: Forest Licence A77955 (the "Agreement")

We jointly hereby give notice of the intended disposition of the Agreement:

From: Conifex Inc.  
(Current Holder of the Agreement)

To: Fort St. James Forest Products Limited Partnership.  
(Intended Recipient of the Agreement)

The following information pertaining to each of the Current Holder and the Intended Recipient of the Agreement is provided:

1. Current Holder of the Agreement

Corporation Name: Conifex Inc.

Jurisdiction of Incorporation: Canada (Federal)

Incorporation Number: 678715-1

Address: Suite 980 - 700 West Georgia Street, Vancouver, BC V7Y 1B6

Directors and Officers:

Directors:  
Kenneth Shields

Officers:  
Kenneth Shields, President and CEO  
Yuri Lewis, Chief Financial Officer  
Adam Infanti, VP Finance

Major Shareholders (including % held): Conifex Timber Inc. (100%)

Intended Recipient of the Agreement

Corporation Name: The Intended Recipient of the Agreement is not a corporation, but is Fort St. James Forest Products Limited Partnership, a British Columbia limited

partnership having Fort St. James Forest Products General Partner Ltd. as the sole general partner and Trans-Pacific Trading Ltd. as the sole initial limited partner.

Jurisdiction of Incorporation: Fort St. James Forest Products Limited Partnership is a limited partnership formed under the laws of the Province of British Columbia. The jurisdiction of incorporation of Fort St. James Forest Products General Partner Ltd. and of Trans-Pacific Trading Ltd. is British Columbia.

Incorporation Number: The registration number for Fort St. James Forest Products Limited Partnership is LP782437. The incorporation number for Fort St. James Forest Products General Partner Ltd. is BC1215499 and the incorporation number for Trans-Pacific Trading Ltd. is BC0940926.

Address: The registered office of Fort St. James Forest Products Limited Partnership is 1200 Waterfront Centre, 200 Burrard Street, Vancouver, BC V7X 1T2, the registered office of Fort St. James Forest Products General Partner Ltd. is 1200 Waterfront Centre, 200 Burrard Street, P.O. Box 48600, Vancouver, BC V7X 1T2, and the registered office Trans-Pacific Trading Ltd. is 1500 Royal Centre, 1055 West Georgia Street, P.O. Box 11117, Vancouver, BC V6E 4N7.

Directors and Officers: Fort St. James Forest Products Limited Partnership does not have any directors or officers. The directors and officers of Fort St. James Forest Products General Partner Ltd. and Trans-Pacific Trading Ltd. are:

Fort St. James Forest Products General Partner Ltd.

Directors:

Dave Salmon  
Vicki Shaylor

Officers:

Dave Salmon, President  
Vicki Shaylor, Secretary

Trans-Pacific Trading Ltd.

Directors:

Steven J. Zika  
Robert L. Bluhm

Officers:

Steven J. Zika, CEO  
Robert L. Bluhm, Vice-President  
Finance and CFO  
James Michael Tyrer, President  
Trent Gustafson, Vice-President  
Dave Salmon, Vice-President  
Human Resources  
Brian Vetrone, Treasurer  
Vicki Shaylor, Secretary

Major Shareholders (including % held): As a limited partnership, Fort St. James Forest Products Limited Partnership does not have shareholders. The major shareholder of Fort St. James Forest Products General Partner Ltd. is Hampton Lumber Mills – Canada Ltd. (100%) and the major shareholder of Trans-Pacific Trading Ltd. is Hampton Lumber Mills – Canada, Ltd. (100%).



2. The transaction proposed includes the disposition of the Agreement (including any cutting permits issued pursuant to the Agreement) and the following road permits which have been issued in association with the Agreement:

R02268 – Kuzkwa South	R18142 – Whitefish
R02274 – Nielsp-Karena	R18627 – Hat Lake
R03466 – Purvis	R18965 – Kuzkwa
R07464 – Takatoot	R20144 – Hat Lake East Hunitlin
R07564 – Hat Lake	North Road
<u>R0756507465 – Inzana</u>	R20525 – Hat Lake West
R12083 – Necoslie-Inzana	R20526 – Necoslie
R12084 – Cunningham	R20541 – Tchentlo
R12088 – Kuzkwa	R20663 – Kuzkwa
R12089 – Takatoot	R20831 – Rottacker
R15371 – Hat North	R21175 – Elliot
<u>R18627 – Hat Lake</u>	R21663 – Sawtooth
<u>R18965 – Kuzkwa</u>	<u>R07580 – Necoslie</u>
<u>R20144 – Hat Lake East-Hunitlin</u>	<u>R07511 – Takatoot</u>
North Road	<u>R10381 – Rottacker</u>
<u>R20525 – Hat Lake West</u>	<u>R11672 – Hat Lk</u>
<u>R20526 – Necoslie</u>	<u>R12080 – Hat Lk</u>
<u>R20541 – Tchentlo</u>	<u>R12081 – Cunningham</u>
	<u>R12082 – South Meridian</u>
	<u>R00064 – Inzana</u>
	<u>R01522 – Hat Lk</u>
	<u>R01524 – Whitefish</u>
	<u>R01565 – Takatoot</u>
	<u>R03439 – Takatoot (Kloch Lk)</u>
	<u>R03452 – Elliot</u>
	<u>R06004 – Elliot</u>
	<u>R06526 – Purvis</u>

3. The current timber harvesting rights of each of the Current Holder and the Intended Recipient are as follows:

	<i>Forest Act Agreement (includes all agreements within the relevant corporate group, with the registered licensee noted)</i>	AAC (m <sup>3</sup> )
<b>Current Holder</b>		
Conifex Inc.	Forest Licence A77955 in the Prince George Timber Supply Area	440,000
Conifex Mackenzie Forest Products Inc.	Forest Licence A15385 in the Mackenzie Timber Supply Area	632,500
1040806 B.C. Ltd. (50% ownership interest)	Forest Licence A93631 in the Mackenzie Timber Supply Area	300,000
<b>Intended Recipient</b>		

Babine Forest Products Limited	Forest Licence A16823 in the Lakes Timber Supply Area	334,951
Babine Forest Products Limited	Forest Licence A96136 in the Lakes Timber Supply Area	10,000
Babine Timber Limited	Forest Licence A16825 in the Lakes Timber Supply Area	94,748
Babine Timber Limited	Forest Licence A96137 in the Lakes Timber Supply Area	10,000
Northwest BC Timber Resources Ltd.	Forest Licence A16833 in the Kispiox Timber Supply Area	87,571
0736238 BC Ltd.	Forest Licence A74498 in the Kispiox Timber Supply Area	11,381

s.21

s.21

5. List any Private Lands that are currently subject to the Tree Farm Licence as per section 54.7 (1) of the Forest Act (if applicable): Not Applicable.
6. List any licences that have been directly awarded in respect to treaty related measures, interim measures or economic measures: Not Applicable.
7. Detailed information with respect to replaceable contract obligations (if any) associated with the licence(s) being transferred (Recipients of the Agreement must assume the contracts – see Section 54(d.1) of the Forest Act): None.
8. In regard to licence deposit, the 1<sup>st</sup> Intended Recipient of the Agreement and Current Holder of the Agreement have agreed to the following (*select one option*):

- (i) ~~The current deposit held under the Agreement is to be applied on behalf of the Intended Recipient of the Agreement (Applies to Cash deposits only);~~

~~Or~~

- (ii) A new licence deposit payable to the Minister of Finance for the total of the current deposit required for the agreement will be submitted and the current deposit held under the Agreement is to be returned to the current holder of the Agreement (B.C. Reg. 55/2006).-

9. Payment of a non-refundable transfer fee of \$100.00 for each agreement and road permit is attached to this listed in the initial notice dated for reference the 11<sup>th</sup> day of July, 2019 was included with the initial notice in the form of a check made payable to the Minister of Finance, and payment of a non-refundable transfer fee of \$100.00 for each road permit for the net increase in the number of additional road permits listed in this amended notice is included with this amended notice in the form of a check made payable to the Minister of Finance.
10. Contact particulars (name, address, telephone number, email address):

Current Holder of the Agreement:

Conifex Inc.  
ATTN: Adam Infanti  
Vice President, Finance  
Suite 980 - 700 West Georgia Street,  
Vancouver, BC V7Y 1B6  
Phone: 604-216 6828  
Fax: 778-331-8944  
Email: adam.infanti@conifex.com

Intended Recipient of the Agreement:

Fort St. James Forest Products Limited Partnership  
ATTN: Heath Curtiss  
Vice President, Legal & Government Affairs  
Hampton Lumber  
9600 SW Barnes Rd., Suite 200  
Portland, OR 97225-6666  
Phone: 503-203-6610  
Email: [heathcurtiss@hamptonlumber.com](mailto:heathcurtiss@hamptonlumber.com)

11. The intended date of the disposition is the fifth (5<sup>th</sup>) business day after ~~(i) the approval of the Minister is received for the dispositions, and (ii) any approvals required under the Competition Act (Canada) are obtained,~~ provided that date is not later than November 30, 2019.

We hereby seek a notice that the intended dispositions may proceed to completion.

Dated for reference this ~~11<sup>th</sup>~~ 23<sup>rd</sup> day of ~~July~~ September, 2019.

**Conifex Inc.**

By: \_\_\_\_\_  
Authorized Signatory  
Name:  
Title:

**Fort St. James Forest Products General Partner Ltd.,**  
in its capacity as the general partner of  
**Fort St. James Forest Products Limited Partnership**

By: \_\_\_\_\_  
Authorized Signatory  
Name:  
Title:

**Borden Ladner Gervais LLP**

An Ontario Limited Liability Partnership

1200 Waterfront Centre  
200 Burrard St, P.O. Box 48600  
Vancouver, BC, Canada V7X 1T2

One thousand four hundred and 00/100\*\*\*\*\*

**The Bank of Nova Scotia**

Scotia Plaza, 44 King St W  
Toronto, ON, Canada M5H 1H1

CHEQUE NUMBER 196662

CHEQUE DATE 09-25-2019

MM-DD-YYYY

GEN \$\*\*\*1,400.00\*\*\*

Borden Ladner Gervais LLP

PAY  
TO THE  
ORDER  
OF:

**Minister of Finance**

*[Signature]*  
AUTHORIZED SIGNATURE

⑈ 196662 ⑈ s.21

Payee: Minister of Finance  
Vendor ID: 503472

Check #: 196662  
Check Date: Sep 25/19

Invoice Num	Reference	Invoice Date	Invoice Amount	HST/GST	Payment Amt
092419	050019700158	Sep 24/19	1,400.00	0.00	1,400.00
VENDOR: Minister of Finance INVOICE#: 092419 DATE: 9/24/2019 CRINV SEND Vanessa Fotia cheque payable to the Minister of Finance in the amount of \$1,400 as payment of the non-refundable transfer fee					
Totals:			\$1,400.00		\$1,400.00

## Baumber, Steve FLNR:EX

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**From:** FIN REV G RMO CLMG Senior Collection Officer Team FIN:EX  
**Sent:** October 3, 2019 1:07 PM  
**To:** Baumber, Steve FLNR:EX; FIN REV G RMO CLMG Senior Collection Officer Team FIN:EX  
**Subject:** RE: Financial Standing Request

Hi Steve,

s.21

Hope that helps.

Thanks,

*Charla Stromkins*

Sr. Collection Officer  
Ministry of Finance  
Receivables Management Office, Collection and Loan Management Group  
Ph: 1-877-405-4911 ext 1177  
Fax: 250 356-5604

***We are concerned about protecting your privacy. Please be aware that sending personal information via e-mail can expose the information to unwanted parties. If you don't feel comfortable using e-mail to transfer your sensitive information, please contact us via phone or regular mail.***

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**From:** Baumber, Steve FLNR:EX  
**Sent:** October 3, 2019 11:48 AM  
**To:** FIN REV G RMO CLMG Senior Collection Officer Team FIN:EX <CLMGSCO@gov.bc.ca>  
**Subject:** Financial Standing Request

Hello,

I work with Forest Tenures Branch to prepare and process the necessary materials for Minister's approval and completion of forest agreement transfers conducted under Part 4 of the *Forest Act*.

As per section 54(2)(b), I would like to confirm that all amounts due and payable to the government for the following agreements have been paid or have an approved arrangement to be paid for the following replaceable Forest Licences that are the focus of two proposed agreement transfers:

TFL 18  
A18688  
A77955

The licences involved in the transfers are currently held by Canadian Forest Products Ltd. (TFL 18 and A18688) and Conifex Inc. (A77955)

Please let me know if you need any additional information from our office.

Regards,

-----  
**Steve Baumber, MSc, RPF** | Senior Timber Tenures Forester  
Forest Tenures Branch  
Ministry of Forests, Lands, Natural Resource Operations and Rural Development  
2<sup>nd</sup> Floor, 1520 Blanshard Street, Victoria, BC  
desk: 778-974-4047  
cell: 250-812-5105  
e-mail: [Steve.Baumber@gov.bc.ca](mailto:Steve.Baumber@gov.bc.ca)



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Withheld pursuant to/removed as

s.16



## FIRST NATIONS CONSULTATION REPORT FOR

# Proposed A77955 License Disposition

*from Conifex Timber Inc. to Fort St. James Forest Products General Partner Ltd. ("Hampton")*

### **Prepared by:**

**Heather Carson, First Nations Relations Advisor**

*Stuart Nechako Natural Resource District*

*Ministry of Forests, Lands, Natural Resource Operations and Rural Development*

*Latest version completed on: October 17, 2019*

### **Revision and Guidance Provided by:**

**Lori Borth, Director of Strategic Initiatives**

*Omineca Natural Resource Region*

*Ministry of Forests, Lands, Natural Resource Operations and Rural Development*

# 1 Executive Summary

The purpose of this report is to provide the Statutory Decision Maker (SDM) with an overview of First Nations consultation that has taken place regarding a joint request from Conifex Timber Inc. (“Conifex”) and Fort St. James Forest Products General Partner Ltd. (“Hampton”) for the disposition of Forest License A77955 (“A77955”) in the Prince George Timber Supply Area (“PGTSA”).

On June 24, 2019, Conifex and Hampton jointly announced an agreement of purchase for the Fort St. James sawmill and associated renewable Forest License A77955. On July 12, 2019, the Ministry of Forests, Lands, Natural Resource Operations & Rural Development (“FLNRORD/the Province”) received a Notification of Intended Disposition from Conifex and Hampton for A77955 and associated Road Permits. Conifex is proposing to dispose of A77955 and associated road permits to Hampton under Section 54.02 of the Forest Act. A77955 has an allowable annual cut (AAC) of 440,000 m<sup>3</sup>.

A77955 is a volume-based, replaceable forest tenure that provides the holder of the licence the opportunity to harvest a specific AAC within the TSA in accordance with the provisions of the licence contract and forest legislation and regulations. Due to the boundary of the PGTSA, FLNRORD determined that the proposed transaction could potentially impact 27 First Nations. Those First Nations are listed as follows: Binche Whut’en, Blueberry River First Nation, Cheslatta Carrier Nation, Gitxsan Hereditary Chiefs, Halfway River First Nation, Lake Babine Nation, Lheidli T’enneh First Nation, Lhoosk’uz Dene Nation, Lhtako Dene (Red Bluff), McLeod Lake Indian Band, Nadleh Whut’en, Nak’azdli Whut’en, Nazko First Nation, Nee-Tahi-Buhn Indian Band, Saik’uz First Nation, Saulneau First Nation, Simpcw First Nation, Skin Tyee Nation, Stellat’en First Nation, Tahltan Central Government, Takla Nation, Tl’azt’en Nation, Tsay Keh Dene Nation, Tsetsaut Skii Km La Ha Nation Ulkatcho First Nation, West Moberly First Nation and Yekooche First Nation.

Deputy Minister for FLNRORD, John Allan, brought in former Chief Forester and Deputy Minister of Agriculture, Larry Pedersen, to aid in the development of a process for the newly enacted Section 54.02. In conjunction with the work conducted by Mr. Pedersen, FLNRORD established a Working Group (WG) to aid in the facilitation of the this proposed transaction. The WG is composed of staff from the Forest Tenures Branch, Omineca Region Timber Tenures, and Stuart-Nechako Natural Resource District.

**The Province communicated with above-listed First Nations to receive information about the potential impacts of the proposed Disposition of A77955 on the Nations’ Aboriginal Interests. It is the assessment of a FLNRORD Stuart-Nechako District First Nations Relations Advisor that the Province’s efforts to engage and consult with all the potentially impacted First Nations have been carried out in good faith and in a manner consistent with the Updated Procedures, established case law and relevant Agreements. It is also assessed that the process of consultation was fair, open and transparent. It is recommended that the SDM for the above-noted decision can proceed to decision.**

## 2 Scope

### 2.1 Description and History of A77955

Timeline of A77955:

- April 22, 2005: Conifex acquired A77955 with a total AAC of 640,000 m<sup>3</sup>
- August 1, 2015: Conifex came to a purchase agreement with Canfor for the subdivision and transfer of 200,000 m<sup>3</sup> from A77955 to A93557. A77955 now has an AAC of 440,000 m<sup>3</sup>
- June 24, 2019: Conifex and Hampton jointly announced an agreement of purchase for the Fort St. James sawmill and associated renewable Forest License A77955
- July 12, 2019: FLNRORD received a Notification of Intended Disposition from Conifex and Hampton for FL A77955 and associated Road Permits.

A77955 is a volume-based, replaceable forest tenure that provides the holder of the licence the opportunity to harvest a specific AAC within the TSA in accordance with the provisions of the license contract and forest legislation and regulations. While the license could potentially be located anywhere in the PG TSA, A77955 has traditionally operated within Supply Blocks B and C of the PG TSA (in the former Fort St. James Forest District), with much of the volume processed at the Conifex Sawmill in Fort St. James. It is understood that prior to the proposed sale to Hampton, the Fort St. James Conifex Sawmill directly employed 226 (per their information). Among those employed, were an unidentified number of First Nations individuals from Nak'azdli Whut'en and Tl'azt'en Nation.

### 2.2 Geographic Location

As mentioned above, A77955 has traditionally operated within Supply Blocks B and C of the PG TSA (the former Fort St. James Forest District) but due to the nature of this license, there is the potential for harvesting rights to be located anywhere in the PG TSA. Given this fact, Omineca First Nations Relations (FNR) staff was determined that consultation would need to occur with all First Nations who have Traditional Territory overlapping the TSA. However, Hampton has stated throughout the engagement process that they intend to continue operations in current areas in the vicinity of Fort St. James.

At the time of the proposed disposition, Conifex Operating Areas (OAs) were as follows:

- Whitefish – located to the West of Stuart Lake along the Cunningham FSR
- Kuzkwa – located on the Leo Creek FSR
- Hat Lake – located between Tezzeron and Inzana Lakes
- Necoslie – located Southwest of Fort St. James
- Tsayta – located directly West of Indata Lake
- Takatoot – located between the Western end of Tchentlo Lake and Purvis Lake

## 2.3 Legal Structure of Decision

Under Section 54(2)(a) of the Forest Act, the disposition of this agreement must have the approval of the Minister in writing. In considering whether to approve a disposition under section 54.02(1), the Minister must consider the effect of the disposition on the marketing of fibre in British Columbia and on the public interest. To fulfill this requirement, a market competition assessment will be conducted by Ministry experts, and that assessment along with information pertaining to the public interest and First Nations Consultation will be provided to Minister to inform the decision.

A priority of Omineca FNR staff was to clearly identify and maintain the separation between Public Interest and First Nations Consultation. We acknowledged that there would be overlap and they may not be exclusive to each other but to effectively meet the Crown's duty, clear and consistent messaging regarding this separation would be essential.

## 3 Agreements Considered during Consultation

\*FCRSA is 'Forest Consultation and Revenue Sharing Agreement'

- *Carrier Sekani First Nations Collaboration Agreement (2015)*
- *Carrier Sekani First Nations - Interim Pathways (2017)*
- *Carrier Sekani Interim Forestry Revenue Sharing Agreement (2018)*
- *Cheslatta Carrier Nation Interim Reconciliation Agreement (2019)*
- *Cheslatta Carrier Nation FCRSA (2017)*
- *Gitxsan Watershed Shared Engagement Agreements (2018/19)*
- *Halfway River First Nation Government to Government Agreement (2017)*
- *Klappan Plan (2019)*
- *Lake Babine Foundation Pathway Agreement (2017)*
- *Lheidli T'enneh FCRSA (2018)*
- *Lhoosk'uz Dene Nation FCRSA (2017)*
- *Lhtako Dene Nation FCRSA (2018)*
- *Nazko First Nation FCRSA (2017)*
- *Nee-Tahi-Buhn Indian Band FCRSA (2021)*
- *Simpcw First Nation FCRSA (2018)*
- *Skin Tyee Nation FCRSA (2018)*
- *South Dakelh Foundation Framework Agreement (2019)*
- *Treaty No. 8 and the McLeod Lake Indian Band Treaty No. 8 Adhesion and Settlement Agreement (1999)*
- *Treaty No. 8 (1899)*
- *Ulkatcho First Nation FCRSA (2019)*
- *Yekooche First Nation FCRSA (2018)*

## 4 Information Sources

The Province considered the following information sources during the consultation:

- The Province's Consultative Area Database;
- Available ethnohistoric information;
- Relevant Agreements;
- Results of previously undertaken consultation processes;
- Results of the Province's consultation with First Nations on this proposal, including written correspondence, meetings, and telephone calls;
- Results of the engagement efforts undertaken by Conifex and Hampton; and,
- Report titled *Prince George Timber Supply Area Timber Supply Review (5): An assessment of the Seriousness of Impacts of Several Rate-of-Cut Scenarios to the Rights, Title and Interests of the Carrier Sekani First Nations (May 2017)* (CSFN TSR Impact Report).

## 5 First Nations Consultation Undertaken by the Province

The Province used the Consultative Areas Database (CAD) to determine that 27 separate First Nations would need to be consulted for this proposed disposition. Those First Nations were identified as follows: Binche Whut'en, Blueberry River First Nation, Cheslatta Carrier Nation, Gitxsan Hereditary Chiefs, Halfway River First Nation, Lake Babine Nation, Lheidli T'enneh First Nation, Lhoosk'uz Dene Nation, Lhtako Dene (Red Bluff), McLeod Lake Indian Band, Nadleh Whut'en, Nak'azdli Whut'en, Nazko First Nation, Nee-Tahi-Buhn Indian Band, Saik'uz First Nation, Saulteau First Nation, Simpcw First Nation, Skin Tyee Nation, Stelat'en First Nation, Tahltan Central Government, Takla Nation, Tl'azt'en Nation, Tsay Keh Dene Nation, Tsetsaut Skii Km La Ha Nation, Ulkatcho First Nation, West Moberly First Nation and Yekooche First Nation.

The Duty to Consult rests with the Crown. However, the Province may delegate some procedural aspects to the Proponent. The Province often relies on proponent engagement to address concerns that may be outside the scope of the decision or beyond the authority of the Crown. For this proposal, Hampton undertook a separate engagement process with emphasis on those First Nations surrounding Fort St James (Binche Whut'en, Nak'azdli Whut'en, Takla Nation, Tl'azt'en Nation and Yekooche First Nation). It is understood that the conversations between Hampton and these First Nations were focused on local economy, mill rebuilding, and economic opportunities. The details of these discussions remain confidential and are not readily available to the Province at this time.

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s.16

Page 063 of 370 to/à Page 076 of 370

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s.16 ; s.21





## ***Executive Summary***

*First Nations Consultation for Proposed A77955 License Disposition from Conifex Timber Inc. to Fort St. James Forest Products General Partner Ltd. ("Hampton")*

A77955 is a volume-based, replaceable forest tenure that has traditionally operated within Supply Blocks B and C of the PG TSA (the former Fort St. James Forest District). There is the potential for harvesting rights to be located anywhere in the PG TSA, therefore, FLNRORD determined that the proposed transaction could potentially impact 27 First Nations. Consultation was conducted at 'normal' for 23 Nations, and at 'notification' for four (4) signatory First Nations to *Treaty No. 8 (1899)*. While the licence is TSA-wide, the Province understands that those Nations with territory overlapping the existing Conifex Operating Areas (OAs) are most likely engage in this consultation and be affected by the decision. Those Nations currently overlapping Conifex OAs and with associated moderate to strong Strength of Claim are Binche Whut'en, Nak'azdli Whut'en, Takla Nation, Tl'azt'en Nation and Yekooche First Nation.

### ***1. Potential Impacts to First Nations Rights and Title***

FLNRORD assessed that the potential impacts to First Nations in the PG TSA from this decision would be low-moderate. This assessment was based on the nature of the disposition involves an existing (as opposed to new) tenure interest, and there being no inclusion of operational components or potential physical impacts to Aboriginal Interests. Concerns were expected to be regarding the economic component of Aboriginal Title (i.e. forest tenure opportunities and ownership). If the transfer is approved, physical impacts will be assessed at future authorization stages.

### ***2. Issues Summary***

Issues raised by First Nations during this consultation can be broadly grouped into three (3) categories: economic, strategic, and stewardship. Specific items raised in those groups are as follows:

- Economic: requests for tenure/volume, requests for Economic Benefits Agreements, concerns on local economic resiliency, requests for certainty on mill rebuilding, and requests for economic opportunities for band members;
- Strategic: concerns regarding the necessity of Free, Prior and Informed Consent, concerns regarding the validity of consultation, concerns over timeline constraints, concerns over validity of First Nation feedback, and requests relating to G2G Negotiations;
- Stewardship: concerns regarding increased pressure on land base, requests for Omineca Environmental Stewardship Initiative/Takla Best Management Practices adoption/implementation, requests regarding potential Cultural Heritage Management, and requests to limit pesticide/herbicide use.

These concerns and issues were addressed and/or responded to in the Province's initial consultation letter, in the associated Q&A document, at any meetings held in-person or by phone, and in writing via letter or email. Where available, First Nations were directed to appropriate tables or negotiations.



### **3. Accommodation**

The duty to consult and accommodate rests with the Crown only. Accommodation must be proportionate to the seriousness of impact and strength of claimed rights, and accommodation must be linked to the impact of the claimed right. As such, the Advisor does not recommend any accommodation in response to this decision. This recommendation is based on a consideration of the legal structure of this decision, the actual impacts to First Nation Interests from this decision being assessed as low-moderate, the lack of specified area (i.e. it being TSA-wide) and there being no specific linkage identified between an impact and a claimed right. Most strategic concerns raised by First Nations are being addressed through alternative processes.

The Province is aware of ongoing Business-to-Business Discussions between Hampton and several First Nations. However, we are not privy to the specifics of this discussions and have determined that demanding these specifics from First Nations would be overstepping the Crown's authority, counterproductive to reconciliation, and unnecessary in discharging the Crown's duty to consult

### **4. Strategic Alignment**

Throughout this consultation process, the A77955 Working Group strove to ensure alignment with Strategic Initiatives, including the broader Provincial direction on UNDRIP adoption and implementation. The location of the current mill and OAs led to significant coordination and consideration of negotiations with Carrier-Sekani First Nations (CSFNs). CSFNs raised two concerns related to ongoing Government-to-Government (G2G) negotiations: 1) forest tenure, and 2) ESI Immediate Measures (IMs). The Province is addressing tenure negotiations and IMs implementation through other avenues. Additionally, the Province and CSFNs have signed the Pathway Forward 2.0 Agreement (Pathways Agreement) but do not anticipate the Agreement will be executed prior to October 31, 2019. When executed, the Pathways Agreement will constitute full economic accommodation for Forest and Range decisions in those territories. Other strategic initiatives considered during consultation: Gitksan Strategic Engagement Agreements, Yekooche Treaty Negotiations, Lake Babine Nation Negotiations, the Southern Dakeelh Nation Alliance Agreement, and the Klappan Plan.

### **5. Recommendation**

**The Province communicated with above-listed First Nations regarding the potential impacts of the proposed Disposition of A77955 on the Nations' Aboriginal Interests. It is the assessment of the First Nations Relations Advisor that the Province's efforts to engage and consult with First Nations have been carried out in good faith and in a manner consistent with the Updated Procedures, established case law and relevant Agreements. It is also assessed that the process of consultation was fair, open and transparent. It is recommended that the SDM for the above-noted decision proceed to decision.**

*Prepared on October 17, 2019 by:*

*Heather Carson, First Nations Advisor, Stuart-Nechako Natural Resource District*

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**BLG**  
Borden Ladner Gervais

July 12, 2019

FILE NO: 564306/1



**By Courier**

Ministry of Forests  
Lands and Natural Resource Operations  
1520 Blanshard St  
Victoria, B.C. V8T 4J1

**Attention: Doug Stewart, Director Forest Tenures Branch**

Dear Doug:

**Re: Hampton Lumber Mills – Canada, Ltd. and Conifex Inc.  
Notice of Intended Disposition**

On behalf of Hampton Lumber Mills – Canada, Ltd., we enclose a notice of intended disposition in connection with the disposition of Forest Licence A77955 and associated road permits currently held by Conifex Inc., together a cheque payable to the Minister of Finance in the amount of \$2,300 as payment of the non-refundable transfer fee of \$100 per licence/permit.

Yours truly,

**Borden Ladner Gervais LLP**

By:

Robert G. Owen

RGO/md  
Encls.

cc: Hampton Lumber Mills – Canada, Ltd.  
Sangra Moller LLP

**NOTICE OF INTENDED DISPOSITION**  
**of a**  
**TREE FARM LICENCE; FOREST LICENCE; or PULPWOOD AGREEMENT**  
**under**  
**SECTION 54 OF THE *FOREST ACT***

To: The Director,  
Forest Tenures Branch,  
Ministry of Forests, Lands, Natural Resource Operations and Rural Development

Re: Forest Licence A77955 (the "Agreement")

We jointly hereby give notice of the intended disposition of the Agreement:

From: Conifex Inc.  
(Current Holder of the Agreement)

To: Fort St. James Forest Products Limited Partnership.  
(Intended Recipient of the Agreement)

The following information pertaining to each of the Current Holder and the Intended Recipient of the Agreement is provided:

1. Current Holder of the Agreement

Corporation Name: Conifex Inc.

Jurisdiction of Incorporation: Canada (Federal)

Incorporation Number: 678715-1

Address: Suite 980 - 700 West Georgia Street, Vancouver, BC V7Y 1B6

Directors and Officers:

Directors:

Kenneth Shields

Officers:

Kenneth Shields, President and CEO  
Yuri Lewis, Chief Financial Officer  
Adam Infanti, VP Finance

Major Shareholders (including % held): Conifex Timber Inc. (100%)

Intended Recipient of the Agreement

Corporation Name: The Intended Recipient of the Agreement is not a corporation, but is Fort St. James Forest Products Limited Partnership, a British Columbia limited partnership

Unknown

having Fort St. James Forest Products General Partner Ltd. as the sole general partner and Trans-Pacific Trading Ltd. as the sole initial limited partner.

Jurisdiction of Incorporation: Fort St. James Forest Products Limited Partnership is a limited partnership formed under the laws of the Province of British Columbia. The jurisdiction of incorporation of Fort St. James Forest Products General Partner Ltd. and of Trans-Pacific Trading Ltd. is British Columbia.

Incorporation Number: The registration number for Fort St. James Forest Products Limited Partnership is LP782437. The incorporation number for Fort St. James Forest Products General Partner Ltd. is BC1215499 and the incorporation number for Trans-Pacific Trading Ltd. is BC0940926.

Address: The registered office of Fort St. James Forest Products Limited Partnership is 1200 Waterfront Centre, 200 Burrard Street, Vancouver, BC V7X 1T2, the registered office of Fort St. James Forest Products General Partner Ltd. is 1200 Waterfront Centre, 200 Burrard Street, P.O. Box 48600, Vancouver, BC V7X 1T2, and the registered office Trans-Pacific Trading Ltd. is 1500 Royal Centre, 1055 West Georgia Street, P.O. Box 11117, Vancouver, BC V6E 4N7.

Directors and Officers: Fort St. James Forest Products Limited Partnership does not have any directors or officers. The directors and officers of Fort St. James Forest Products General Partner Ltd. and Trans-Pacific Trading Ltd. are:

Fort St. James Forest Products General Partner Ltd.

Directors:

Dave Salmon  
Vicki Shaylor

Officers:

Dave Salmon, President  
Vicki Shaylor, Secretary

Trans-Pacific Trading Ltd.

Directors:

Steven J. Zika  
Robert L. Bluhm

Officers:

Steven J. Zika, CEO  
Robert L. Bluhm, Vice-President  
Finance and CFO  
James Michael Tyrer, President  
Trent Gustafson, Vice-President  
Dave Salmon, Vice-President  
Human Resources  
Brian Vetrone, Treasurer  
Vicki Shaylor, Secretary

Major Shareholders (including % held): As a limited partnership, Fort St. James Forest Products Limited Partnership does not have shareholders. The major shareholder of Fort St. James Forest Products General Partner Ltd. is Hampton Lumber Mills – Canada Ltd. (100%) and the major shareholder of Trans-Pacific Trading Ltd. is Hampton Lumber Mills – Canada, Ltd. (100%).

2. The transaction proposed includes the disposition of the Agreement (including any cutting permits issued pursuant to the Agreement) and the following road permits which have been issued in association with the Agreement:

R02268 – Kuzkwa South	R18142 – Whitefish
R02274 – Nielsp-Karena	R18627 – Hat Lake
R03466 – Purvis	R18965 – Kuzkwa
R07464 – Takatoot	R20144 – Hat Lake East-Hunitlin North Road
R07564 – Hat Lake	R20525 – Hat Lake West
R07565 – Inzana	R20526 – Necoslie
R12083 – Necoslie-Inzana	R20541 – Tchentlo
R12084 – Cunningham	R20663 – Kuzkwa
R12088 – Kuzkwa	R20831 – Rottacker
R12089 – Takatoot	R21175 – Elliot
R15371 – Hat North	R21663 – Sawtooth

3. The current timber harvesting rights of each of the Current Holder and the Intended Recipient are as follows:

	<i>Forest Act Agreement (includes all agreements within the relevant corporate group, with the registered licensee noted)</i>	AAC (m <sup>3</sup> )
<b>Current Holder</b>		
Conifex Inc.	Forest Licence A77955 in the Prince George Timber Supply Area	440,000
Conifex Mackenzie Forest Products Inc.	Forest Licence A15385 in the Mackenzie Timber Supply Area	632,500
1040806 B.C. Ltd. (50% ownership interest)	Forest Licence A93631 in the Mackenzie Timber Supply Area	300,000
<b>Intended Recipient</b>		
Babine Forest Products Limited	Forest Licence A16823 in the Lakes Timber Supply Area	334,951
Babine Forest Products Limited	Forest Licence A96136 in the Lakes Timber Supply Area	10,000
Babine Timber Limited	Forest Licence A16825 in the Lakes Timber Supply Area	94,748
Babine Timber Limited	Forest Licence A96137 in the Lakes Timber Supply Area	10,000
Northwest BC Timber Resources Ltd.	Forest Licence A16833 in the Kispiox Timber Supply Area	87,571
0736238 BC Ltd.	Forest Licence A74498 in the Kispiox Timber Supply Area	11,381

s.21

5. List any Private Lands that are currently subject to the Tree Farm Licence as per section 54.7 (1) of the Forest Act (if applicable): Not Applicable.
6. List any licences that have been directly awarded in respect to treaty related measures, interim measures or economic measures: Not Applicable.
7. Detailed information with respect to replaceable contract obligations (if any) associated with the licence(s) being transferred (Recipients of the Agreement must assume the contracts – see Section 54(d.1) of the Forest Act): None.
8. In regard to licence deposit, the 1<sup>st</sup> Intended Recipient of the Agreement and Current Holder of the Agreement have agreed to the following (*select one option*):

- (i) ~~The current deposit held under the Agreement is to be applied on behalf of the Intended Recipient of the Agreement (Applies to Cash deposits only);~~  
  
Or
  - (ii) A new licence deposit payable to the Minister of Finance for the total of the current deposit required for the agreement will be submitted and the current deposit held under the Agreement is to be returned to the current holder of the Agreement (B.C. Reg. 55/2006).
9. Payment of a non-refundable transfer fee of \$100.00 for each agreement and road permit is attached to this notice in the form of a check made payable to the Minister of Finance.
10. Contact particulars (name, address, telephone number, email address):

Current Holder of the Agreement:

Conifex Inc.  
ATTN: Adam Infanti  
Vice President, Finance  
Suite 980 - 700 West Georgia Street,  
Vancouver, BC V7Y 1B6  
Phone: 604-216 6828  
Fax: 778-331-8944  
Email: adam.infanti@conifex.com

Intended Recipient of the Agreement:

Fort St. James Forest Products Limited Partnership  
ATTN: Heath Curtiss  
Vice President, Legal & Government Affairs  
Hampton Lumber  
9600 SW Barnes Rd., Suite 200  
Portland, OR 97225-6666  
Phone: 503-203-6610  
Email: heathcurtiss@hamptonlumber.com

11. The intended date of the disposition is the fifth (5<sup>th</sup>) business day after (i) the approval of the Minister is received for the dispositions, and (ii) any approvals required under the Competition Act (Canada) are obtained, provided that date is not later than November 30, 2019.



We hereby seek a notice that the intended dispositions may proceed to completion.

Dated for reference this 11<sup>th</sup> day of July, 2019.

Conifex Inc.

By: K. Shields

Authorized Signatory

Name: Kenneth Shields

Title: President and CEO

Fort St. James Forest Products General Partner Ltd.,

in its capacity as the general partner of

Fort St. James Forest Products Limited Partnership

By: Vicki Shaylor

Authorized Signatory

Name: Vicki Shaylor

Title: Director

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s.21



Ministry of  
Forests, Lands, Natural  
Resource Operations  
and Rural Development

**PROPOSED TRANSFER OF A77955 *FROM* CONIFEX INC. *TO*  
FORT ST. JAMES FOREST PRODUCTS GENERAL PARTNER LTD.**  
**PUBLIC INTEREST SUMMARY**

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**PUBLIC INTEREST SUMMARY**

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Ministry of  
Forests, Lands, Natural  
Resource Operations  
and Rural Development

## **PROPOSED TRANSFER OF A77955 FROM CONIFEX INC. TO FORT ST. JAMES FOREST PRODUCTS GENERAL PARTNER LTD.**

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### **PUBLIC INTEREST SUMMARY**

#### **I. Executive Summary**

The public interest regarding the proposed transfer was identified through a review of online submissions, correspondence, media/news articles, and multiple internal and external meetings held among ministry staff, local government, First Nations, stakeholders and citizens.

NOTE: Engagement with First Nations with respect to the public interest is in addition to consultation completed to meet the province's constitutional duty (see Appendix ##).

#### **1. Online Submissions**

Submissions were from citizens of BC, and mainly from residents of Fort St. James. There were 51 received, and the majority (78%) were in support of the disposition.

#### **2. Letters**

A total of 9 letters were addressed to the Minister or other senior government officials. These letters represent input from organized groups, elected officials, First Nations, and the CEOs of the Sinclair Group and Pinnacle Pellets.

#### **3. Media**

A number of news articles had general references to the state of provincial forests, concerns of Fort St. James regarding its social and economic stability, commitments made by Hampton to the community and First Nations, and general concerns over mill curtailments.

#### **4. Provincial Community Support Programs**

Various provincial programs have been directed to communities that have been impacted by mill curtailments, mill closures and other economic impacts. Specific funds have been identified for the assistance of forestry and mill workers. Community Development teams have been working within Fort St. James and Mackenzie to assist these communities address multiple social and economic issues.

#### **5. Community Meetings**

Meetings among ministry staff, the proponents, First Nations, local governments, stakeholders and citizens have been held. These meetings have been held to gather input from affected groups and individuals, to communicate information regarding the transfer, and to maintain focus on efforts to improve social and economic stability in the affected communities.



## PROPOSED TRANSFER OF A77955 FROM CONIFEX INC. TO FORT ST. JAMES FOREST PRODUCTS GENERAL PARTNER LTD.

### PUBLIC INTEREST SUMMARY

#### 6. Summary of Public Interest

Whose Interest	Details
Citizens of Fort St. James	<ul style="list-style-type: none"> <li>Hampton must build and operate a new saw mill in Fort St. James</li> <li>Wood fibre should stay in the community</li> <li>Volume of the license could be reclaimed by the province for management of other resource values (wildlife habitat)</li> <li>Concerns over the safety and maintenance of roads and highways in and around Fort St. James if there is increased hauling out of the community</li> </ul>
Local Government: District of Fort St. James	<ul style="list-style-type: none"> <li>Strong support from Mayor and Council on the condition that a new mill be built</li> <li>Want wood fibre to stay in the community</li> </ul>
Local Government: Burns Lake, Prince George, Mackenzie)	<ul style="list-style-type: none"> <li>Feel the transfer is strongly in the public interest</li> <li>Sale will ensure viability of Conifex's Mackenzie operations, including chip supply to Paper Excellence</li> <li>More secured fibre supply for Hampton strengthens their overall financial position and operations in other towns</li> </ul>
s.16	
Province of BC	<ul style="list-style-type: none"> <li>Supports a competitive forest sector</li> <li>Rationalizing the consumption of fibre versus the available timber supply</li> <li>Currently, there is no room to remove areas from the Timber Harvesting Land Base of the Prince George Timber Supply Area to support an area (and therefore an AAC increase to the Community Forest)</li> <li>In April 2019, Premier John Horgan called on industry, labour, First Nations and communities "to work together to develop a new vision for our Interior forest industry at the regional level" and build "an industry that maximizes the value of forest products, a competitive industry with opportunities for local workers, meaningful partnerships with First Nations, and security for forest-dependent communities"</li> </ul>



**PROPOSED TRANSFER OF A77955 FROM CONIFEX INC. TO  
FORT ST. JAMES FOREST PRODUCTS GENERAL PARTNER LTD.**  
**PUBLIC INTEREST SUMMARY**

Whose Interest	Details
	<ul style="list-style-type: none"> <li>Hampton feels that their proposal is consistent with the vision of a community-based solution with benefits for First Nations, workers, and the local community as desired by the Premier's 'charge' to the industry</li> <li>Hampton has suggested that a mill can be viable in the area if centred on available fibre supply and built to be adaptive and competitive</li> <li>Hampton has stated that the new mill will be right-sized and will have the latest design in safety and technology similar to Babine to ensure safe and stable employment</li> <li>Improves Conifex's financing and stability for amounts still owed to government</li> <li>Hampton would like to enter into equity partnership arrangements with the local First Nations who are interested and has an established history with these partnerships in Burns Lake</li> </ul>
Labour: Mill workers and United Steelworkers	<ul style="list-style-type: none"> <li>Modern mill will reduce the amount of labour required</li> <li>Given how long it will take to re-build it is unlikely that the current workers can wait</li> </ul>
Labour: Logging contractors	<ul style="list-style-type: none"> <li>Bill 13 contracts were lost when Pope &amp; Talbot went bankrupt</li> <li>Hampton believes in maintaining local logging capacity to be able to support the new mill once built</li> <li>Communities believe that it is in the public interest to keep logging contractors employed while the re-build moves along</li> <li>Local contractors should have a competitive advantage because of their proximity to the logging operations</li> </ul>
Labour: Other Forest Sector Employers	<ul style="list-style-type: none"> <li>Correspondence received from Sinclair Group: Apollo Forest Products, Nechako Lumber, Lakeland Mills and Winton Global Lumber, with operations in Prince George, Vanderhoof and Fort St. James</li> <li>Concerns that over time the fibre basket within the TSA will continue to erode and potentially accelerating mill rationalization</li> <li>Employment of local First Nations through jobs at local mills, logging, trucking, and other ventures needs to be maintained for all operators</li> <li>Continued fibre supply to secondary fibre users such as Paper Excellence, Fort St. James Green Energy, and Pinnacle Renewable Energy Inc. is of concern</li> </ul>

\* Summary of First Nations with respect to the public interest is not a reflection of issues brought forward through consultation. Please see Appendix ##.



## PROPOSED TRANSFER OF A77955 FROM CONIFEX INC. TO FORT ST. JAMES FOREST PRODUCTS GENERAL PARTNER LTD.

### PUBLIC INTEREST SUMMARY

## II. Introduction

As part of the approval process for the proposed disposition of Forest Licence (FL) A77955 from Conifex Inc. (Conifex) to Fort St. James Forest Products General Partner Ltd. (Hampton), the ministry undertook a review of the public interest. The review included the following:

- A. Seeking comments online through a ministry internet site.
- B. A review of letters addressed to the Minister (and other senior officials).
- C. A review of media posts regarding the proposed disposition.
- D. A summary of internal and external meetings held among the proponents, First Nations, local governments, stakeholders and citizens.

This paper provides a summary of the information received and the Ministry's subsequent review of the public interest.

## III. Online Submissions

Following the enactment of Bill 22, a [Ministry website](#) was established specifically in regard to the public interest requirement for dispositions of agreements under the *Forest Act*. The site includes some background information as well as the ability for any citizen to provide comments on proposed dispositions that are currently under review.

For the disposition of FL A77955 from Conifex to Hampton the engagement period was from July 29, 2019 to October 2, 2019 (65 days). The opportunity to submit comments was largely communicated by word of mouth, during meetings with stakeholders and community groups, and through emails. Although there was no formal press release issued by the government, one media article mentioned the website and provided the URL link.

The website asked that comments were to be submitted anonymously and not to include any self-identifying text, images or documents. However, the form did allow for attachments to be provided and respondents could indicate the community where they reside.

A total of 51 online comments were received, mostly from residents of Fort St. James. The majority (78%) were in support of the disposition. Many of the supporting submissions indicated that their support was based on the condition that Hampton build and operate a new sawmill on the existing sawmill site and/or that the volumes harvested under the licence "stay within the community".

The submissions brought forward a number of other comments and recommendations (Table 1). Attachment A includes the full summary of the online submissions.

**Table 1: Summary of Online Submissions**

- A total of 51 submissions were received.
- Most of the comments (45) were submitted by people living in Fort St. James. Others were submitted by people from Vanderhoof, Prince George and Vancouver (1).
- 40 (78%) supported the disposition.

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s.16 ; s.21



**V. Media Posts**

A search for media posts that pertained to the proposed disposition was also conducted. A total of 20 articles were identified. The articles were a combination of announcements made by Conifex, letters to the editor, and editorial comments on the proposed disposition and the curtailment of sawmill operations in the interior of the province (Table 3).

**Table 3. Summary of Media Articles**

	Media	Date	Content
1	Global News Wire  "Conifex and Hampton Lumber	Jun 24	<ul style="list-style-type: none"><li>• Conifex announcement</li><li>• Purchase agreement with Hampton for mill and forest licence</li></ul>



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	Media	Date	Content
	Announce Agreement for Sale of Fort St. James Sawmill”  <u>Website</u>		<ul style="list-style-type: none"> <li>• Quote from Ken Shields (CEO) that rationalization is inevitable due to saw log supply</li> <li>• Believes the sale supports Province’s objectives for industry rationalization</li> <li>• Thanked employees, contractors and other stakeholders for hard work</li> <li>• Comment from Hampton (Steve Zika, CEO) that current conditions are challenging, but long-term outlook for Canadian lumber is promising</li> <li>• Conifex does not expect to resume operations at the sawmill</li> <li>• Proceeds will be used to retire debt and provide additional liquidity</li> </ul>
2	Kamloops Matters  “Extremely difficult: Conifex closing Fort St. James sawmill after sale agreement reached”  <u>Website</u>	Jun 25	Reiterates the Conifex announcement (#1)
3	CBS News  “Conifex to sell sawmill in Fort St. James, buyer plans to rebuild”  <u>Website</u>	Jun 25	<ul style="list-style-type: none"> <li>• Another list of sawmills shutting down</li> <li>• Conifex said it has agreed to sell Fort St. James mill to Hampton for \$39M</li> <li>• Says there is too little saw log supply</li> <li>• B.C. forest sector in a perpetual decline for decades</li> <li>• On June 10 Canfor said it is curtailing sawmill operations</li> </ul>
4	My Bulkley Lakes Now  “We will get through this difficult transition COFI president on sawmill curtailments, closures”	Jun 26	<ul style="list-style-type: none"> <li>• COFI president says recent challenges in forest sector are due to bad wildfire seasons, MPB, and challenging market conditions</li> <li>• Pleased that Hampton is planning to build new mill in Fort St. James</li> <li>• Need the right mills and configuration</li> <li>• Lumber prices have been low; below cost to produce</li> <li>• Confident that industry will move on</li> <li>• Wants to see milling capacity match fibre availability</li> </ul>



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	Media	Date	Content
	<a href="#">Website</a>		
5	CBC News  "Fort St. James declares financial crisis following mill closure"  <a href="#">Website</a>	Jul 17	<ul style="list-style-type: none"> <li>Fort St. James declared state of financial crisis after mill was sold last month</li> <li>Declaration ordered by mayor and will remain in force for 30 days</li> <li>Closure is no news to the community, and affects many others</li> <li>Fort St. James received \$2M last time around that kept workers in the community</li> <li>New mill, although smaller, would be best case scenario</li> </ul>
6	Financial Post  "Sawmill closure in Fort St. James prompts declaration of financial crisis"  <a href="#">Website</a>	Jul 18	<ul style="list-style-type: none"> <li>Mayor of Fort St. James has declared a state of financial crisis after Conifex announced intention to sell mill</li> <li>Town is asking for help from all levels of government</li> <li>Many other companies have announced reductions</li> <li>Ken Shields said closure inevitable due to log supply</li> <li>Hampton pledges to build new saw mill</li> </ul>
7	Global News Wire  "Conifex Temporarily Curtailing Mackenzie Operations"  <a href="#">Website</a>	Jul 22	<ul style="list-style-type: none"> <li>Conifex has taken difficult decision to temporary shutdown Mackenzie saw mill for 2 weeks due to high costs and lumber market conditions</li> </ul>
8	B.C. Local News  "Fort St. James in financial crises mayor says"  <a href="#">Website</a>	Jul 24	<ul style="list-style-type: none"> <li>Mayor says Fort St. James in financial crisis at July 18 meeting</li> <li>3 shutdowns (Canfor; Pope and Talbot; Conifex)</li> <li>Conifex says mill is in production curtailment</li> <li>Community is working on plan with industry and government to prepare for economic difficulties</li> <li>Hampton says that timelines for new mill are not yet known</li> <li>Workers might move to other sawmills</li> </ul>
9	Terrace Standard  "Northern Residents out of work from sawmill"	Aug 1	<ul style="list-style-type: none"> <li>Fort St. James held job fair for affected workers</li> <li>226 workers affected</li> <li>Rumors that logs are being moved out of the area</li> <li>Rumors that Hampton will re-open mill in 2 years</li> <li>Steve Zika (CEO) says Hampton plans to dismantle mill</li> </ul>



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	Media	Date	Content
	sale voice uncertainty about future”  <u>Website</u>		<ul style="list-style-type: none"> <li>• Mayor said negotiations are in early stages</li> <li>• Mayor has strong stance against logs leaving the area</li> </ul>
10	Global News Wire  “Conifex extends temporary curtailment at Mackenzie Operations in Q3”  <u>Website</u>	Aug 7	<ul style="list-style-type: none"> <li>• Conifex announced extension of curtailment of Mackenzie sawmill</li> <li>• Company is exploring initiatives with ministry</li> <li>• Expected to reduce Conifex’s lumber output by 25M board feet</li> </ul>
11	Caledonia Courier  Letter to Editor Author: Brenda Gouglas  “Timber is being hailed out of Fort St. James”  <u>Website</u>	Aug 8	<ul style="list-style-type: none"> <li>• Mayor said in a meeting that “timber is not leaving this community”</li> <li>• Contrary to belief, Conifex sold 51 loads to Dunkley and 186 to Carrier</li> <li>• Researched facts from Harvest Billing System</li> <li>• Other loads went directly from Conifex’s yard</li> <li>• Canfor is hauling timber to Plateau and other operations.</li> <li>• Makes a mockery of Conifex’s rationale that there is too little timber</li> <li>• Hampton will deliver timber to Burns Lake until mill is built.</li> <li>• If you believe timber should be milled in Fort St. James, write a letter to province and local governments</li> <li>• <b>Included link to feedback website</b></li> </ul>
12	MYPGNOW  “Fort St. James Extends Financial Crisis”  <u>Website</u>	Aug 19	<ul style="list-style-type: none"> <li>• Financial crisis extended as concerns have not been addressed by province or federal government’</li> <li>• Government says actions are forthcoming</li> <li>• Minister has yet to visit community</li> </ul>
13	Sooke News Mirror  “Forest Minister visits BC town hit by multiple mill shutdowns”	Aug 22	<ul style="list-style-type: none"> <li>• Minister spoke to rally in Mackenzie where 3 sawmills are shut down and pulp mill soon</li> <li>• Mills are shut down due to low prices and challenging operating conditions</li> <li>• Minister indicated BCTS is in discussions with Conifex to provide timber</li> <li>• Restarting Conifex would provide support also to downstream businesses (reman; pulp mill)</li> </ul>



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	Media	Date	Content
	<a href="#">Website</a>		<ul style="list-style-type: none"> <li>Warned that reducing stumpage would spark actions from U.S.</li> <li>Province is working on efforts for laid off workers similar to Fort St. James</li> <li>Frustrating to see logs transported out of community to other areas</li> <li>Minister has called on federal government to provide additional support</li> </ul>
14	CKPG  "Our logs, Our jobs"  <a href="#">Website</a>	Aug 22	<ul style="list-style-type: none"> <li>Hundreds of residence of Mackenzie rallied to express concerns over future of forestry in the community</li> <li>In June, Canfor (Conifex?) announced a six-week curtailment that became indefinite</li> <li>Minister made a special trip to meet with mayor; local First Nations and unions.</li> <li>Minister said that BCTS is working with Conifex to ensure mill has enough timber to be running by Sept 2</li> </ul>
15	Caledonia Courier  Letter to Editor Author: Brenda Gouglas, resident Fort St. James  "Hampton's intentions need to be clarified"  <a href="#">Website</a>	Aug 24	<ul style="list-style-type: none"> <li>Hampton would use wood for current operations rather than intended sawmill in Fort St. James</li> <li>In 2012 Hampton said the needed 1m m<sup>3</sup> for Burns Lake operations</li> <li>Hampton currently has 449,699 m<sup>3</sup> under licence which supports current mills along with purchased timber</li> <li>Steve Zika said in 2018 that there is no doubt that Hampton will need to reach further outside the Lakes District for timber</li> <li>Using the volume for Burns Lake means 7857 truckloads a year through Fort St. James</li> <li>Dave Salmon (Hampton) said that if the licence AAC was lowered, they would not build the new mill</li> <li>Welcome Hampton's written response</li> <li>Does not believe the sale of licence is in the public interest</li> </ul>
16	Caledonia Courier  "Forestry Discussion held in Fort St. James"  <a href="#">Website</a>	Aug 26	<ul style="list-style-type: none"> <li>Meeting held in Fort St. James to interact with people affected by the proposed sale</li> <li>Meeting was led by John Rustad</li> <li>Discussion on variety of topics including: stumpage; diversifying communities; potential for mining; timber staying in the community; Bill 22; social services; land base and tenure agreements</li> </ul>
17	Caledonia Courier  Author: Steve Zika, CEO	Sept 6	<ul style="list-style-type: none"> <li>Since announcement there has been a lot of skepticism about intentions to build a new sawmill</li> <li>Understands that residences of Fort St. James are anxious</li> <li>Hampton has operated mills in small communities for 80 years</li> </ul>



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	Media	Date	Content
	<p>"Letter to the Fort St. James community from Hampton Lumber"</p> <p><a href="#">Website</a></p>		<ul style="list-style-type: none"> <li>Hampton has the flexibility to operate with a long-term focus and work hard to minimize shutdowns</li> <li>Other companies are reluctant to expand in B.C. but believes that right sized mill will be competitive and sustainable</li> <li>Other 2 mills in Burns Lake face significant challenges regarding timber supply. Have purchased other licences and partnered with First Nations to secure wood</li> <li>Not alone as millions of m<sup>3</sup> are leaving Fort St. James area heading for other mill towns</li> <li>Would not be building a new mill if plans were to take wood to Burns Lake</li> <li>Will take 2 years to build new mill</li> <li>Want to build partnerships with First Nations, contractors, and elected officials</li> <li>Most significant factor is estimated long-term timber supply</li> <li>If operate on the licence, will be to the benefit of the community</li> </ul>
18	<p>Burns Lake District News</p> <p>"New timber licence up to 444,000 m<sup>3</sup>, Hampton says"</p> <p><a href="#">Website</a></p>	Sept 13	<ul style="list-style-type: none"> <li>Licence that Hampton seeks to acquire could have an AAC of 444,000 m<sup>3</sup></li> <li>Hampton CEO Steve Zika expects licence to be reduced by Chief Forester</li> <li>AAC for Lakes TSA is 1.6M m<sup>3</sup></li> <li>People are concerned that next determination will result in AAC significantly lower</li> <li>Zika indicates plans are to dismantle existing sawmill</li> <li>Hopes the approval will come within 90 days</li> <li>Value of the deal is \$39M</li> <li>Under FA the Minister must consider effects on marketing of fibre and public interest and has a duty to consult</li> </ul>
19	<p>B.C. Local News</p> <p>"Village to pen letter of support for Hampton"</p> <p><a href="#">Website</a></p>	Sept 18	<ul style="list-style-type: none"> <li>Burns Lake council agrees to write a letter in support of the transfer</li> <li>Hampton advised that they are preparing a package for the Minister that includes rationale why it is good for the communities and First Nations</li> <li>Hampton representative stated that Hampton will be building a new mill in Fort St. James, and will be hiring, contracting and purchasing locally</li> <li>Value of the deal is \$39M</li> <li>Steve Zika indicated that AAC of 444,000 m<sup>3</sup> is expected to be reduced by the Minister</li> </ul>



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	Media	Date	Content
			<ul style="list-style-type: none"> <li>• Zika said the wood would not be going to their Burns Lake mill</li> </ul>
20	Global News Wire  "Conifex amends senior credit facility"  <a href="#">Website</a>	Oct 1	<ul style="list-style-type: none"> <li>• Conifex announcement</li> <li>• Has amended credit structure with senior lenders to provide short-term liquidity</li> <li>• Required Conifex to provide plan acceptable to senior lenders by Nov 25, 2019 which could involve the sale of assets in addition to the Fort St. James sawmill and tenure.</li> <li>• If plan is not accepted, Conifex would commence debtor proceedings</li> </ul>

## VI. Meetings of Note

Many meetings among ministry staff, the proponents, First Nations, local governments, stakeholders and citizens have been held. The following are summaries of some of the more organized meetings and discussions that have taken place. These meetings have been held to gather input from affected groups and individuals, to communicate information regarding the transfer, and to maintain focus on efforts to improve social and economic stability in the affected communities.

### 1. August 30<sup>th</sup>, 2019 – Fort St. James

Minister Doug Donaldson travelled to Fort St. James along with other executive staff and series of meetings were arranged. What follows is a brief summary of those meetings.

- Minister Donaldson and the United Steelworkers (representatives from the Conifex Mill)
  - Meeting summary unavailable.
- Minister Donaldson and the Mayor & Council of the District of Fort St. James
  - Hampton had indicated that they intend to re-build a new sawmill and planer mill on the existing Conifex site, however, the proposed mill construction was anticipated to take up to 24 months to rebuild.
  - Expected permanent employment numbers in the mill have not yet been provided by Hampton for the proposed modernized mill.
  - Hampton did a great job at answering all of the questions asked by employees, during a Hampton/Conifex BBQ, which reduced employees anxiety.
  - When Hampton was asked if a portion of the volume to be attributed to the community forest, Hampton responded that the volume will be needed for the anticipated rebuilt mill.
  - Hampton has stated they do not intend to exercise any cutting permits under the transferred forest license until the new mill is built.
  - Want relief for licensees for cut control as the community deals with the mill shutdown and rebuild.
  - District of Fort St. James is opposed to the amount of logging trucks travelling through the community as they want all harvested volume to be processed locally.



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- They spoke about how the Pope & Talbot Bankruptcy severed the Bill 13 Contractor's from the Forest Licence and that this should be restored.
- They are concerned with wood leaving the community during construction of the mill - but want local contractors and suppliers to participate if required.
- Conifex indicated that staff would transition to Hampton when construction at the new mill, which is currently and will remain a union site, is complete.
- Conifex has enacted its employee and family assistance program.
- A community transition team (the Team) was formed and began meeting July 24, 2019. The Team is working with Conifex Inc. and the United Steelworkers to determine the number of impacted workers, their wishes to remain in the community, skill sets, and training needs.
- The community has seen several mill closures over the years, most recently in 2015 the limited partnership between Apollo Forest Products and Nak'azdli Whut'en First Nation's Tl'oh Forest Products (Tl'oh) finger joint mill, which impacted 54 employees.

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#### 2. Meeting Summary for Larry Pedersen related to Proposed Conifex-Hampton Transfer

Larry Pedersen was retained to represent the Minister and the Deputy Minister in ongoing meetings with the proponents, First Nations and local government. Table 4 is a list of meetings with Larry during the period of June 5<sup>th</sup>, 2019 to September 27<sup>th</sup>, 2019.

**Table 4. List of Meetings with Larry Pedersen**

Date	Meeting
June 24, 2019	Phone call with Steve Zika (CEO Hampton Forest Products) and Ken Shields (CEO Conifex) regarding mill closure and tenure transfer.
July 3, 2019	Call with Sandy Ferguson (Conifex VP) re: bill 22
July 8, 2019	Phone call with Fort St. James council (CAO, EAP, Mayor, Deputy Mayor)
July 9, 2019	Phone call with Chief McKinnon (Nak'azdli) regarding Hampton/Conifex and Bill 22
July 10, 2019	Phone call with Mayor Thiessen Vanderhoof regarding community interests in the Hampton/Conifex proposal. Call with Hampton and Conifex CEOs (Steve Zika and Ken Shields); Re: update on actions and meetings with Bill 22 proposal.
July 17, 2019	Call with Conifex and Hampton CEOs. Progress update from their meetings in Fort St. James area.
July 18, 2019	Meeting with USW in Burnaby with Sarah and John. Meeting Interior regional presidents.
July 26, 2019	USW check in call with John/Larry and Jeff Bromley. Progress updates.
July 28, 2019	Deputy Office, staff meeting regarding closures and bill 22 progress
July 31, 2019	Conference call with northern staff to prepare for my visit to Vanderhoof, Fort St. James and McKenzie next week.
August 1, 2019	Calls with USW, PPWC and Unifor. Provide updates on ongoing work. Bill 22, focus on workers, McKenzie review.
August 2, 2019	Call with Larry, FLNRORD staff, and Conifex and Hampton regarding update on Bill 22 progress and my upcoming trip to McKenzie and Fort St. James next week.
August 7, 2019	Meet Mayor and Council Vanderhoof. Update bill 22 process and gather input Meet CEO Steve Zika. Gather input and provide advice Meet Tl'az'den First Nation Chief John and Takla First Nations Forestry Rep. Dave Bryden. Discuss and provide input on bill 22 and solicit input. Meet Fort St. James Mayor, councillors and staff. Update bill 22 process and gather input. Evening community outreach meeting in Fort St. James. Interact with community parties, discuss bill 22 and entertain questions.
August 8, 2019	Meet Nak'azdli First Nation in Fort St. James. Discuss and provide input on bill 22 and solicit input
August 15, 2019	Phone call with Steve Zika, CEO Hampton, re: timelines and process for Fort St. James review



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Date	Meeting
August 16, 2019	Phone call with Conifex and Hampton VPs. Progress update, consultation update, review timelines
August 20, 2019	Phone call with Sandy Ferguson, VP Conifex. Discussing how to structure their submission about public interest.
September 13, 2019	Conference call with Hampton and Conifex VP's Re: Progress update and next steps for Fort St. James proposal. Conference call with DM Allan and government team. Review provincial strategies including Mackenzie, Vavenby and Fort St. James plus coast situation. Confirming all ongoing actions.
September 16, 2019	Weekly call with government team and VP's from Conifex and Hampton call. Review timelines and workplace for the Bill 22 submissions.
September 17, 2019	Call with Hampton Steve Zika 30 minutes. Call with DM John Allan. Discuss progress and status of Vavenby proposal and USW-Hampton interface following the announcement in Prince George.
September 18, 2019	Several phone calls with A/DM Chris Stagg Re: Vavenby, USW and Hammond. Contacted Sinclair Group CEO Greg Stewart, regarding Sinclair input into Conifex/Hampton proposal.
September 25, 2019	Phone call with Eamon O'Donoghue and Chris Stagg, regarding options for evaluation elements of Hampton submission under bill 22.
September 26, 2019	Phone call with Doug Stewart, Director Tenures Branch, MFLNRORD regarding competition review for Hampton proposal and possible conditions if the proposal is approved.
September 27, 2019	Phone call with FLNRORD staff and Conifex and Hampton, regarding timelines for assessment of their Bill 22 submissions and process moving forward to decision. Conference call with Deputy Minister Allan and staff to review Bill 22 processes and actions for moving forward.

## VII. Contemplating the Public Interest

### 1. Provincial Community Support Programs

On September 17, 2019, FLNRORD Minister Donaldson released details of an investment of over \$60 million to fund a new series of measures aimed at supporting British Columbia forest workers impacted by mill closures and shift reductions in several BC Interior communities. There is a provincial webpage to disseminate information: <https://forestryworkersupport.gov.bc.ca/>. However, most of the supports on the website have not yet been finalized.

Regional Economic Operations Branch has a community transition team in Fort St James that is comprised of various local and First Nations governments, community stakeholders, labour, employers and provincial agencies. The province provides coordination and admin support for the team but is not directing or leading it formally.

In terms of direct funding, the province and the Government of Canada are currently funding the WorkBC office and programs in the community. The province organized a Worker Transition Meeting on



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July 10, 2019 to facilitate information exchanges among all relevant stakeholders and to ensure that services to impacted employees/contractors are coordinated and responsive. Government also funded a job fair (held July 31<sup>st</sup>, 2019 in Fort St. James) and a Labour Market Partnership contract to perform a needs assessment for Conifex workers.

Community Futures is preparing a Labour Market Partnership (LMP) contract for provincial funding to conduct a business recovery analysis and action plan. Nak'azdli Education and Training Services may be interested in applying for a LMP to conduct a community-wide labour market (employer) needs assessment – in order to match the Conifex workers to what is out there for existing positions or to help workers bridge into other fields.

The College of New Caledonia is exploring additional course and training offerings but wants to get a better sense of both industry and worker demand before requesting additional funding. There may be funding available through the Ministry of Advanced Education for this purpose once the College has determined its priority for offerings.

Destination BC is looking to fund a 'Grow with Google' workshop for area small businesses to promote online marketing and advertisement and draw increased traffic. This will be led on the ground by the Chamber of Commerce.

There are other funding sources available through the Ministry of Social Development – the Job Creation Partnership and/or the Project Based Labour Market Training, which each could serve displaced forestry workers. These programs are open and could support wildfire fuel mitigation or trail building, for example, or other skills that forestry employees may be able to adopt. However, these programs require a community-based organization or a local/First Nations government to come forward and lead/manage the contract. No applications to these programs from the area have been received this year.

## **2. Ministry Staff Observations**

Communities and First Nations have indicated a lot of interest in how the Chinook Community Forest Agreement (CFA) was formed in Burns Lake to support the Hampton mill re-build in that community. The understanding is that the CFA was sourced from a pot of volume that was originally put in place for First Nations and BC Timber Sales (BCTS). This was a turning point in securing the necessary investment in the mill. For Fort St James, the solution may be bigger than just approving the licence transfer. In association with the disposition, the minister will be expected to address many outstanding issues.

The Fort St. James CFA most likely would provide a community benefit if an increase in Allowable Annual Cut (AAC) was considered. However, there would be challenges in doing so. Currently the Prince George TSA has yet to apportion the AAC from the Chief Forester's Timber Supply Review decision. Currently, there is no room to remove areas from the Timber Harvesting Land Base to support an AAC increase.

Hampton indicated during public meetings held at the Fort St. James community center that they didn't require volume from the license for a least two years. They indicated that they had fibre certainty from their existing licenses within the Lakes and Morice TSAs to support their facilities at Babine and Decker Lake. Their VP of Operations and their Babine Forest Products Mill Manager have indicated that Hampton would only entertain accessing volume from the A77955 license to support local Fort St. James



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logging contractors in order to ensure that local logging capacity would exist and be able to support the new mill once built.

It was stated publicly that even after the new mill would be constructed, the mill would be designed to maximize productivity utilizing a specific log profile. Hampton indicated that volume that didn't meet the Fort St. James mill profile would be hauled to their Babine and Decker facilities as well, any log profile that wouldn't meet the Babine and Decker mill profiles would be hauled to the Fort St. James facility to allow for maximum fibre utilization. Hampton also indicated that they would be entering into fibre sharing agreements with Fort St. James Green Energy's bioenergy facility as well as agreements to ship oversize volume to other mills within the region. Their rationale to maximize volume will require the continued hauling of fibre out of and through the community, which is of great concern by the residents of Fort St. James.

Sinclar is concerned that over time the fibre basket within the TSA will continue to erode and potentially accelerating mill rationalization whereby making it more difficult for the existing mills within the region to operate. They feel that having one successful facility within the community would be better than having two struggling facilities in the near future. Also, Sinclar feels that they have been a significant economic contributor to the local community for over 50 years, where they have worked closely with local First Nations, supplying jobs at their mill, but they have also contributed to First Nations by supporting their logging company through trucking and other ventures. They were extremely upset that they didn't warrant separate Bill 22 meetings with the Minister and Larry Pedersen.

The existing mill that is now in curtailment under Conifex is a high-maintenance / moderate production facility. Numerous companies (Takla Forest Products, Slocan, Canfor, Pope & Talbot and finally Conifex) have all attempted to make the existing facility work and only when markets were excellent would the facility make money. Previous companies could not justify the expense required to re-tool the existing facility and at no point were any of the previous owners interested in building a completely new facility. Hampton coming in fresh with a plan to build a state of art modular facility, that can ramp up or reduce their fibre footprint that can adjust with fibre flow is something that the previous owners were never interested in doing.

The Fort St. James location is in the closest proximity to fibre of any of the sawmills in the Prince George TSA. Therefore, delivered log costs should be the lowest of any sawmill in the region. Conifex has attempted to diversify their holdings, starting in 2015 when they began subdividing their existing forest licenses. One to Canfor for 200,000 m<sup>3</sup> in the Prince George TSA and one to Dunkley for 300,000 m<sup>3</sup> in partnership with Conifex in the Mackenzie TSA. In both of those instances, Conifex claimed that the subdivisions were necessary in order for the company to have financial liquidity. Since then Conifex used funds generated from those transfers to support the purchase of sawmills in the USA. Namely mills in El Dorado and Glenwood Arkansas and one in Cross City Florida. Unexpectedly the costs associated with the USA mill upgrades along with some shortages of fibre for those facilities (during a quarterly meeting, Conifex reps indicated that the Cross City mill is the only Conifex facility that is financially breaking even) and the current forest sector down turn in BC has forced Conifex to prepare a asset diversification plan for their creditors. I believe the rationale for closure is a simple one: they are cash strapped and need to sell off assets in order to appease their creditors.



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REVIEW OF CONIFEX PUBLIC INTEREST SUBMISSION**

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## **I. Overview**

The following is a review of Conifex's submission "Conifex Timber Fort St. James Asset and Forest Licence Sale to Hampton Lumber: Proposal to the Ministry of Forests, Lands, Natural Resource Operations and Rural Development re: Bill 22" dated September 6, 2019.

The proposal provides Conifex's assessment of why they feel that the curtailment and sale of their mill, and the transfer of the licence, was necessary. The Conifex submission also presents their reasoning as to why Hampton is the best choice for this disposition, including the statement "No other party contacted by Conifex was prepared to commit funds to upgrade the site and maintain lumber production."

The Conifex submission consists of a summary and several supporting attachments. The topics addressed in the submission are:

- Transaction Summary
- Why is Conifex Selling?
- Bill 22 – 2019 Forest Amendment Act
- Consultation and Engagement Activities
  - Workers/Union
  - Community
  - First Nations
- Employee Impact Mitigation Efforts

The following assessment of Conifex's submission is arranged according to the public interest factors identified in the Public Interest Summary (Appendix ##). The commentary is based on a review by Forest Tenures Branch staff.

It is important to note that this submission speaks a great deal to the assurances that Hampton has made regarding their plans for the mill site and their use of the tenure agreement. In this respect, there is greater reliance on the veracity of the Hampton proposal than on the Conifex submission in demonstrating how this disposition is in the public interest. For this reason, a more comprehensive effort was made to review the Hampton public interest submission (Appendix ##).

There are two aspects within the Conifex submission that indicate a misunderstanding of the transfer requirements under the *Forest Act* and the changes introduced by Bill 22.

1. Both the Conifex and Hampton submissions make reference to *Forest Act* sections 54.63 and 54.64 as being the legislation under which the transaction has been proposed. However, these sections deal with Change of Control and Amalgamations which is not the nature of the proposed transaction. The Notice of Intended Disposition that was submitted is for the transfer of Replaceable Forest License A77955 and associated Road Permits. This is permitted under section 54, and guided by sections 54.01 and 54.02 of the *Forest Act* and the applicable portions of the Disposition and Change of Control Regulation. It is not a change of control or amalgamation.



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REVIEW OF CONIFEX PUBLIC INTEREST SUBMISSION**

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2. The Conifex submission implies that the provincial decision is, in part, providing approval for the sale of the mill. The provisions for the disposition of an agreement under Part 4 of the *Forest Act* are strictly with respect to an agreement under section 12 of the *Forest Act*. The sale of corporate assets and the financial transaction arranged with the holder of the agreement to dispose of their agreement to another person are not subject to the minister's approval. Despite being key portions of the overall proposal, the minister's decision is solely regarding the disposition of the agreement. The fibre market and public interest tests may take into consideration the details of a purchase agreement, but the minister has no legal authority to approve or refuse a corporate purchase agreement.

## **II. The Citizens of Fort St. James**

- Hampton must build and operate a new saw mill in Fort St. James
- Wood fibre should stay in the community
- Volume of the license could be reclaimed by the province for management of other resource values (wildlife habitat)
- Concerns over the safety and maintenance of roads and highways in and around Fort St. James if there is increased hauling out of the community

### **a. Conifex Submission**

Conifex is clear throughout their submission that their intention was to meet Premier Horgan's charge that forest industry executives "come together to establish local coalitions with other companies, First Nations, Mayors and Union Executives" in addressing the inevitable rationalization of their Fort St. James operations. They indicate that their goal was to find a solution that was mindful of the impacts on people, communities, and First Nations in the area.

### **b. Assessment**

The proposed transfer outlines a new business opportunity that is consistent with Conifex's corporate values of investing in the community and being a good corporate citizen.

## **III. Local Government**

- District of Fort St. James Mayor and Council want a condition that a new mill be built and want wood fibre to stay in the community
- Burns Lake, Prince George, and Mackenzie indicate that the transfer is strongly in the public interest
- More secured fibre supply for Hampton strengthens their overall financial position and operations in other towns

### **c. Conifex Submission**

Conifex believes that Hampton provided the only proposal "that included both an offer for the tenure and an intent to continue lumber manufacturing on the site that will provide future family sustaining jobs, opportunities for First Nations economic partnerships, and an anchor for economic prosperity and social well-being in the community of Fort St. James." Conifex pointed to the business relationships Hampton has established in Burns Lake.



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**d. Assessment**

There is no way to verify how Conifex assessed other purchase proposals or how they may differ from that submitted by Hampton, however, the Hampton submission addresses the points of public interest raised by local governments and is consistent with the summary provided by Conifex.

**IV. Local First Nations**

NOTE: First Nations factors with respect to the public interest are not a reflection of issues brought forward through consultation. Please see Appendix ##.

- Support for improving Hampton's fibre supply
- Interest in the Burns Lake Chinook Community Forest Agreement 'model'
- All Nations are seeking tenure agreements to create economic opportunities for their communities
- Nak'azdli Whuten oppose the transfer and want the agreement's volume to be given to their Nation
- Takla First Nation are interested in Business to Business agreements with the license holder, and want the freedom to move the wood fibre to any facility

**a. Conifex Submission**

Conifex identifies their strong relationship with the five key First Nations in the area, and that three are share holders within the company. They point particularly to strong employment of members from the Nak'azdli Whuten. They indicate that they have been transparent and communicative with all Nations regarding the mill curtailments and the sale decision, as well as their decision to enter into a purchase agreement with Hampton.

**b. Assessment**

Conifex points to Hampton's track record with the Burns Lake Native Development Corporation and their willingness to seek business to business agreement with First Nations. This seems to indicate a sincere effort by Conifex to achieve a disposition with a recipient who will be of 'like mind' in management style, and honour agreements and protocols that have been developed.

**V. Province of BC**

- Supports a competitive forest sector
- Improves Conifex's financing and stability for amounts still owed to government
- Feel a mill can be viable in the area if centred on available fibre supply and built to be adaptive and competitive – current mill is not
- Rationalizing the consumption of fibre versus the available timber supply
- Currently, there is no room to remove areas from the Timber Harvesting Land Base of the Prince George Timber Supply Area to support an AAC increase

**a. Conifex Submission**

Conifex feels that the proposed transaction is in keeping with the intentions of the province to deal with rationalization of the industry. They are aware of the fibre market concentration concerns that prompted the legislative changes introduced under Bill 22 and feel that this disposition meets that test.



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They also point to the various points of public interest (labour, First Nations, and community) as being favourably impacted by the proposed disposition and mill purchase by Hampton.

**b. Assessment**

The impact of this proposed disposition on the fibre market and public interest are reliant on Hampton's intentions. However, Conifex seems sincere in their effort to frame their transaction in terms of choosing the best path forward to maintain social and economic stability in Fort St. James.

**VI. Labour:**

- Mill workers and United Steelworkers are concerned that the modernized mill will reduce the amount of labour required, and there is a 2-year period before mill employment will commence
- Logging contractors are concerned that renewable will be lost, logging activity will be reduced, and that local contractors may not be utilized given Hampton's other business relationships outside of the area

**a. Conifex Submission**

Conifex states that they had built a strong relationship with the Union the United Steelworkers and have made efforts to maintain as much employment as possible given the curtailments. They defer any further speculation on future employment to Hampton.

**b. Assessment**

Conifex appears to have made great efforts to be transparent with their employees during their rationalization decisions. They have participated in a number of efforts to provide some transition for employees that have been affected with job loss. Their choice of Hampton is predicated on Hampton's commitment to rebuild the mill and maintain some level of employment both in the mill and with logging contractors and forestry workers in the area.

**VII. Other Forest Sector Employers**

- Concerns regarding the erosion of the fibre basket within the Prince George TSA, which will accelerate mill rationalization
- Continued employment of local First Nations through jobs at local mills, logging, trucking, and other ventures needs to be maintained for all operators
- Continued fibre supply to secondary fibre users such as Paper Excellence, Fort St. James Green Energy, and Pinnacle Renewable Energy Inc.

**a. Conifex Submission**

Conifex is clear that they review more than one purchase agreement proposal, although the submissions are under a non-disclosure agreement. They seem satisfied that Hampton will engage with Fort St. James Green Energy and others regarding fibre needs and maintaining existing business relationships.

**b. Assessment**

The Sinclair Group has stated they do not support the transfer as the region only has enough wood for one mill and they have identified their concerns with the erosion of the available AAC in the local





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operating area of the Prince George TSA. The Sinclair Group feels that their proposed use of the tenure was not given sufficient consideration by Conifex or supported by the province. However, as stated at the beginning of this review of the submission, the minister is not in a position to reflect on the corporate sales aspects of the disposition.



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**REVIEW OF HAMPTON PUBLIC INTEREST SUBMISSION**

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## **I. Overview**

The following is a review of Hampton's submission "Hampton Lumber Acquisition of Fort St. James Timber Licence and Sawmill from Conifex Timber: Proposal to the Ministry of Forests, Lands, Natural Resource Operations and Rural Development Re: Bill 22" dated September 18, 2019. The proposal provides Hampton's assessment of how they feel that the transaction meets the public interest test introduced under Bill 22, including the nature of the transaction, the reasons for the acquisition, and summarizes Hampton's engagement activities since the notice of intended disposition was submitted.

The Hampton submission consisted of text and several supporting attachments. The topics addressed in the submission were:

- Hampton's Plans for Fort St. James
- Compliance with Government Requirements and Bill 22
- Consultation and Engagement Process
  - First Nations
  - Community and Workers
  - Union
  - Provincial Government
  - Fort St. James Green Energy
  - Contractors

The following assessment of Hampton's submission is arranged according to the public interest factors identified in the Public Interest Summary (Appendix ##). The commentary is based on a review by Forest Tenures Branch staff and input from multiple ministry staff in the Omineca Region and Stuart Nechako District who were provided the report in confidence. This allowed the claims made within the submission to be validated.

## **II. The Citizens of Fort St. James**

- Hampton must build and operate a new saw mill in Fort St. James
- Wood fibre should stay in the community
- Volume of the license could be reclaimed by the province for management of other resource values (wildlife habitat)
- Concerns over the safety and maintenance of roads and highways in and around Fort St. James if there is increased hauling out of the community

### **a. Hampton Response**

Hampton has been explicit in numerous media articles, and in their submission, that the mill will be rebuilt. Evidence of the commitment is a proof of retention of Pederson Management Ltd., provided as an attachment, to provide Project Management for the design and construction of the rebuild of the Fort St. James lumber mill.



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**b. Assessment**

The proposed transfer outlines a new business opportunity that is consistent with Hampton's values of investing in community-based sawmills. There's no reason to dispute that the 'Burns Lake model', which includes First Nations ownership and local community and service provider support, can't work equally well in Fort St. James.

**III. Local Government**

- District of Fort St. James Mayor and Council want a condition that a new mill be built and want wood fibre to stay in the community
- Burns Lake, Prince George, and Mackenzie indicate that the transfer is strongly in the public interest
- More secured fibre supply for Hampton strengthens their overall financial position and operations in other towns

**a. Hampton Response**

Hampton's stated intention is to build a sawmill that will be able to operate efficiently and economically for more than 20 years in the Fort St. James area, which should provide some long-term employment stability.

Hampton recognizes the issue of timber leaving Fort St. James. They specify that, in building a smaller right-sized sawmill, they cannot run all sizes of logs. It will be important to trade logs with other mills for operational and economic reasons. Hampton feels this will also help stabilize surrounding mills going forward and should improve the region's competitiveness in the global market.

Their submission included a letter of support from the Mayor of the Village of Burns Lake.

**b. Assessment**

Hampton has a solid local reputation in the Burns Lake area with local First Nations, the Burns Lake Native Development Corp, and with the municipality of Burns Lake. They've got one of the better reputations in my region as a whole, and their commitment to community investment is longstanding. However, a modern 'right-sized' mill may or may not provide stability for a mill in the Fort St. James area – it is an assumptive projection.

**IV. Local First Nations**

NOTE: First Nations factors with respect to the public interest are not a reflection of issues brought forward through consultation. Please see Appendix ##.

- Support for improving Hampton's fibre supply
- Interest in the Burns Lake Chinook Community Forest Agreement 'model'
- All Nations are seeking tenure agreements to create economic opportunities for their communities
- Nak'azdli Whuten oppose the transfer and want the agreement's volume to be given to their Nation
- Takla First Nation are interested in Business to Business agreements with the license holder, and want the freedom to move the wood fibre to any facility



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REVIEW OF HAMPTON PUBLIC INTEREST SUBMISSION**

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**a. Hampton Response**

Hampton has met with the Chief and Councils of four of the five local First Nations in the Fort St. James area. Hampton has stated that they are open to the development of equity partnership arrangements with the local First Nations who are interested. Their submission included a letter of support from the Burns Lake Native Development Corp and the Lake Babine Nation.

**b. Assessment**

The submission demonstrates a willingness and the effort undertaken by Hampton to engage with First Nations on their concerns. They indicate a good track record from Burn Lake to get creative in order to provide First Nations access to fibre. There is no information readily available to suggest that any of the First Nations, even the Nak'azdli, are wholly opposed to this acquisition but, if tenure can not be provided from the licence, then their support is conditional on potential economic opportunities, Hampton's engagement in stewardship concerns, and the rebuilding of the mill in Fort St James.

Hampton indicates that their discussions with First Nations in a Business to Business sense are subject to confidentiality and competitive restrictions. For BC to discharge our duty to consult and, where appropriate, accommodate, it was necessary to verify to some extent the substance of their discussions with Hampton.

The Province's understanding is that the meetings and dates with First Nations as well as the information regarding the content of their meetings with First Nations and potential business (and other) arrangements is accurate. Those Nations listed in the Package verbally confirmed that the meeting(s) indicated by Hampton have occurred and that Business to Business topics were central in those discussions. No confidential information was requested or shared with the province, however, the impression is that discussions have been very positive. Despite this, it is not anticipated that any of the five local First Nations will provide explicit, unconditional support for this disposition.

Nak'azdli has expressed that meetings are going well and that there is a possibility of some joint Nation partnership opportunities that Nak'azdli is leading. Conversations are progressing well although not to the same extent with all of the Nations, in some cases due to scheduling conflicts.

From a strategic level in negotiations that are ongoing with the Carrier Sekani First Nations, the business discussions that Hampton is having are in line with what the Province has been trying to make happen with other licensees regarding tenure sharing. Hampton indicated a willingness to have First Nations become equity partners and provide a portion of the licence to them. The discussions are also in line from an Environmental Stewardship Initiative (ESI) perspective in having the licensees meet and understand First Nations interests, which is expected as both Hampton and Conifex are signatories to the ESI MOU.

**V. Province of BC**

- Supports a competitive forest sector
- Improves Conifex's financing and stability for amounts still owed to government
- Feel a mill can be viable in the area if centred on available fibre supply and built to be adaptive and competitive – current mill is not



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- Rationalizing the consumption of fibre versus the available timber supply
- Currently, there is no room to remove areas from the Timber Harvesting Land Base of the Prince George Timber Supply Area to support an AAC increase

**a. Hampton Response**

Hampton feels that the proposed transaction and mill construction in Fort St. James is consistent with the vision expressed for the province's Interior Forest Renewal Initiative. Hampton has had discussions with provincial government members to answer questions, keep them informed of their process, and support transition efforts for the local community. The submission requests for the possibility of not reducing the AAC for the next two apportionments to allow them to make firm volume commitments to First Nations.

**b. Assessment**

If the proposed mill operates at the limit of the licence (440,000 m<sup>3</sup>) then it could be fully serviced by the tenure and the Hampton would not have to compete for volume. This makes them less of a participant in a competitive log market. They do not address this issue, nor the concerns over available local AAC that have been raised by Apollo. There is no current exemption available in legislation for an individual licence that would 'freeze' its apportioned tenure if the overall AAC is reduced for the Prince George TSA. All licences would receive a proportionate reduction. Therefore, it's unlikely that Hampton could supply an assured level of tenure to First Nations or a local Community Forest Agreement given the likelihood of future proportionate volume reductions as the AAC is adjusted.

Despite Hampton's claims, there is no guarantee that this disposition will offer "a lifeline of liquidity to support Conifex's sawmill operation in Mackenzie". Conifex is in a serious financial situation, and there has been no reassurance from Conifex as to the viability of their Mackenzie operations.

Hampton indicated during public meetings, that were held at the Fort St. James community center, that they didn't require volume from the license for a least two years. They indicated that they had fibre certainty from their existing licenses within the Lakes and Morice TSAs to support their facilities at Babine and Decker Lake. Their VP of Operations and their Babine Forest Products Mill Manager have indicated that Hampton would only entertain accessing volume from the A77955 license to support local Fort St. James logging contractors in order to ensure that local logging capacity would exist and be able to support the new mill once built. It was stated publicly that even after the new mill would be constructed, the mill would be designed to maximize productivity utilizing a specific log profile. Hampton indicated that volume that didn't meet the Fort St. James mill profile would be hauled to their Babine and Decker facilities as well, any log profile that wouldn't meet the Babine and Decker mill profiles would be hauled to the Fort St. James facility to allow for maximum fibre utilization. Hampton also indicated that they would be entering into fibre sharing agreements with Fort St. James Green Energy's bioenergy facility as well as agreements to ship oversize volume to other mills within the region. Their rationale to maximize volume will require the continued hauling of fibre out of and through the community, which is of great concern by the residents of Fort St. James.

**VI. Labour:**



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- Mill workers and United Steelworkers are concerned that the modernized mill will reduce the amount of labour required, and there is a 2-year period before mill employment will commence
- Logging contractors are concerned that renewable will be lost, logging activity will be reduced, and that local contractors may not be utilized given Hampton's other business relationships outside of the area

**a. Hampton Response**

As part of the acquisition from Conifex, Hampton is a 'successor employer' under the existing contract and will inherit the hourly collective bargaining contract with the United Steelworkers. However, they have stated that they will not enter into meaningful conversations with the Union until after the disposition is approved. A memo from the United Steelworkers included as an attachment in Hampton's submission confirms the Union's support for the disposition of the agreement to Hampton.

Hampton has attended worker transition meetings and community events and feels that they have been transparent in their intentions. They will attempt to use local contractors for the work that is applicable. They feel that, in the interim, mill construction itself will bring demand in the community for support services, supply, restaurants, local retail, hospitality, etc. for our vendors, contractors, and employees involved in the project.

Hampton has met and talked with all three local logging contractors previously used by Conifex. They are committed to continued use of local Fort St. James contractors versus Burns Lake contractors for supplying timber to the new sawmill. They commit to a policy of always offering work locally and only source contractors from outside of the community if no local options exist.

**b. Assessment**

Hampton's submission touches on the concerns that have been raised, such as union contract carryover, the intention to trade logs based on profile versus outflow from community, and an intent to employ local contractors versus Burns Lake area contractors. However, these are expressed as intentions and not commitments. To some extent associated economic activity generated through the operation of the timber licence, such as local logging contractors and suppliers, seems contingent on those business seeking to work with Hampton, and at the discretion of Hampton's needs.

**VII. Other Forest Sector Employers**

- Concerns regarding the erosion of the fibre basket within the Prince George TSA, which will accelerate mill rationalization
- Continued employment of local First Nations through jobs at local mills, logging, trucking, and other ventures needs to be maintained for all operators
- Continued fibre supply to secondary fibre users such as Paper Excellence, Fort St. James Green Energy, and Pinnacle Renewable Energy Inc.

**a. Hampton Response**

Hampton indicates that they have engaged with Fort St. James Green Energy (FSJGE) about partnership opportunities. They have committed to developing a fibre supply agreement and to support FSJGE



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obtaining needed fibre until the sawmill starts operations and a more consistent flow can be committed. No formal partnership or supply contracts have yet been arranged. Hampton also recognizes the importance of a similar supply agreement and relationship with Pinnacle Pellet Burns Lake.

***b. Assessment***

Apollo (and the Sinclair Group) has stated they do not support the transfer as the region only has enough wood for one mill and they have identified their concerns with the erosion of the available AAC in the local operating area of the Prince George TSA. The Sinclair Group feels that their proposed use of the tenure was not given sufficient consideration by Conifex or supported by the province. Despite Hampton expressing that they have eased apprehension and nervousness regarding the proposed disposition, and that they have achieved some level of conditional support in Fort St. James, there are still doubts and concerns in the community and among some stakeholders that a new mill will be built. In addition to the opportunities being put forward to First Nations for limited partnership stakes in the new LP, it may be worthwhile encouraging Hampton to consider extending opportunities to other companies who are seeking fibre stability.



**PROPOSED TRANSFER OF A77955 FROM CONIFEX INC. TO  
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TRANSACTION SUMMARY**

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**I. Proponents**

- On June 24<sup>th</sup>, 2019, **Conifex Inc.** (Conifex) announced that it had reached agreement to sell its Fort St. James sawmill and associated Forest Licence A77955 to **Fort St. James Forest Products General Partner Ltd.** (an affiliate of Hampton Lumber Mills – Canada, Ltd.).
  - Fort St. James Forest Products General Partner Ltd. (Hampton) acts in the capacity as the general partner of Fort St. James Forest Products Limited Partnership.
  - For Conifex, financial losses at their Fort St. James sawmill had become too significant and the transaction offers a lifeline of liquidity to support their other sawmill operation in Mackenzie, BC.
- On October 1<sup>st</sup>, 2019 Conifex announced that they are required to provide an asset divestment and restructuring plan acceptable to its senior lenders on or before November 25<sup>th</sup>, 2019. Through communication with FLNRORD Executive staff Conifex indicated a need to have certainty regarding the disposition by November 1<sup>st</sup>, 2019.
- Hampton has stated publicly that they intend to build a new sawmill in Fort St. James and look forward to building relationships with local First Nations and other community partners in similar to the joint venture created with the Burns Lake Native Development Corporation in the Burns Lake area.
- Both proponents are currently in good standing with BC Registry Services.

**II. Transfer**

- The Tenure Transfer provisions found in the *Forest Act* provide timber tenure holders the ability to dispose of their agreements to another entity, guided by the requirements under the Disposition and Change of Control Regulation (the “Regulation”).
- Under Section 54(2)(a) of the *Forest Act*, the disposition of this agreement must have the approval of the Minister in writing.





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**TRANSACTION SUMMARY**

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- The ministry received a Notice of Intended Disposition (NOID) on July 12<sup>th</sup>, 2019 requesting approval of the transfer of RFL A77955 and 22 associated Road Permits from Conifex to Hampton. On September 30<sup>th</sup>, 2019, the ministry received an amendment to the NOID for RFL A77955 to include an additional 14 Road Permits being transferred from Conifex to Hampton (*see attachments*). Table 1 lists all 36 Road Permits.
- RFL A77955 is located within the Prince George Timber Supply Area (TSA) with an Allowable Annual Cut (AAC) of 440,000 m<sup>3</sup>/year. It is administered through the Stuart Nechako District and Omineca Region.
- The requested fees for the transfer of \$100 per permit (a total of \$3,700.00) was provided to FLNRORD in two separate cheques, one in the amount of \$2,300.00 received on July 15<sup>th</sup>, 2019 and one in the amount of \$1,400.00 October 1<sup>st</sup>, 2019. Both cheques have been processed by the Ministry of Finance.

**III. Local Community Issues Related to the Transaction**

- A declaration of a state of local financial crisis in the District of Fort St. James was ordered by the mayor on July 16<sup>th</sup>, 2019.
- In considering whether to approve a disposition under Section 54(2)(a) of the *Forest Act*, the minister must consider the effect of the disposition on the marketing of fibre in British Columbia and whether the disposition of the agreements is in the public interest. The legislation and regulation provide criteria for assessing the impact on the fibre market, but no details have been included in the legislation that would restrict what the minister should consider when determining the effect of a transaction on the public interest.
- If the minister decides that a disposition is detrimental to the marketing of fibre in BC and is not in the public interest, they must either not approve the disposition or may approve the disposition with conditions that address these detrimental effects to the minister's satisfaction.
- The minister must also review the proposed disposition against potential impacts to First Nations in their determination if the disposition can proceed.

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**Source:** *Conifex Timber Inc*

*June 24, 2019 20:45 ET*

## **Conifex and Hampton Lumber Announce Agreement for Sale of Fort St. James Sawmill**

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Media Contacts:  
Sandy Ferguson

Investor Contact: Yuri Lewis  
Chief Financial Officer

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British Columbia

## Conifex to sell sawmill in Fort St. James, B.C., buyer plans to rebuild



Hampton Lumber to pay about \$39M, calls the sector's long-term outlook 'promising'

CBC News · Posted: Jun 25, 2019 8:25 AM PT | Last Updated: June 25  
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# 'Extremely difficult': Conifex selling Fort St. James sawmill

Jun 25, 2019 9:46 AM By: Jess Fedigan  
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***About the Author:*** Jess Fedigan

Jess Fedigan graduated from BCIT's broadcast and online journalism program in 2016. Her career (so far) has taken her to Fort St. John, Victoria and now Prince George.

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**Tl'azt'en Nation**  
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June 26, 2019

Office of the Premier EMAIL Premier@gov.bc.ca  
PO Box 9041  
Stn Prov Govt  
Victoria, BC  
V8W 9E1

**Attention: Honorable John Horgan**

**Re: Conifex Timber Inc. ("Conifex") Proposed Sale of Fort St. James Sawmill and Tenure**

Dear Premier Horgan:

I am writing to you as elected Chief of Tl'azt'en Nation ("Tl'azt'en" or "Nation") regarding a forestry tenure held by Conifex and operating within Tl'azt'en's territory (the "Territory").

Tl'azt'en has existing Aboriginal title, rights and interests over our Territory. The Tl'azt'en people, or Tl'azt'enne, continue to exercise their rights and interests over the land and resources as a way of life as an important part of our culture and who we are as a distinct Indigenous people in what is now Canada and British Columbia. Tl'azt'en has never ceded, released, or surrendered any rights to the Aboriginal title or rights in the Territory. As a result, Tl'azt'en's free, prior and informed consent is required for any use of the lands and resources within our Territory.

Conifex currently holds a replaceable forest tenure (the "Tenure"), granted by the Province of British Columbia (the "Province") without Tl'azt'en's consent, that enables Conifex to harvest annually 440,000 cubic meters of sawlog in the Territory. We understand that Conifex is seeking Crown approval for a sale of the Fort St. James sawmill and Tenure to Hampton Lumber. Please be advised that prior to any approvals being granted, the Crown must immediately consult with and seek the consent from Tl'azt'en Chief and Council regarding this important matter. Among other things, the 'controlling mind' of the company would change, and there is every likelihood that the philosophy of the persons making the decisions associated with the Tenure will change as well.<sup>1</sup>

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<sup>1</sup> See *Gitxsan v. British Columbia (Minister of Forests)*, 2002 BCSC 1701 (CanLII), para. 82.

We note also the importance given by your government to fully implementing the *United Nations Declaration on the Rights of Indigenous Peoples*, Articles 19 and 32(2) of which speak to free, prior and informed consent being sought. On July 18, 2018, you tasked all government Ministers with fully adopting and implementing UN Declaration, and the calls to action of the Truth and Reconciliation Commission.<sup>2</sup> Call to Action 92(i) involves a commitment to obtaining the free, prior and informed consent of Indigenous peoples before proceeding with economic development projects. Consequently, our free, prior and informed consent is required in the transfer of the Tenure. We wish to advise the Crown clearly that at this time we would consider agreeing to a transfer of the Tenure only if it meets the interests of our Nation.

Moreover, the new *Forest Amendment Act, 2019*, makes the public interest a central factor in the minister's determination of whether to agree to a disposition in these circumstances. Tl'azt'en title, rights and interests are clearly part of the public interest, as is the Crown's duty to consult and upholding constitutionally protected rights held by Indigenous peoples like Tl'azt'en.<sup>3</sup>

Tl'azt'en fully expects the Province to uphold and fulfill its commitment to Indigenous peoples and work with us to move forward on true, lasting reconciliation which has been a mandate from yourself to your Ministers as part of the Province's commitment to adopting and implementing the UN Declaration and the Calls to Action of the Truth and Reconciliation Commission.

A transfer of the Tenure that supports Tl'azt'en's interests would represent an important step toward fulfilling that mandate and the obligations the Province has to our Nation.

We recognize that time is of the essence and look forward to your immediate reply.

Respectfully,



Chief Beverly John  
Tl'azt'en Nation

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<sup>2</sup> See Government of BC website at: <https://www2.gov.bc.ca/gov/content/governments/indigenous-people/new-relationship/united-nations-declaration-on-the-rights-of-indigenous-peoples> . See also also the proposed *Environmental Assessment Act, 2018*, section 2(2)(b)(ii)(A) and (C). page 140 of 370 FOR-2023-30416



NEWS

## "We will get through this difficult transition": COFI President on sawmill curtailments, closures

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Brendan Pawliw, staff Wednesday, Jun. 26th, 2019

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British Columbia

## Fort St. James declares financial crisis following sawmill closure



The declaration was ordered by the mayor Tuesday night

Estefania Duran · CBC News · Posted: Jul 17, 2019 8:59 PM PT | Last Updated: July 17  
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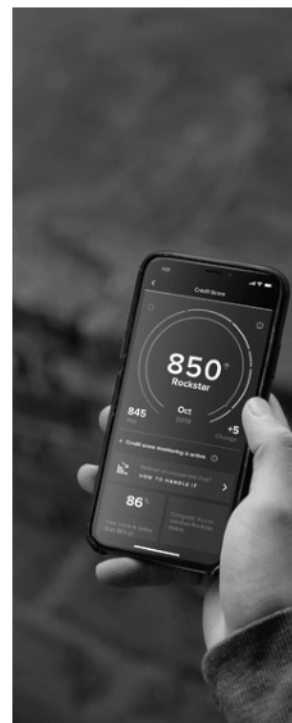
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# B.C. town declares financial crisis after sawmill closes, latest in string of shutdowns and layoffs

*All levels of government asked 'to protect the health, safety or welfare' of Fort St. James' 1,600 citizens*

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## FEATURED ARTICLES



BMO analyst Brian Belski's hot tip noise and focus on these sectors



THE CANADIAN PRESS

July 18, 2019  
3:38 PM EDT

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**Source:** *Conifex Timber Inc*

*July 22, 2019 19:00 ET*

## **Conifex Temporarily Curtailing Mackenzie Operations**

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# Fort St. James in financial crisis, mayor says

The community of Fort St. James is in a financial crisis, its mayor told a meeting on July 18.

Jul. 24, 2019 12:00 a.m. / [NEWS](#)

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**Blair McBride**

*Multimedia reporter*

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# Northern residents out of work from sawmill sale voice uncertainty about future

A job fair was held at Kwah Hall in Fort St. James on July 31 to help workers transition to other jobs

AMAN PARHAR / Aug. 1, 2019 3:40 p.m. / NEWS

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Aman Parhar

Editor, Vanderhoof Omineca Express

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**Source:** *Conifex Timber Inc*

*August 07, 2019 19:00 ET*

## **Conifex Extends Temporary Curtailment at Mackenzie Operations in Q3**

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# Letter to the editor – timber is being hauled out of Fort St. James

Aug. 8, 2019 1:30 p.m. / LETTERS

Dear Editor,

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# RASCAL FLATTS

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*Biggest country show of 2019*

October 27th @ CN Centre

CN CENTRE



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NEWS

## Fort St. James extends Financial Crisis

ACCEPT COOKIES & PRIVACY POLICY?

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# Forests minister visits B.C. town rocked by multiple mill shutdowns

A third of Mackenzie turns out for rally, not  
much to cheer about

TOM FLETCHER / Aug. 22, 2019 4:30 p.m. / BUSINESS

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[ELECTION 2019](#) 

**“Our logs, our jobs”**

*Aug 22, 2019*

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# Letter to the editor: Hamptons intentions need to be clarified

AMAN PARHAR / Aug. 24, 2019 7:30 a.m. / LETTERS

By Brenda Gouglas, resident of Fort St. James, B.C.

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*Brenda Gouglas served as a councillor at the district of Fort St. James for 10 years.*

Read more below



## Country Night: Friday, Oct 18

Come join us this Friday for some line dancin', a Yeehaw contest and an epic hockey game! Victoria Royals

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## Forestry discussion held in Fort St. James

John Rustad, Nechako Lakes MLA engaged interested residents and organizations in an open discussion around forestry

AMAN PARHAR / Aug. 26, 2019 7:30 a.m. / LOCAL NEWS

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## Police Say To Carry This

TrySafePersonalAlarm.com

Police say everyone should carry this new safety device that protects against attackers.

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## Letter to the Fort St. James community from Hampton Lumber

Hampton Lumber CEO Steve Zika writes about Hampton's intentions in Fort St. James

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# New timber license up to 444,000 m<sup>3</sup>, Hampton says

BLAIR MCBRIDE / Sep. 13, 2019 10:22 a.m. / LOCAL

[NEWS](#) / [NEWS](#)

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**Blair McBride**

*Multimedia reporter*

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# Village to pen letter of support for Hampton

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# TAKLA NATION

HEALTH ■ PROSPERITY ■ TRADITION

- Ensure that dispositions do not result in further concentration of tenure among fewer companies.

Takla has reviewed the proposed disposition of FL A77955 and has determined that: (i) it is inadequate to protect Takla's Territory, forest resources, and ability to meaningfully exercise our Aboriginal title and rights; (ii) it enables forestry-related activities within Takla's Territory without first obtaining Takla's free, prior, and informed consent; and (iii) Hampton Lumber has indicated that a significant portion of the proposed disposition volume will likely flow to facilities outside of the immediate region, which will severely attenuate the economic benefits of the license to the local communities.

Takla has developed a Forestry Stewardship Framework to ensure that forestry activities in the Territory mitigate impacts to Aboriginal Rights, Title and Interests ("RTI"). Takla's Forestry Stewardship Framework has two parts: (i) a set of Best Management Practices ("BMPs") that all licensees must adhere to when doing forestry in the Traditional Territory; and (ii) a governance process to determine whether Takla will support proposed forestry-related activities. The Takla governance process includes strong mechanisms that align the interests of traditional leadership with the elected leadership.

For these reasons, Takla Nation strongly encourages all licensees to enter into mutually beneficial relationships with Takla to facilitate the immediate application of our Forestry Stewardship Framework and to ensure that Takla and our members directly benefit from forestry-related authorizations under FL A77955. In that regard, we have determined that: (i) neither Conifex nor FSJFPGP, have entered into such an arrangement with Takla; and (ii) the proposed forestry activities have not been authorized through Takla's Forestry Stewardship Framework. Takla Nation has also begun working with other Nations, such as; Tsay Keh Dene Nation, Kwadacha Nation, McLeod Lake Indian Band and Nak'azdli Whut'en to start the process of aligning out interests in relation to resource development and land use planning.

Granting this disposition allows for unauthorized land use that drastically impacts the Takla Traditional Territory. This proposal includes both the forest license and associated road permits with an annual allowable cut of 440,000m<sup>3</sup>. This is a significant volume to be transferred to a licensee, which will negatively impact traditional and sacred sites, as well as the RTI of Takla Nation members. Although a legal change in ownership does not necessarily have an immediate physical impact as directed by the proposal, a forestry development will result in timber harvesting that does contribute to cumulative effects on the landscape.

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**Source:** *Conifex Timber Inc*

*October 01, 2019 15:00 ET*

## **Conifex Amends Senior Credit Facility**

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**Tl'azt'en Nation**  
PO Box 670, Fort St James, BC V0J1P0  
Phone: 250-648-3212 / Fax: 250-648-3250



October 11, 2019

**By Email and Regular Mail**

Honourable Doug Donaldson  
Minister of Forests, Lands, Natural Resource Operations and Rural Development  
PO Box 9049 Stn Prov Govt  
Victoria, BC V8W 9E2  
[FLNR.Minister@gov.bc.ca](mailto:FLNR.Minister@gov.bc.ca)

Dear Honourable Minister:

**Re: Conifex Timber Inc. ("Conifex") Proposed Sale of Fort St. James Sawmill and Tenure**

I am writing to you as elected Chief of Tl'azt'en Nation regarding the forestry tenure held by Conifex and operating within Tl'azt'en Nation's territory.

Tl'azt'en Nation has existing Aboriginal title, rights and interests over our territory. The Tl'azt'en people, or Tl'azt'enne, continue to exercise their rights and interests over the land and resources as a way of life and an important part of our culture and who we are as a distinct Indigenous people in what is now Canada and British Columbia. Tl'azt'en Nation has never ceded, released, or surrendered any rights to the Aboriginal title or rights in our territory. As a result, Tl'azt'en's free, prior and informed consent is required for any use of the lands and resources within our territory.

Conifex currently holds a replaceable forest tenure, granted by the Province of British Columbia without Tl'azt'en Nation's consent, that enables Conifex to harvest annually 440,000 cubic meters of sawlog in our territory. We know that Conifex is seeking Crown approval for a sale of the Fort St. James sawmill and this tenure to Hampton Lumber.

We are aware of the requirement under section 7 of the *Forest Amendment Act, 2019* that your consent to the disposition of a forestry agreement can be granted only if it is in the public interest. As you know, the Act grants you the ability to refuse to approve of a disposition or attach conditions to the approval that will ensure the public interest is protected and furthered.

While the Act does not contain any definition of "public interest", it clearly must include consideration of our rights, title, and interests. The Supreme Court of Canada has clearly stated in one of its decisions that, "A project authorization that breaches the constitutionally protected rights of Indigenous peoples cannot serve the public interest."<sup>1</sup> Tl'azt'enne have lived in harmony in our territory for countless generations before either the Crown's attempt to assert sovereignty or our contact with British explorers and settlers. While we do not require Crown recognition to know where our home is and has

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<sup>1</sup> See *Clyde River (Hamlet) v. Petroleum Geo-Services Inc.*, [2017] 1 SCR 1069, para. 40

always been, the Crown has expressly and impliedly acknowledged in several agreements that we have title within our territory.<sup>2</sup> That we have Aboriginal title here is a fact. The only real question regarding Tl'azt'en Nation title in our territory is the precise nature and extent of it.<sup>3</sup>

We have very serious concerns regarding this proposed disposition of Conifex's tenure and the sawmill, from both economic and rights and title perspectives. At the same time, this situation presents the Province with a remarkable opportunity to right previous wrongs and ensure that local First Nations like Tl'azt'en Nation obtain more of the benefit from timber taken from our lands and processed at this mill and to participate in the forestry sector of the economy. It also presents a unique opportunity for the Minister to attach conditions which create opportunities for Carrier Sekani First Nations like Tl'azt'en Nation. I wish to remind you at this time that one of the purposes of the Whubats'ut'en Nus Whetee Agreement (Interim Pathway Forward Agreement) signed between us in 2017 is to do just that, create opportunities for us in the forest sector:

C. The Parties share an interest in increasing the CSFNs' participation in the forest economy in a manner that creates opportunities for both CSFNs and other communities in British Columbia and increases the competitiveness of the forest sector, and this has focused and informed the Parties' commitment to sustainable natural resource development and socio-economic improvement;

E. As a priority in their ongoing reconciliation negotiations through the implementation of the Collaboration Agreement, the Parties are negotiating forestry agreements to facilitate increased CSFN participation in the forest economy and forest management that results in increased benefits for CSFN communities from forestry in the Territories;

See also Schedule A of that agreement which begins with the following:

#### *Shared Interests*

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<sup>2</sup> April 2, 2015 Collaboration Agreement between Tl'azt'en Nation, Nadleh Whut'en, Saik'uz First Nation, Stelat'en Nation, Takla Lake First Nation, Ts'il Kaz Koh, Carrier Sekani Tribal Council, and British Columbia (See Recitals A(b), E, and F: "And whereas the Parties will work together to reconcile Aboriginal and Crown titles and jurisdictions in the CSFNs' Territories;"); and Whubats'ut'en Nus Whetee Agreement (Interim Pathway Forward Agreement), (See Recitals A(i) and B: "Building on the foundation of the Collaboration Agreement in which B.C. recognized the existence of Carrier Sekani Aboriginal title and rights in the Territories...."). Both agreements available online:

- <https://www2.gov.bc.ca/assets/gov/british-columbians-our-governments/indigenous-people/aboriginal-peoples-documents/cstc - collaboration agreement - signed april 2015.pdf>
- <https://www2.gov.bc.ca/assets/gov/environment/natural-resource-stewardship/consulting-with-first-nations/agreements/cstc whubatsuten nus wheetee agmt interim pathway forward agmt-signed.pdf>

<sup>3</sup> *Saik'uz First Nation and Stelat'en First Nation v. Rio Tinto Alcan Inc.*, 2015 BCCA 154, para. 61: "...However, the law is clear that they do exist prior to declaration or recognition. All that a court declaration or Crown acceptance does is to identify the exact nature and extent of the title or other rights."

1. Creating a substantial and valuable new equity position for the CSFNs and their members in the forestry economy that results in:

- a) increased capital investment in both CSFN and non-CSFN forestry-related businesses;
- b) increased number of jobs for CSFN members and local communities;
- c) increased forest sector competitiveness and certainty for both CSFN and major forest licensees; and
- d) enhanced opportunity for the CSFN to access forest tenures, including through new partnerships with other tenure holders.

We would urge you and your staff to carefully review all of the agreement and Schedule A to fully appreciate how it may apply in this situation.

We appreciate being consulted thus far with regard to the Conifex matter due to its potential impact to our Aboriginal rights and title and as part of the due diligence required for your determinations pursuant to the *Forest Amendment Act, 2019*. Nevertheless, Tl'azt'en Nation requires additional time to provide our views to you after further meetings with neighbouring Dakelh and regional First Nations, as well as to continue our discussions with Hampton Lumber. We have been working with that company to see if a reasonable and mutually beneficial partnership can be arranged which respects and reflects that a sizeable portion of the tenure in question falls within the areas in which Tl'azt'en Nation has Aboriginal title and rights.

Our present aim is to present you with more fulsome and specific submissions regarding whether this disposition is in the public interest and what conditions you, as the responsible Minister, may wish to require prior to granting any approval. We are requesting additional time to ensure that our submissions are as complete as they can be to assist with your decision making. I am also aware that there is no standard 'test' or metrics to determine what is in the public interest in the context of the *Forest Amendment Act, 2019*. This is, for the most part, a new process. For the Crown and for Indigenous peoples in BC. We would request that you take this into consideration as you consider our request for additional time to provide you with submissions.

We also take you at your word with what you said in the Legislature when the *Forest Amendment Act, 2019* was passed:

The changes in Bill 22 will allow more government say on behalf of the people of B.C. on how tenures are transferred or acquired. It will allow respectful dealings with First Nations, which the member for Nechako Lakes characterized as an unacceptable cost – an unacceptable cost to respectfully deal with First Nations that Bill 22 will allow.



...That's what this government on this side is concerned about, communities and First Nations, when it comes to a publicly held natural resource asset like the forests of our province.<sup>4</sup>

We look forward to your positive response to this request for an additional time for us to provide you with our submissions on the issue of public interest.

Respectfully,



Chief Beverly John  
Tl'azt'en Nation

Copies:

1. Premier John Horgan, [Premier@gov.bc.ca](mailto:Premier@gov.bc.ca)
2. Honourable Scott Fraser, Minister of Indigenous Relations and Reconciliation, [ABR.Minister@gov.bc.ca](mailto:ABR.Minister@gov.bc.ca)
3. Heather Carson, Advisor, First Nations Relations Stuart Nechako Natural Resource District, [Heather.M.Carson@gov.bc.ca](mailto:Heather.M.Carson@gov.bc.ca)

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<sup>4</sup> Honourable Minister Doug Donaldson, Fourth Session, 41<sup>st</sup> Parliament (2019), May 2, 2019, afternoon sitting

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## BRIEFING NOTE FOR DECISION

**DATE:** October 24, 2019

**PREPARED FOR:** Honourable Doug Donaldson, Minister of Forests, Lands, Natural Resource Operations and Rural Development

**ISSUE:** Disposition of Replaceable Forest Licence A77955 and associated road permits from Conifex Timber Inc. to the Fort St. James Forest Products General Partner Ltd., a subsidiary of Hampton Lumber Mills – Canada Ltd.

### RECOMMENDED OPTION:

#### Option 1:

The Minister determines the intended disposition is not detrimental to the marketing of fibre in BC and is in the public interest and signs the attached Notice to Proceed for the transfer of Replaceable Forest Licence (RFL) A77955. Place a condition on the transfer that a new mill be built in Fort St. James that is operational by the first quarter of 2022. To ensure progress in construction of the mill, require that substantial progress on construction must be made no later than the first quarter of 2021. Include in the Minister's approval letter for transfer expectations on working with First Nations, Fort St. James Green Energy, local hiring, and settling United Steelworkers seniority rights.

### BACKGROUND:

- On July 12, 2019, the Ministry of Forests, Lands, Natural Resource Operations and Rural Development (FLNRORD) received a Notice of Intended Disposition requesting approval to transfer RFL A77955, and associated road permits from Conifex to Hampton.
- RFL A77955 is located within the Prince George Timber Supply Area (TSA) with an allowable annual cut (AAC) of 440,000 m<sup>3</sup>/year.
- An amendment was received on September 30, 2019, to include a net additional 14 road permits (see Attachment 1).
- s.21
- The *Forest Act* (the *Act*) requires the Minister to consider the effect on the marketing of fibre and the public interest, as well as the impact on First Nations rights or title.
- If the Minister decides that a disposition is detrimental to the marketing of fibre in BC, and is not in the public interest, he must not approve the disposition or approve the disposition with conditions to address the detrimental effects to the Minister's satisfaction.
- An authorization cannot be in the public interest if the duty to consult has not been met.

**DISCUSSION:****Marketing of Fibre in British Columbia Test**

The Disposition and Change in Control Regulation (the “Regulation”) prescribes the use of the Herfindahl Hirschman Index (HHI) to identify where concentration of AAC held by one company could be detrimental to competition, and a vertical integration metric.

The Omineca Fibre Distribution Zone has a current HHI of 1669, which is below the level of 1800 set in the Regulation. Post transaction, the HHI in the Omineca Fibre Distribution Zone will decrease from 1669 to 1635. The transaction does not create an increased risk to the marketing of fibre due to the concentration of tenures (see Attachment 3).

The vertical integration metric measures a licensee’s log purchase requirements and their need to access log markets rather than relying on logs accessed through their own Crown tenures. Lower ratios signal that a tenure holder will be active in the log markets.

s.16

**Public Interest Test (see Attachment 5)**

The Courts describe “public interest” as a broad term that permits the decision maker to give regard to a wide range of considerations. The *Act* does not contain any statutory factors that must be considered.

FLNRORD gathered input on a public web site; reviewed letters sent to the Minister and other senior officials; reviewed media posts; reviewed meetings held amongst the proponents, First Nations, local governments, stakeholders and citizens; reviewed Conifex's submission dated September 8, 2019 (see Attachment 6); reviewed Hampton's submission dated September 18, 2019 (see Attachment 7); and reviewed communications from First Nations (see Attachment 8).

Most input regarded local jobs and First Nation opportunities, including:

- Requiring Hampton to build and operate a new sawmill on the existing site;
- Requiring Hampton to process a specific amount of volume locally;
- Directly awarding tenure to First Nations; and
- Requiring Hampton to enter into forestry related business-to-business agreements.

Most of the input received from the public online submissions and correspondence was supportive of the disposition being approved.

### **Hampton's Submission (see Attachment 7)**

Hampton's submission contains the following highlights:

- The commitment to build a new mill in Fort St. James by the fourth quarter of 2021 or first quarter of 2022 (these dates have been revised in conversations with Hampton) that would consume between 400,000 m<sup>3</sup> and 600,000 m<sup>3</sup> annually depending on the number of shifts;
- Hampton expects most of the tenured volume will be processed locally with approximately 42,000 m<sup>3</sup>/year being sent outside the Fort St. James area to other facilities;
- Hampton met with the local First Nations to discuss possible partnership opportunities. Concepts varied by First Nation, but in general Hampton expressed a desire to enter into arrangements that could see First Nations holding a total of up to 40 percent equity interest in the ownership of the Fort St. James Limited partnership;
- Partnership discussions are in early stages and some First Nations asked for the Minister to delay a decision to allow time to conclude discussions;
- A commitment to attain a fibre supply agreement with Fort St. James Green Energy; and
- A commitment to use local Fort St. James logging contractors to supply logs to the new Fort St. James mill unless no local options exist.

Hampton believes the tenure transfer serves the public interest. The company has proposed to rebuild a new mill in Fort St. James, work closely with First Nations to develop business and capacity building arrangements, hire local workers, and to develop fibre supply arrangements with other timber production facilities. On balance, the transaction appears to align with the Premier and Minister Donaldson's challenge to forest industry. CEOs to "find a new vision for the forest sector" that seeks to "maximize the mid-term timber supply, manage constraints on the land base, maintain community and economic stability and incorporate First Nations interests".

### **CONDITIONS Attached to a Ministerial Approval (see Attachment 9)**

A summary of potential conditions suggested in feedback from stakeholders including:

- Hampton must build and operate a new mill and specify the capacity new mill;
- A portion of licence must be disposed to a community forest;
- A portion of the volume for First Nations;
- The timber must be processed in the community;
- Fibre cannot be delivered to any of Hampton's other processing facilities;
- Hampton must hire local contractors (must do business in Fort St. James);
- The Province takes back volume (i.e. 5 or 15 percent) for community and First Nations;

- The continuation of the business-to-business arrangements between Hampton and the First Nations;
  - Volume under RFL A77955 be unavailable until completion of mill construction;
  - Hampton to maintain roads through the community;
  - Address Sinclair Group's concerns regarding erosion of the TSA fibre basket; and
  - Enter into fibre sharing agreements with Fort St. James Green Energy's bioenergy facility.
- For conditions to be meaningful, they must be reasonable, measurable, verifiable and time bound. Many of the conditions above would not meet these requirements, most notably those where discussions are ongoing between Hampton and other parties (First Nations, Fort St. James Green Energy) on potential business arrangements. It is recommended that these become desired outcomes of the tenures transfer that could be included in a rationale provided by the Minister rather than binding conditions to the transfer.

**OPTIONS:**

**Option 1.** The Minister determines the intended disposition is not detrimental to the marketing of fibre in BC and is in the public interest and signs the attached Notice to Proceed for the transfer of RFL A77955. Place a condition on the transfer that a new mill be built in Fort St. James that is operational no later than 36 months after the closure of the transaction with Conifex. To ensure progress in construction of the mill, require that substantial progress on construction must be reported at 12 and 24 months after closure of the transaction. Include in the Minister's approval letter for transfer expectations on continuing to engage with First Nations, Fort St. James Green Energy, local contractors, and United Steelworkers with intent to reach beneficial agreements.

**Implications:**

- Consistent with the marketing of fibre assessment and the public interest input received; and
- Supports Conifex in providing an asset divestment and restructuring plan before November 25, 2019.

**Option 2.** The Minister determines the intended disposition is not detrimental to the marketing of fibre in BC and is in the public interest and signs the attached Notice to Proceed for the transfer of RFL A77955 with no conditions attached.

**Implications:**

- Consistent with the marketing of fibre assessment and the public interest input received; and
- Supports Conifex in providing an asset divestment and restructuring plan before November 25, 2019.
- Does not provide certainty to local government, unionized labour or citizens of Fort St. James that the public interest test has championed their needs. The rebuilding of the mill is a key factor in public support for the transfer.

**Option 3.** Determine the intended disposition is not detrimental to the marketing of fibre in BC but determine that the transaction is not in the public interest. The Minister does not approve the subdivision or issue the Notice to Proceed.

**Implications:**

- Does not allow Hampton to rebuild a sawmill in Fort St. James;
- Does not support Conifex in providing an asset divestment and restructuring plan before November 25, 2019; and

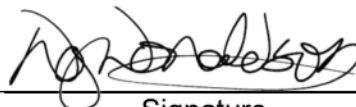
- Could allow other parties (First Nations and/or the Sinclair Group) to approach Conifex on a new tenure transfer proposal.

# RECOMMENDATION:

**OPTION 1.** If in agreement, sign the approval letter (Attachment 10).

Approved/

Not Approved



Signature

Honourable Doug Donaldson, Minister of  
Forests, Lands, Natural Resource Operations  
and Rural Development

October 25, 2019

Date

## Attachments:

1. Attachment 1 – Notice of Intended Disposition, Amendment, and Transaction Summary
2. Attachment 2 – Financial Standing, Ministry of Finance
3. Attachment 3 – Marketing of Fibre Review - Conifex to Hampton
4. Attachment 4 – First Nations Consultation Summary
5. Attachment 5 – Public Interest Summary - Online Submissions, Correspondence and Media
6. Attachment 6 – Conifex Submission September 8, 2019
7. Attachment 7 – Hampton Submission September 15, 2019
8. Attachment 8 – First Nations Correspondence
9. Attachment 9 – Points of Consideration, Guidance for Conditions, and Draft Guiding Principles
10. Attachment 10 – Notice to Proceed letter A77955 (Conifex to Hampton).docx (for signing)

## PREPARED BY:

Doug Stewart  
Director  
Forest Tenures Branch  
778-974-2481

## REVIEWED BY:

	Initials	Date
DM		
Associate DM		
DMO		
ADM		
Program Dir/Mgr.	ds	Oct 24

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s.21

October 2, 2019

Honourable Doug Donaldson                      Sent Via Email: doug.donaldson.MLA@leg.bc.ca  
Minister of Forests, Lands, Natural Resource Operations and Rural Development

Dear Minister Donaldson:

I wish to express my heartfelt thanks for the support that the community of Mackenzie has received from yourself and your Executive Team over the last few months. The opportunity to meet with you last week to have more meaningful dialogue on the challenges we are still working on was appreciated.

As I mentioned during our meeting last week, one of the most time sensitive issues that Mackenzie is facing is the sale of the Conifex Fort St. James mill to Hampton Lumber and should be included in the key public interest considerations related to Bill 22 approval. As you are well aware, this sale will allow Conifex Mackenzie to move forward in a positive manner and ensure the viability of the Mackenzie operation in a high cost environment. Log inventories must be built up to further solidify the long-term success of Conifex and the cash realized by this sale will accommodate that. Continued operations by Conifex Mackenzie will also help to ensure they can continue their chip supply to Paper Excellence. Furthermore, Conifex's viability is a key factor in successfully moving the Mackenzie TSA Coalition Initiative forward.

Another very important consideration is the outstanding taxes owed by Conifex to the District of Mackenzie. Conifex is currently the single largest contributor to the tax base of Mackenzie with combined taxes from the power plant and sawmill totalling over \$1.9 Million. While Conifex has been able to pay over \$1.33 Million for the power plant, over \$650,000 remains outstanding for the sawmill. As you are probably aware when taxes are collected, any monies collected on behalf of other agencies such as School Districts are payable immediately, so the District of Mackenzie had to forward monies to these agencies for tax monies that have not been collected. To put the outstanding amount into perspective for Mackenzie, for every 1% increase in taxes across all of our tax classes, the District receives \$50,000, which means that we would have to raise taxes by 13% to recover the outstanding amount.

Mackenzie is solidly behind Ken Shields, the Conifex management team and the hundreds of employees they support in our community so we have not put any undue pressure on them regarding these outstanding taxes. Our primary objective is to see this company succeed in Mackenzie, but I am sure you can appreciate the strain this puts on local government and our ability to provide services for our residents and complete important community projects.

Your prompt attention to complete the review and move the Conifex Fort St. James sale to Hampton Lumber forward will be much appreciated by myself and the mayors of Fort St. James and Burns Lake. We believe a timely decision and an approval of the sale is strongly in the public interest for all of our struggling communities. I look forward to hearing a positive outcome solution to this issue in the very near future. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, reading "Joan Atkinson". The signature is written in a cursive, flowing style.

Mayor Joan Atkinson

cc: Honourable John Horgan  
Premier

cc: Ken Shields  
Chief Executive Officer, Conifex

## Guidance for the Authority to Attach Conditions to the Approval of the Disposition of an Agreement under *Forest Act* section 54

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Under section 54 (2) for a disposition of an agreement to be effective it must be approved by the Minister (in writing) and meet the requirements set out in paragraphs 54 (2)(b) through (f).

Pursuant to section 54 (2.1), the Minister can require either party of the proposed disposition to provide (a) prescribed information and (b) any other information the Minister considers necessary to evaluate the disposition.

Section 54.01 of the *Forest Act* allows for the minister to attach conditions to the approval of a requested disposition of an agreement.

Section 54.02 establishes factors the Minister must consider when making a disposition decision under section 54.

### ***Overview of legislative authorities***

- Section 54.01 of the *Forest Act* establishes the Minister's authority to add conditions to an approval of a disposition of an agreement under section 54. Specifically:
  - The minister may attach conditions to an approval.
  - The minister may attach as a condition to an approval that one or more specified agreements be disposed of to a person who is at arm's length from the intended recipient by a date specified by the minister.
- Section 54.02 of the *Forest Act* establishes the factors that the Minister must consider when making a determination under section 54 or adding a condition in accordance with section 54.01.
  - When considering any disposition of an agreement, the Minister must consider the effect of the disposition on the marketing of fibre in BC and the public interest.
  - Unless the Minister is able to attach a condition that the Minister is satisfied will address the following issues, the Minister must refuse the disposition –
    - in the case of a TFL, FL or PA, the Minister considers that the disposition would result in a party holding or controlling the rights to harvest Crown timber in an amount detrimental to the competition in the marketing of fibre in all or part of BC;
    - for any disposition, the Minister considers it would not be in the public interest for the intended recipient to acquire the agreement or hold the rights under the agreement.

### ***Factors to consider:***

- A condition must be reasonable, measurable, verifiable, and time bound.
- A condition can not make proceeding with the disposition of an agreement provisional. Approval means that the disposition itself may proceed. If conditions are added, the agreement may be suspended after the disposition if the conditions are not met.
- A condition should be something which will address or mitigate an issue or outcome that results from the proposed transfer for which the transfer would otherwise be refused.
- A condition under section 54.01 that essentially results in a new condition being added to the operation of an agreement should be consistent with the terms and conditions of what may be

## Guidance for the Authority to Attach Conditions to the Approval of the Disposition of an Agreement under *Forest Act* section 54

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included as a condition in an agreement under the *Forest Act* (i.e., content of a forest licence, section 14 (1)(h))

- In other words, the terms of the agreement should not be altered through the addition of a condition beyond what is legally permitted to be included in the content of such an agreement.
- When considering a condition that may be more than what might be normally included in an agreement under the *Forest Act*, a consideration may be whether the potential recipient of the disposition had proposed or committed to the minister that they would meet the condition. Legal advice should be sought for any extraordinary exercise of this authority.
  - Note that if the potential recipient, publicly or privately, during the course of the processing of the proposed disposition, states that it would undertake to do something if the disposition was approved, that statement will be part of the public record that the minister may consider when making the decision. However, legal advice has indicated that it would not be appropriate for the minister to set it as a condition of the transfer or a new term in the agreement.

### ***Process of setting conditions:***

Without limiting the discretion of the minister in their decision, should the minister decide that conditions will be attached to the approval of a requested disposition, principles of administrative law and procedural fairness will apply. Where a person's rights, privileges or interests will be affected by a decision, the person may have a right to notice of the decision and an opportunity to respond before the decision is made. This would be akin to an Opportunity To Be Heard process common in many decisions under the *Forest Act* and *Forest and Range Practices Act*.

It should be made clear in the approval that the failure to meet a condition within the timeframe identified for that condition may result in the minister finding the holder of the agreement in breach of the condition. In accordance with *Forest Act* section 54.61, failure to comply with a condition is a reason for the minister to suspend the agreement under section 76(1) of the *Forest Act*.

### ***Process of monitoring and enforcing conditions:***

Forest Tenures Branch, with support from Regional and District staff, will be responsible for the monitoring of the status of any conditions attached to the approval of a transfer during the timeframe within which the condition must be met.

It is recommended that to assist with tracking a phrase be included in an approval to ensure that the recipient is accountable for notifying the Ministry when a condition has been met. For example, "the recipient must notify the statutory decision maker within 7 days of a condition of this transfer having been met."

If the Ministry has established that a condition has not been met within the specific timeframe, the principles of administrative law would prevail, and an Opportunity To Be Heard should be arranged between the agreement holder and the statutory decision maker prior to any decision to suspend the agreement under *Forest Act* section 76(1).

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s.16



File: 19040-20/1293

Reference: 251572

<DATE>

**EMAIL: adam.infanti@conifex.com**

Adam Infanti, Vice President, Finance  
Conifex Timber Inc.  
Suite 980 – 700 West Georgia Street  
Vancouver, British Columbia  
V7Y 1B6

**EMAIL: heathcurtiss@hamptonlumber.com**

Heath Curtiss, VP Legal & Government Affairs  
Fort St. James Forest Products General Partner Ltd.  
Hampton Lumber Mills – Canada Ltd.  
Suite 200, 9600 Barnes Road  
Portland, Oregon, USA  
97225-6666

Dear Adam Infanti and Heath Curtiss:

I am writing in response to your September 23, 2019, Amended Notice of Intended Disposition of an Agreement (NOID) requesting the transfer of Replaceable Forest Licence A77955 and associated road permits (the Fort St. James assets) from Conifex Inc. (Conifex) to Fort St. James Forest Products General Partner Ltd. (Fort St. James Forest Products) in its capacity as the general partner of the Fort St. James Forest Products Limited Partnership.

I have reviewed the details of the proposed dispositions and I am satisfied that the requirements set out in Section 54 of the *Forest Act* have been met. In accordance with Section 54 (2)(a) of the *Forest Act*, I hereby provide approval for the disposition subject to the following conditions imposed under Section 54.01 of the *Forest Act*:

- 1) Fort St. James Forest Products must build a sawmill in Fort St. James consistent with the submission to the Ministry of Forests, Lands, and Natural Resource Operations and Rural Development (the Ministry) titled, “Hampton Lumber Acquisition of Fort St. James Timber Licence and Mill from Conifex Timber”, dated September 18, 2019, and, using commercially reasonable efforts, will have the sawmill operational within 36 months after the acquisition of the Fort St. James assets from Conifex.
- 2) Fort St. James Forest Products must provide in confidence to me at each of 12 and 24 months following the completion of the disposition, a report to document the substantial progress on the demolition of the existing sawmill and the construction of the new sawmill.

If issues arise which will affect Fort St. James Forest Products’ ability to meet the above conditions, I expect Fort St. James Forest Products to notify me immediately. As per *Forest Act*, Section 54.61, the Minister may suspend rights under an agreement under *Forest Act*, Section 76(1) if the conditions above are not met at the completion of the time periods specified. In making a determination under this section, I would consider any factors that were relevant to the company’s ability to fulfil the requirements of the conditions, including:



1. Whether the required environmental permits, technical Safety BC permits, special use permits, and licences of occupation associated with Conifex's Fort St. James sawmill were able to be transferred or acquired by Fort St. James Forest Products in a timely manner; and
2. Whether there were factors beyond the control of Fort St. James Forest Products including but not limited to catastrophic events, significant changes to available fibre supply, or a significant deterioration in the economic conditions of the forest and milling sector.

Under *Forest Act*, Section 54.02, it is my responsibility to consider the effect of this disposition on the public interest. The Ministry received a considerable response from the citizens of British Columbia, from local governments, and from First Nations to help me understand the extent of the public interest for this disposition. In addition, I have reviewed your submission dated September 18, 2019, referenced earlier, that outlines measures that Fort St. James Forest Products has initiated to ensure the disposition is in the interests of the public. It is my expectation that Fort St. James Forest Products will continue to pursue these measures and discussions, which for clarity include:

1. Continue discussions with the Nak'azdli, Tl'axt'en, Binche, Yekooche and Takla First Nations to pursue partnerships consistent with the information provided to government in the submission titled "Hampton Lumber Acquisition of Fort St. James Timber Licence and Mill from Conifex Timber", dated September 18, 2019.
2. Meet with the United Steelworkers Union – Local 1-2017, which represents the Conifex Fort St. James sawmill's hourly work force within 30 days of the completion of the acquisition of the Fort St. James assets from Conifex.
3. Continue discussions with Fort St. James Green Energy with a goal of entering into a fibre supply agreement for non-lumber residuals on commercially reasonable and competitive terms.
4. Continue discussions with the local logging contractors previously used by Conifex with the intention of using their services to supply timber to the new Fort St. James sawmill.

In accordance with Section 54 (2)(f)(i) of the *Forest Act*, the disposition must be completed no later than 90 calendar days from the date of this approval. If the disposition in question is not completed as of that date, this approval will become null and void. Any requests to extend this deadline must be in writing and received by the Ministry before the expiry of this approval.

As per Section 54.2 of the *Forest Act*, you are required to confirm the completion of the disposition within seven calendar days of completion. Please provide this confirmation in writing to:

Doug Stewart, Director, Forest Tenures Branch  
Ministry of Forests, Lands, Natural Resource Operations and Rural Development  
P.O. Box 9510, Stn Prov Govt, 2<sup>nd</sup> Floor, 1520 Blanshard Street  
Victoria, British Columbia, V8W 9C2  
Email: [doug.b.stewart@gov.bc.ca](mailto:doug.b.stewart@gov.bc.ca)

Adam Infanti, Conifex Inc.  
Heath Curtiss, Fort St. James Forest Products Limited Partnership

Please note that the disposition will be without effect if at the end of the day of the completion of the disposition all of the money due in respect to the agreement has not been paid or dealt with in accordance with Section 54 (2)(b) of the *Forest Act*.

In regards to the licence deposit, we recognize as per your NOID that upon approval, a new licence deposit payable to the Minister of Finance for the total of the current deposit required for the agreement will be submitted by Fort St. James Forest Products and the current deposit held under the Agreement is to be returned to Conifex, the previous holder of the Agreement. Please ensure that these arrangements are completed in a timely manner.

If you have any questions, please contact Steve Baumber, Senior Timber Tenures Forester, Forest Tenures Branch at (778) 974-4047.

Sincerely,



Doug Donaldson  
Minister

pc: John Allan, Deputy Minister of Ministry of Forests, Lands, Natural Resource  
Operations and Rural Development  
Chris Stagg, Assistant Deputy Minister  
Rural Opportunities, Tenures and Engineering Division  
Eamon O'Donoghue, Assistant Deputy Minister, North Area  
Doug Stewart, Director, Forest Tenures  
Steve Baumber, Senior Timber Tenures Forester, Forest Tenures Branch  
Robert G. Owen, Borden Ladner Gervais LLP @ [rowen@blg.com](mailto:rowen@blg.com)

October 10, 2019

Ministry of Forests, Lands, Natural Resource Operations and Rural Development  
PO Box 9049 Stn Prov Govt  
Victoria, BC V8W 9E2

Attention: Honourable Doug Donaldson, Minister of Forests, Lands, Natural Resource Operations and  
Rural Development

Dear Honourable Donaldson

**Re: Sale of Conifex Sawmill in Fort St. James**

On behalf of the Mackenzie Matters committee, we support and are encouraging this government to make an immediate decision on the sale of the Conifex Sawmill in Fort St. James. The completion of this sale will greatly assist in Conifex working towards meeting their requirement to provide an asset divestment and restructuring plan that must be acceptable to its lenders and in place on or before November 25, 2019.

It is imperative that this sale is expedited as Mackenzie is currently reliant on our local Conifex operations for employment as well as a supply of fibre to the East Fraser Fibre mill and Paper Excellence Pulp Mill in Mackenzie.

Thank you for your prompt consideration of this urgent matter.

Yours truly,

Mackenzie Matters Committee  
Lynda Moreland, Louise Skavlebo, Kim Guthrie

cc John Horgan  
Mike Morris  
Bob Zimmer  
Ravi Kahlon  
Ryan Bichon  
Brian O'Rourke  
Joan Atkinson  
Dean McKinley  
Sandy Ferguson  
Kathy Cloutier  
Robert McCarthy  
Chris Corday

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s.16



PRINCE GEORGE | VANCOUVER

October 2 2019

Honourable Doug Donaldson  
Minister of Forests, Lands, Natural Resource Operations and Rural Development  
PO Box 9049 Stn Prov Govt  
Victoria, BC V8W 9E  
FLNR.Minister@gov.bc.ca (copy by mail).

Dear Minister Donaldson,

Re: Hampton purchase of Fort St. James Sawmill and Associated Forest Licence

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As you are aware, we operate a pellet plant in Burns Lake. One of our flagship operations, the Burns Lake plant provides seventy permanent, full-time jobs as well as substantial economic benefit to the region.

Our strong relationship with Hampton Lumber's operations at the Babine and Decker Lake sawmills and their forest operations in the region are important to our continued success. The sawmill co-products – sawdust, shavings and hogfuel - and harvest residuals – biologs and ground material - are cornerstones of our fibre supply.

We were pleased to learn that Hampton intends to purchase Conifex's idled sawmill and associated licences near Fort St. James. We understand that while they will not restart the existing mill they do intend to build a new facility that is better suited to the current and future fibre supply. We believe that Hampton's history of working closely with secondary users, First Nations and communities means that this transaction will ultimately be good for the community of Fort St. James and the region.

In a time where we are facing curtailments and reduced production from many of our suppliers, we applaud Hampton for taking the steps to ensure their operations in BC will remain economically viable for the long-term. We encourage you to permit the transfer of the licence and welcome news of further Hampton investment in the region.

Best regards,

Scott Bax, COO  
Pinnacle Renewable Energy Inc.

CC: Deputy Minister John Allan, PO BOX 9352 STN PROV GOVT VICTORIA BC V8W9M1  
Dan Daly, Hampton Lumber, Email: dandaly@hamptonlumber.com

**PRINCE GEORGE**  
8545 Willow Cale Road, Prince George, BC V2N 6Z9  
TF. 1-877-737-4344 P. 250-562-5562 F. 250-562-5584

**VANCOUVER**  
350 - 3600 Lysander Lane, Richmond, BC V7B 1C3  
P. 604-270-9613 F. 604-270-9914



PEFC/26-31-81



[www.pinnaclepellet.com](http://www.pinnaclepellet.com)

**The Transfer  
of  
Replaceable Forest Licence  
A77955  
from  
CONIFEX INC.  
to  
FORT ST. JAMES FOREST  
PRODUCTS GENERAL  
PARTNER LTD.**

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***Reasons for Ministers' Decision***

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On October 28, 2019, pursuant to section 54 of the *Forest Act* (the *Act*), I, the Minister of Forests, Lands, Natural Resource Operations and Rural Development (the Minister), issued an approval for the disposition of Replaceable Forest Licence (RFL) A77955 from Conifex Inc. to Fort St. James Forest Products General Partner Ltd. This document sets out the reasons for that decision.

## 1 NATURE AND SCOPE OF THE DECISION

The Transfer Provisions found in Part 4 the *Act* provide timber tenure holders the ability to dispose of (transfer) their tenure agreements to another entity, guided by the requirements under the Disposition and Change of Control Regulation (the “Regulation”).

Under section 54(2)(a) of the *Act*, the disposition of an agreement must have the approval of the Minister in writing.

On June 24<sup>th</sup>, 2019, Conifex Inc. (Conifex) announced that it had reached agreement to sell its Fort St. James sawmill to Hampton Lumber Mills – Canada, Ltd. and RFL A77955 and associated road permits to Fort St. James Forest Products General Partner Ltd., an affiliate of Hampton Lumber Mills – Canada, Ltd. (Hampton). Fort St. James Forest Products General Partner Ltd. acts in the capacity as the general partner of Fort St. James Forest Products Limited Partnership. The Ministry received a Notice of Intended Disposition (NOID) on July 12<sup>th</sup>, 2019, requesting approval of the transfer of RFL A77955 and associated Road Permits from Conifex to Fort St. James Forest Products General Partner Ltd. (Hampton). The NOID was subsequently amended on September 23, 2019, to include additional road permits.

RFL A77955 is located within the Prince George Timber Supply Area (TSA) with an Allowable Annual Cut (AAC) of 440,000 m<sup>3</sup>/year.

## 2 MINISTERS’ CONSIDERATIONS

### 2.1 Fibre Market Concentration

Under section 54.02 the *Act*, I must consider the effect of the disposition on the marketing of fibre in British Columbia. I am guided in this consideration by the indices and thresholds specified under Part 3 of the Regulation. These indices are applied to the recipient of the agreement in the transfer.

At the time of my decision, the operating areas within which activities occurred under RFL Licence A77955 (the licence) had been limited to Supply Blocks B and C of the Prince George Timber Supply Area (TSA) surrounding and extending north of the municipality of Fort St. James. The Conifex lumber mill being purchased by Hampton is located in Fort St. James. Therefore, my consideration of the effects on the marketing of fibre was confined to the Omineca Fibre Distribution Zone as defined under section 19 of the Regulation. I am aware that Hampton also operates two sawmills, Decker Lake and Babine Forest Products and both of these are in the adjacent Skeena Fibre Distribution Zone.

**The first part** of the Fibre Market Test (the Test) is the Herfindahl-Hirschman Index (HHI). Named after economists Orris C. Herfindahl and Albert O. Hirschman, it is an economic



concept widely applied in competition law and antitrust legislation. The HHI is a measure of the size of individual firms in relation to the total size of the industry and is used as an indicator of the amount of competition within the industry. For the purposes of the Test required under the Act, the 'size' of a firm is measured by the total amount of volume that it may access under all of the tenure agreements available to that firm. The index reflects the total that results from all firms – it is not a way of measuring the 'share' of an individual firm, rather it identifies if a transfer will make the concentration of tenure in a defined area better or worse.

The Regulation specifies that a disposition would be detrimental to the marketing of fibre if the following thresholds are exceeded:

1. HHI of the Fibre Distribution Zone (post disposition) is 1800 or greater;
2. HHI of the Fibre Distribution Zone increases by more than 100 post disposition (does not apply if the HHI for the Fibre Distribution Zone decreases by an amount equal to or greater than the HHI share of the intended recipient (s. 11.2);
3. HHI share for the intended recipient is 100 or greater for zone post disposition; or
4. HHI share for intended recipient is 100 or greater in adjacent zone post disposition.

The current HHI in the Omineca Fibre Distribution Zone is 1,669, which is already below the detrimental level of concentration of 1,800 set in Regulation. Post-transaction, the HHI will decrease slightly to 1,635 because a large holder in the Omineca Fibre Distribution Zone (Conifex) is divesting some of its tenure holdings to a firm that holds less tenure.

For this reason, I find that post-disposition, the marketing of fibre would not be detrimentally affected as there will not be an increased concentration of tenure in the Omineca Fibre Distribution Zone.

**The second part** of the Test is an index which measures 'vertical integration'. Vertical integration refers to the ability of a firm to supply its own needs in a product chain. In the case of a forestry company that owns wood fibre processing facilities (such as a sawmill), it is the ratio of the ownership of the rights to harvest timber (tenure agreements) to the supply needs of its fibre processing facilities. In essence, it is an indicator of how much more fibre (beyond the volume it can access through its tenure agreements) a forestry company needs to purchase on the open market in order to supply the needs of its facilities.

Although the formulas and the terminology used in the Regulation are somewhat complicated, the threshold of the Test can be stated in the following simple terms: at least half of the input requirements for the fibre processing facility must be purchased on the open market or from sources other than that supplied through timber harvesting under their own tenure agreements.

An important distinction in this transfer is that the recipient (Hampton) does not currently

operate a mill in the Omineca Fibre Distribution Zone and is not planning to operate the current Conifex mill 'as is'. Hampton proposes to rebuild the mill into a new, modern, "right-sized" mill. The Regulation empowers me to request information necessary for this assessment and so Hampton was asked to identify several potential scenarios based on how they could choose to operate/rebuild the mill. Under section 105.1 of the *Act* Hampton was obligated to ensure that any information provided was complete and accurate.

The information that was shared, and the calculations that were supported by this information, are bound by confidentiality and cannot be shared in my rationale. Given the information provided, I find that post-transaction, the vertical integration calculation does not indicate that the marketing of fibre would be detrimentally affected.

I am satisfied that the two parts of the Test are calculated properly and provide an accurate representation of the post-transaction effect of the proposed disposition on the marketing of fibre in the Omineca Fibre Distribution Zone.

In considering the effect of the disposition on the marketing of fibre in British Columbia, it is my determination that the disposition will not result in the intended recipient of the agreement holding rights to harvest Crown timber in an amount that is detrimental to competition in the marketing of fibre in the Omineca Fibre Distribution Zone.

## 2.2 Public Interest

Under section 54.02 the *Act*, I must consider the effect of the disposition on the public interest, and specifically, if it would not be in the public interest for the intended recipient to acquire the agreement under the disposition or to hold the rights under the agreement. I am guided in this consideration by the Province's extensive history of public engagement and the representation of, and reflection on, the public interest found in other ministerial decision rationales, such as those prepared for decisions made under the *Environmental Assessment Act*.

The public interest regarding this proposed transfer was identified through a review of online submissions, correspondence, media/news articles, and multiple internal and external meetings held among ministry staff, local government, First Nations, stakeholders and citizens.

### *Broad Citizen Input*

Online submissions were encouraged from citizens of BC through a public website and comments were collected over a 65-day period. Respondents were mainly residents of Fort St. James. The majority of respondents (78%) were in support of the disposition. I have noted that some of those opposed wished the volume held under the agreement to be repurposed away from timber harvesting, and that there were concerns over the safety

and maintenance of roads and highways in and around Fort St. James if there were to be increased hauling of fibre out of the community.

#### *Correspondence to Government*

A total of nine letters were received, addressed to me or other senior government officials, specifically communicating information with regard to this disposition. These letters represent input from organized community groups, elected officials, First Nations and local business interests.

#### *Monitoring the Media*

A number of news articles and letters to the editor were published during the public interest engagement period. These spoke directly to the agreement transfer and mill purchase, and also had general references to the state of provincial forests, expressed concerns of Fort St. James residents regarding its social and economic stability, identified commitments made by Hampton to the community of Fort St. James and local First Nations, and raised concerns of citizens over the mill curtailments occurring throughout the province.

#### *Meetings and Discussion*

An extensive series of meetings were held among Ministry staff, the proponents, First Nations, local governments, stakeholders and citizens. These meetings were used to gather input from affected groups and individuals, to communicate information regarding the transfer, and to maintain focus on efforts to improve social and economic stability in the affected communities.

#### *The Public Interest*

Ministry staff distilled the input from all of the above sources. I believe Table 1 below accurately represents the broad spectrum of public interest issues and concerns that relate to this disposition.

It is important to note that engagement with First Nations with respect to the public interest is additional to the Province's constitutional duty to consult with First Nations when a decision may impact aboriginal rights or title. Consultation with First Nations is summarized in the next section. However, as part of the consideration of the public interest, I have reflected on the community and business interests of local First Nations. Hampton's background of working directly with First Nations through equity partnerships and supporting local First Nation contractors, and the potential benefits to First Nations and the Fort St. James community from a new mill and continued forestry operations under the agreement in question were part of my assessment. As such, the public interest consideration looks at the role of rural communities, such as Fort St. James, in providing a foundation for future Indigenous economic initiatives and opportunities.

**Table 1. Public Interest Summary**

<b>Citizens of Fort St. James</b>
<ul style="list-style-type: none"> <li>• Hampton must build and operate a new sawmill in Fort St. James</li> <li>• Wood fibre should stay in the community</li> <li>• Volume of the license could be reclaimed by the province for management of other resource values (wildlife habitat)</li> <li>• Concerns over the safety and maintenance of roads and highways in and around Fort St. James if there is increased hauling out of the community</li> </ul>
<b>Local Government</b>
<ul style="list-style-type: none"> <li>• Strong support that a new mill be built, and the transfer is in the public interest</li> <li>• Wood fibre to stay in the community</li> <li>• Ensure viability of Conifex's Mackenzie operations, including secondary fibre supply to other facilities</li> <li>• Strengthens Hampton's overall financial position and operations in other towns</li> </ul>
<b>First Nations (public interest context)</b>
<ul style="list-style-type: none"> <li>• Nations with Business to Business relationships with Hampton in Burns Lake support improving Hampton's fibre supply</li> <li>• Nations are seeking tenure agreements to create economic opportunities for their communities</li> <li>• Nations are interested in Business to Business agreements with the license holder</li> </ul>
<b>Labour</b>
<ul style="list-style-type: none"> <li>• United Steelworkers Union has identified that the proposed modern mill will reduce the amount of labour required</li> <li>• A rebuilding of the mill lengthens the time that mill workers will remain out of without employment, therefore, it is in the public interest to keep logging contractors employed during the mill rebuild</li> <li>• Local contractors should have a competitive advantage because of their proximity to the logging operations</li> <li>• Concerns have been raised over the sound management of the harvestable fibre that remains within the timber supply area</li> <li>• Employment of local First Nations through jobs at local mills, logging, trucking, and other ventures needs to be maintained for all operators</li> <li>• Continued fibre supply to secondary fibre users' needs to be maintained</li> <li>• United Steelworkers Union seniority rights need to be addressed</li> </ul>

In addition to the above input, I note that in the context of Bill 22, government has recognized that:

- The province must have an internationally competitive forest sector.
- Given the expected adjustments in timber supply due to two decades of pest outbreaks and wildfires, a rationalization of the consumption of fibre versus the available timber supply is expected and communities must be supported.
- The province has called on industry, labour, First Nations and communities to work together to develop a new vision for our Interior forest industry at the regional level and build an industry that maximizes the value of forest products, a competitive industry with opportunities for local workers, meaningful partnerships with First Nations, and security for forest-dependent communities.

Part of my consideration of the effect of the transfer on the public interest has been to ensure that the context of this decision is not lost amidst the other matters that are affecting the economic basis for the municipality and the local area. The approval of a disposition of an agreement under the *Act* is a matter of approving the change in the holder of the agreement. It is my responsibility to ensure that the intended recipient is appropriate, that the rights to this public resource are managed in the best interests of British Columbians, and to ensure that the economic return possible through such an agreement will continue to benefit BC communities and local industry. However, the approval or refusal of a disposition will not resolve all issues of public interest.

For this reason, I would like to highlight the various Provincial programs that have been directed to communities impacted by mill curtailments, mill closures, and are experiencing reductions in allowable annual cut due to pest outbreaks and wildfires. Over \$15 million from these programs has been identified for the assistance of forestry workers and creating local projects that utilize existing skills and equipment. Community Development teams have been working within Fort St. James and Mackenzie to address multiple social and economic issues since the mill curtailments began.

The approval of this transfer will support continued investment in the community, will help to maintain employment levels in the decades to come, and support essential services remaining in Fort St. James. The proposal put forward by Hampton, based upon their previous corporate arrangements through the Burns Lake Native Development Corporation, is consistent with the Province's vision of a community-based solution with benefits for First Nations, workers, and the local community. Hampton has suggested that a new modern, right-sized mill can be viable in the area if centred on available fibre supply and built to be adaptive and competitive.

I am mindful that the transfer and sale of the mill will improve Conifex's stability and that they continue to be active in other communities in the province.

Based on information provided by Hampton, and the public statements they have made, I expect Hampton to:

- Continue their discussions on developing partnerships with interested First Nations consistent with the information provided to government in the submission titled "Hampton Lumber Acquisition of Fort St. James Timber Licence and Mill from Conifex Timber", dated September 18, 2019.
- Meet with the United Steelworkers Union – Local 1-2017, which represents the Conifex Fort St. James hourly work force within 30 days of the completion of the acquisition of the Fort St. James assets from Conifex.
- Continue discussions with Fort St. James Green Energy with a goal of entering into a fibre supply agreement for non-lumber residuals at commercially reasonable and competitive terms and prices.
- Continue discussions with the local logging contractors previously used by Conifex with the intention of using their services to supply timber to the new Fort St. James sawmill.

In my consideration of the public interest, it is abundantly clear to me that the rebuilding of a right-sized mill, as proposed by Hampton, is of paramount importance for the residents of Fort St. James and the surrounding area, for the business interests of First Nations and existing wood fibre-based businesses and contractors in the area.

It is my determination that the disposition **is in the public interest** so long as Hampton builds a sawmill as per their intentions. Pursuant to section 54.01 of the *Act*, I have attached a condition to my approval in this respect.

### 2.3 First Nations Consultation

As part of the Province's constitutional duty, and as also part of the gathering of information to consider the effect on the public interest, I have fully reviewed information related to this decision provided by First Nations.

This consultation process reaffirmed the priority of Indigenous economic development and the role of rural communities. First Nations continually expressed the need for better mechanisms to meet their tenure interests. In this decision, I considered those strategic issues that have implications beyond this decision.

Through consultation I was provided with an opportunity to review and consider concerns from the 27 First Nations that have traditional territory in the Prince George timber supply area. The issues raised can be grouped into three categories; economic, strategic, and stewardship. Details include:

- **Economic:** Requests for tenure/volume, requests for Economic Benefits Agreements, concerns on local economic resiliency, requests for certainty on mill rebuilding, and requests for economic opportunities for band members;
- **Strategic:** Concerns regarding the necessity of Free, Prior and Informed Consent, concerns regarding the validity of consultation, concerns over timelines, concerns over the consideration of First Nation feedback, and requests relating to Government-to-Government negotiations; and
- **Stewardship:** Concerns regarding increased pressure on land base, requests for Omineca Environmental Stewardship Initiative/Takla Best Management Practices adoption/implementation, requests regarding cultural heritage management, and requests to limit pesticide/herbicide use.

I note that as a result of consultation, no specific impacts were identified by First Nations that would affect First Nations aboriginal rights or title and that would require accommodation. That being said, it is the government's intention to continue discussions with First Nations on the above noted concerns and requests to further efforts on reconciliation and support First Nations desires for enhanced economic opportunities and land-based stewardship. Improving stewardship practices is acknowledged to be a priority for both the Province and First Nations. Hampton has previously committed to engaging in the existing stewardship initiatives in the Omineca Region, including being a signatory to the Environmental Stewardship Initiative Memorandum of Understanding, and I have indicated that I expect this commitment to extend into activities under the

transferred agreement.

I have emphasized as part of my consideration of the public interest Hampton's existing commitments and their expressed intentions with respect to future engagement and their interest creating business opportunities with First Nations as a means addressing some of the concerns expressed by First Nations.

My staff have conducted consultation in good faith and in alignment with relevant agreements, legislation and case law. In following this process, I was provided with an opportunity to hear and consider concerns directly from the Nations. All information I received was considered in the decision.

### 3 CONCLUSION

Under section 54.02 the *Act*, I must consider the effect of the disposition on the marketing of fibre in British Columbia, and the effect of the disposition on the public interest; specifically, if it would not be in the public interest for the intended recipient to acquire the agreement under the disposition or to hold the rights under the agreement.

In considering the effect of the disposition on the marketing of fibre in British Columbia, it is my determination that the disposition will not result in the intended recipient of the agreement holding rights to harvest Crown timber in an amount that is detrimental to competition in the marketing of fibre in the Omineca Fibre Distribution Zone.

I have determined that the transfer is in the public interest provided that Hampton builds and operates a sawmill as per their intentions. Therefore, In accordance with Section 54.01 of the *Forest Act*, I attached the following condition to my approval:

- 1) Fort St. James Forest Products must build a sawmill in Fort St. James consistent with the submission to the Ministry of Forests, Lands, and Natural Resource Operations and Rural Development (the Ministry) titled, "Hampton Lumber Acquisition of Fort St. James Timber Licence and Mill from Conifex Timber", dated September 18, 2019, and, using commercially reasonable efforts, will have the sawmill operational within 36 months after the acquisition of the Fort St. James assets from Conifex.
- 2) Fort St. James Forest Products must provide in confidence to me at each of 12 and 24 months following the completion of the disposition, a report to document the substantial progress on the demolition of the existing sawmill and the construction of the new sawmill.



Honourable Doug Donaldson

Minister of Forests, Lands, Natural Resource Operations and Rural Development

Signed this 4<sup>th</sup> day of November 2019

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Withheld pursuant to/removed as

s.21





Attachment A



NEWS RELEASE: via MARKETWIRE

FOR IMMEDIATE RELEASE

**Conifex and Hampton Lumber Announce Agreement for  
Sale of East St. James Sawmill**

Copyright

Media Contacts:  
Sandy Ferguson  
VP Corporate Affairs and Business  
Development (778) 385-2750  
[sandy.ferguson@conifex.com](mailto:sandy.ferguson@conifex.com)

Kristin Rasmussen  
Director of Public Affairs and Communications  
Hampton Lumber, 503-203-6563  
[kristinrasmussen@hamptonlumber.com](mailto:kristinrasmussen@hamptonlumber.com)

Investor Contact:  
Yuri Lewis  
Chief Financial Officer  
(778)-331-8687  
[yuri.lewis@conifex.com](mailto:yuri.lewis@conifex.com)

Page 301 of 370

Withheld pursuant to/removed as

Copyright

Attachment B

Robert G. Owen  
T (604) 640-4044  
F (604) 622-5837  
rowen@blg.com

Borden Ladner Gervais LLP  
1200 Waterfront Centre  
200 Burrard St, P.O. Box 48600  
Vancouver, BC, Canada V7X 1T2  
T 604.687.5744  
F 604.687.1415  
blg.com



July 12, 2019

FILE NO: 564306/1

**By Courier**

Ministry of Forests  
Lands and Natural Resource Operations  
1520 Blanshard St  
Victoria, B.C.V8T 4J1

**Attention: Doug Stewart, Director Forest Tenures Branch**

Dear Doug:

**Re: Hampton Lumber Mills – Canada, Ltd. and Conifex Inc.  
Notice of Intended Disposition**

On behalf of Hampton Lumber Mills – Canada, Ltd., we enclose a notice of intended disposition in connection with the disposition of Forest Licence A77955 and associated road permits currently held by Conifex Inc., together a cheque payable to the Minister of Finance in the amount of \$2,300 as payment of the non-refundable transfer fee of \$100 per licence/permit.

Yours truly,

**Borden Ladner Gervais LLP**

By:

A handwritten signature in black ink, appearing to be 'R. Owen', written over a horizontal line.

Robert G. Owen

RGO/md  
Encls.

cc: Hampton Lumber Mills – Canada, Ltd.  
Sangra Moller LLP

**NOTICE OF INTENDED DISPOSITION**  
of a  
**TREE FARM LICENCE; FOREST LICENCE; or PULPWOOD AGREEMENT**  
under  
**SECTION 54 OF THE FOREST ACT**

To: The Director,  
Forest Tenures Branch,  
Ministry of Forests, Lands, Natural Resource Operations and Rural Development

Re: Forest Licence A77955 (the "Agreement")

We jointly hereby give notice of the intended disposition of the Agreement;

From: Conifex Inc.  
(Current Holder of the Agreement)

To: Fort St. James Forest Products Limited Partnership.  
(Intended Recipient of the Agreement)

The following information pertaining to each of the Current Holder and the Intended Recipient of the Agreement is provided:

1. Current Holder of the Agreement

Corporation Name: Conifex Inc.

Jurisdiction of Incorporation: Canada (Federal)

Incorporation Number: 678715-1

Address: Suite 980 - 700 West Georgia Street, Vancouver, BC V7Y 1B6

Directors and Officers:

Directors:

Kenneth Shields

Officers:

Kenneth Shields, President and CEO  
Yuri Lewis, Chief Financial Officer  
Adam Infanti, VP Finance

Major Shareholders (including % held): Conifex Timber Inc. (100%)

Intended Recipient of the Agreement

Corporation Name: The Intended Recipient of the Agreement is not a corporation, but is Fort St. James Forest Products Limited Partnership, a British Columbia limited partnership

Unknown

having Fort St. James Forest Products General Partner Ltd. as the sole general partner and Trans-Pacific Trading Ltd. as the sole initial limited partner.

Jurisdiction of Incorporation: Fort St. James Forest Products Limited Partnership is a limited partnership formed under the laws of the Province of British Columbia. The jurisdiction of incorporation of Fort St. James Forest Products General Partner Ltd. and of Trans-Pacific Trading Ltd. is British Columbia.

Incorporation Number: The registration number for Fort St. James Forest Products Limited Partnership is LP782437. The incorporation number for Fort St. James Forest Products General Partner Ltd. is BC1215499 and the incorporation number for Trans-Pacific Trading Ltd. is BC0940926.

Address: The registered office of Fort St. James Forest Products Limited Partnership is 1200 Waterfront Centre, 200 Burrard Street, Vancouver, BC V7X 1T2, the registered office of Fort St. James Forest Products General Partner Ltd. is 1200 Waterfront Centre, 200 Burrard Street, P.O. Box 48600, Vancouver, BC V7X 1T2, and the registered office Trans-Pacific Trading Ltd. is 1500 Royal Centre, 1055 West Georgia Street, P.O. Box 11117, Vancouver, BC V6E 4N7.

Directors and Officers: Fort St. James Forest Products Limited Partnership does not have any directors or officers. The directors and officers of Fort St. James Forest Products General Partner Ltd. and Trans-Pacific Trading Ltd. are:

**Fort St. James Forest Products General Partner Ltd.**

**Directors:**

Dave Salmon  
Vicki Shaylor

**Officers:**

Dave Salmon, President  
Vicki Shaylor, Secretary

**Trans-Pacific Trading Ltd.**

**Directors:**

Steven J. Zika  
Robert L. Bluhm

**Officers:**

Steven J. Zika, CEO  
Robert L. Bluhm, Vice-President  
Finance and CFO  
James Michael Tyrer, President  
Trent Gustafson, Vice-President  
Dave Salmon, Vice-President  
Human Resources  
Brian Vetrone, Treasurer  
Vicki Shaylor, Secretary

Major Shareholders (including % held): As a limited partnership, Fort St. James Forest Products Limited Partnership does not have shareholders. The major shareholder of Fort St. James Forest Products General Partner Ltd. is Hampton Lumber Mills – Canada Ltd. (100%) and the major shareholder of Trans-Pacific Trading Ltd. is Hampton Lumber Mills – Canada, Ltd. (100%).

2. The transaction proposed includes the disposition of the Agreement (including any cutting permits issued pursuant to the Agreement) and the following road permits which have been issued in association with the Agreement:

R02268 – Kuzkwa South	R18142 – Whitefish
R02274 – Nielsp-Karena	R18627 – Hat Lake
R03466 – Purvis	R18965 – Kuzkwa
R07464 – Takatoot	R20144 – Hat Lake East-Hunitlin North Road
R07564 – Hat Lake	R20525 – Hat Lake West
R07565 – Inzana	R20526 – Necoslie
R12083 – Necoslie-Inzana	R20541 – Tohentlo
R12084 – Cunningham	R20663 – Kuzkwa
R12088 – Kuzkwa	R20831 – Rottacker
R12089 – Takatoot	R21175 – Elliot
R15371 – Hat North	R21663 – Sawtooth

3. The current timber harvesting rights of each of the Current Holder and the Intended Recipient are as follows:

	<i>Forest Act Agreement (includes all agreements within the relevant corporate group, with the registered licensee noted)</i>	AAC (m <sup>3</sup> )
<b>Current Holder</b>		
Conifex Inc.	Forest Licence A77955 in the Prince George Timber Supply Area	440,000
Conifex Mackenzie Forest Products Inc.	Forest Licence A15385 in the Mackenzie Timber Supply Area	632,500
1040806 B.C. Ltd. (50% ownership interest)	Forest Licence A93631 in the Mackenzie Timber Supply Area	300,000
<b>Intended Recipient</b>		
Babine Forest Products Limited	Forest Licence A16823 in the Lakes Timber Supply Area	334,951
Babine Forest Products Limited	Forest Licence A96136 in the Lakes Timber Supply Area	10,000
Babine Timber Limited	Forest Licence A16825 in the Lakes Timber Supply Area	94,748
Babine Timber Limited	Forest Licence A96137 in the Lakes Timber Supply Area	10,000
Northwest BC Timber Resources Ltd.	Forest Licence A16833 in the Kispiox Timber Supply Area	87,571
0736238 BC Ltd.	Forest Licence A74498 in the Kispiox Timber Supply Area	11,381

s.21

5. List any Private Lands that are currently subject to the Tree Farm Licence as per section 54.7 (1) of the Forest Act (if applicable): Not Applicable.
6. List any licences that have been directly awarded in respect to treaty related measures, interim measures or economic measures: Not Applicable.
7. Detailed information with respect to replaceable contract obligations (if any) associated with the licence(s) being transferred (Recipients of the Agreement must assume the contracts – see Section 54(d.1) of the Forest Act): None.
8. In regard to licence deposit, the 1<sup>st</sup> Intended Recipient of the Agreement and Current Holder of the Agreement have agreed to the following (*select one option*):

- (i) ~~The current deposit held under the Agreement is to be applied on behalf of the Intended Recipient of the Agreement (Applies to Cash deposits only);~~

~~Or~~

- (ii) A new licence deposit payable to the Minister of Finance for the total of the current deposit required for the agreement will be submitted and the current deposit held under the Agreement is to be returned to the current holder of the Agreement (B.C. Reg. 55/2006).

9. Payment of a non-refundable transfer fee of \$100.00 for each agreement and road permit is attached to this notice in the form of a check made payable to the Minister of Finance.
10. Contact particulars (name, address, telephone number, email address):

Current Holder of the Agreement:

Conifex Inc.  
ATTN: Adam Infanti  
Vice President, Finance  
Suite 980 - 700 West Georgia Street,  
Vancouver, BC V7Y 1B6  
Phone: 604-216 6828  
Fax: 778-331-8944  
Email: adam.infanti@conifex.com

Intended Recipient of the Agreement:

Fort St. James Forest Products Limited Partnership  
ATTN: Heath Curtiss  
Vice President, Legal & Government Affairs  
Hampton Lumber  
9600 SW Barnes Rd., Suite 200  
Portland, OR 97225-6666  
Phone: 503-203-6610  
Email: heathcurtiss@hamptonlumber.com

11. The intended date of the disposition is the fifth (5<sup>th</sup>) business day after (i) the approval of the Minister is received for the dispositions, and (ii) any approvals required under the Competition Act (Canada) are obtained, provided that date is not later than November 30, 2019.



We hereby seek a notice that the intended dispositions may proceed to completion.

Dated for reference this 11<sup>th</sup> day of July, 2019.

Conifex Inc.

By: K. Shields

Authorized Signatory

Name: Kenneth Shields

Title: President and CEO

**Fort St. James Forest Products General Partner Ltd.,**  
in its capacity as the general partner of  
**Fort St. James Forest Products Limited Partnership**

By: Vicki Shaylor

Authorized Signatory

Name: Vicki Shaylor

Title: Director



Borden Ladner Gervais

**Borden Ladner Gervais LLP**

An Ontario Limited Liability Partnership

1200 Waterfront Centre  
 200 Burrard St, P.O. Box 48600  
 Vancouver, BC, Canada V7X 1T2

**Bank of Montreal**

First Bank Tower  
 595 Burrard St  
 Vancouver, BC, Canada V7X 1L7

CHEQUE NUMBER 129557

CHEQUE DATE 07-12-2019

MM-DD-YYYY

Two thousand three hundred and 00/100\*\*\*\*\*

Trust \$\*\*\*2,300.00\*\*\*

Borden Ladner Gervais LLP

PAY  
 TO THE  
 ORDER  
 OF:

**Minister of Finance**

AUTHORIZED SIGNATURE

AUTHORIZED SIGNATURE

⑈ 1 29557 ⑈ s.21

Payee: Minister of Finance  
 Vendor ID:

Check #: 129557  
 Check Date: Jul 12/19

Client.Matter	Description	Transaction Amount
564306.000001	TC- # 129557- Minister of Finance (Permit transfer fees)- RGO	2,300.00
Trust Total:		\$2,300.00

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s.21



EXECUTIVE OFFICE

# HAMPTON LUMBER MILLS - CANADA, LTD.

9600 SW Barnes Road

Suite 200

Portland, Oregon 97225

Telephone 503.297-7691

Fax 503.203-6618

[www.HamptonLumber.com](http://www.HamptonLumber.com)

September 18, 2019

Sent by email: [Doug.B.Stewart@gov.bc.ca](mailto:Doug.B.Stewart@gov.bc.ca)

Ministry of Forests, Lands, Natural Resource Operations and Rural Development  
1520 Blanshard Street  
PO Box 9510, STN PROV GOVT  
Victoria, BC V8W 9C2  
Canada

Attn: Doug Stewart, Director, Forest Tenures Branch

Dear Mr. Stewart:

**Re: Conifex Timber Inc. Fort St. James Asset and Forest Licence Sale to Hampton Lumber**

I am pleased to submit the attached proposal to the Ministry of Forests, Lands, Natural Resource Operations and Rural Development. The proposal addresses how the transaction meets Bill 22 requirements including: the nature of the transaction, the reasons for the acquisition, and our engagement activities since our notice of intended disposition was submitted on July 12, 2019.

Should you have questions, please feel free to contact me at 503-203-6514.

Sincerely,

A handwritten signature in black ink, appearing to be 'SJ' or 'Zika', written over a horizontal line.

Steven J. Zika, CEO  
Hampton Lumber Mills – Canada, LTD.

cc: David Van Dolah ([David.VanDolah@gov.bc.ca](mailto:David.VanDolah@gov.bc.ca))

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s.21

## Attachment A



NEWS RELEASE: via MARKETWIRE

FOR IMMEDIATE RELEASE

### **Conifex and Hampton Lumber Announce Agreement for Sale of Fort St. James Sawmill**

Copyright

Media Contacts:  
Sandy Ferguson  
VP Corporate Affairs and Business  
Development (778) 385-2750  
[sandy.ferguson@conifex.com](mailto:sandy.ferguson@conifex.com)

Investor Contact:  
Yuri Lewis  
Chief Financial Officer  
(778)-331-8687  
[yuri.lewis@conifex.com](mailto:yuri.lewis@conifex.com)

Kristin Rasmussen  
Director of Public Affairs and Communications  
Hampton Lumber, 503-203-6563  
[kristinrasmussen@hamptonlumber.com](mailto:kristinrasmussen@hamptonlumber.com)

Page 319 of 370

Withheld pursuant to/removal as

Copyright

## Attachment B

Robert G. Owen  
T (604) 640-4044  
F (604) 622-5837  
rowen@blg.com

Borden Ladner Gervais LLP  
1200 Waterfront Centre  
200 Burrard St, P.O. Box 48600  
Vancouver, BC, Canada V7X 1T2  
T 604.687.5744  
F 604.687.1415  
blg.com



July 12, 2019

FILE NO: 564306/1

**By Courier**

Ministry of Forests  
Lands and Natural Resource Operations  
1520 Blanshard St  
Victoria, B.C.V8T 4J1

**Attention: Doug Stewart, Director Forest Tenures Branch**

Dear Doug:

**Re: Hampton Lumber Mills – Canada, Ltd. and Conifex Inc.  
Notice of Intended Disposition**

On behalf of Hampton Lumber Mills – Canada, Ltd., we enclose a notice of intended disposition in connection with the disposition of Forest Licence A77955 and associated road permits currently held by Conifex Inc., together a cheque payable to the Minister of Finance in the amount of \$2,300 as payment of the non-refundable transfer fee of \$100 per licence/permit.

Yours truly,

**Borden Ladner Gervais LLP**

By:

A handwritten signature in black ink, appearing to read 'R. Owen', is written over a horizontal line. Below the signature, the name 'Robert G. Owen' is printed in a standard sans-serif font.

Robert G. Owen

RGO/md  
Encls.

cc: Hampton Lumber Mills – Canada, Ltd.  
Sangra Moller LLP



**NOTICE OF INTENDED DISPOSITION**  
of a  
**TREE FARM LICENCE; FOREST LICENCE; or PULPWOOD AGREEMENT**  
under  
**SECTION 54 OF THE FOREST ACT**

To: The Director,  
Forest Tenures Branch,  
Ministry of Forests, Lands, Natural Resource Operations and Rural Development

Re: Forest Licence A77955 (the "Agreement")

We jointly hereby give notice of the intended disposition of the Agreement;

From: Conifex Inc.  
(Current Holder of the Agreement)

To: Fort St. James Forest Products Limited Partnership.  
(Intended Recipient of the Agreement)

The following information pertaining to each of the Current Holder and the Intended Recipient of the Agreement is provided:

1. Current Holder of the Agreement

Corporation Name: Conifex Inc.

Jurisdiction of Incorporation: Canada (Federal)

Incorporation Number: 678715-1

Address: Suite 980 - 700 West Georgia Street, Vancouver, BC V7Y 1B6

Directors and Officers:

Directors:

Kenneth Shields

Officers:

Kenneth Shields, President and CEO  
Yuri Lewis, Chief Financial Officer  
Adam Infanti, VP Finance

Major Shareholders (including % held): Conifex Timber Inc. (100%)

Intended Recipient of the Agreement

Corporation Name: The Intended Recipient of the Agreement is not a corporation, but is Fort St. James Forest Products Limited Partnership, a British Columbia limited partnership

Unknown

having Fort St. James Forest Products General Partner Ltd. as the sole general partner and Trans-Pacific Trading Ltd. as the sole initial limited partner.

Jurisdiction of Incorporation: Fort St. James Forest Products Limited Partnership is a limited partnership formed under the laws of the Province of British Columbia. The jurisdiction of incorporation of Fort St. James Forest Products General Partner Ltd. and of Trans-Pacific Trading Ltd. is British Columbia.

Incorporation Number: The registration number for Fort St. James Forest Products Limited Partnership is LP782437. The incorporation number for Fort St. James Forest Products General Partner Ltd. is BC1215499 and the incorporation number for Trans-Pacific Trading Ltd. is BC0940926.

Address: The registered office of Fort St. James Forest Products Limited Partnership is 1200 Waterfront Centre, 200 Burrard Street, Vancouver, BC V7X 1T2, the registered office of Fort St. James Forest Products General Partner Ltd. is 1200 Waterfront Centre, 200 Burrard Street, P.O. Box 48600, Vancouver, BC V7X 1T2, and the registered office Trans-Pacific Trading Ltd. is 1500 Royal Centre, 1055 West Georgia Street, P.O. Box 11117, Vancouver, BC V6E 4N7.

Directors and Officers: Fort St. James Forest Products Limited Partnership does not have any directors or officers. The directors and officers of Fort St. James Forest Products General Partner Ltd. and Trans-Pacific Trading Ltd. are:

**Fort St. James Forest Products General Partner Ltd.**

**Directors:**

Dave Salmon  
Vicki Shaylor

**Officers:**

Dave Salmon, President  
Vicki Shaylor, Secretary

**Trans-Pacific Trading Ltd.**

**Directors:**

Steven J. Zika  
Robert L. Bluhm

**Officers:**

Steven J. Zika, CEO  
Robert L. Bluhm, Vice-President  
Finance and CFO  
James Michael Tyrer, President  
Trent Gustafson, Vice-President  
Dave Salmon, Vice-President  
Human Resources  
Brian Vetrone, Treasurer  
Vicki Shaylor, Secretary

Major Shareholders (including % held): As a limited partnership, Fort St. James Forest Products Limited Partnership does not have shareholders. The major shareholder of Fort St. James Forest Products General Partner Ltd. is Hampton Lumber Mills – Canada Ltd. (100%) and the major shareholder of Trans-Pacific Trading Ltd. is Hampton Lumber Mills – Canada, Ltd. (100%).

2. The transaction proposed includes the disposition of the Agreement (including any cutting permits issued pursuant to the Agreement) and the following road permits which have been issued in association with the Agreement:

R02268 – Kuzkwa South	R18142 – Whitefish
R02274 – Nielsp-Karena	R18627 – Hat Lake
R03466 – Purvis	R18965 – Kuzkwa
R07464 – Takatoot	R20144 – Hat Lake East-Hunitlin North Road
R07564 – Hat Lake	R20525 – Hat Lake West
R07565 – Inzana	R20526 – Necoslie
R12083 – Necoslie-Inzana	R20541 – Tohentlo
R12084 – Cunningham	R20663 – Kuzkwa
R12088 – Kuzkwa	R20831 – Rottacker
R12089 – Takatoot	R21175 – Elliot
R15371 – Hat North	R21663 – Sawtooth

3. The current timber harvesting rights of each of the Current Holder and the Intended Recipient are as follows:

	<i>Forest Act Agreement (includes all agreements within the relevant corporate group, with the registered licensee noted)</i>	AAC (m <sup>3</sup> )
<b>Current Holder</b>		
Conifex Inc.	Forest Licence A77955 in the Prince George Timber Supply Area	440,000
Conifex Mackenzie Forest Products Inc.	Forest Licence A15385 in the Mackenzie Timber Supply Area	632,500
1040806 B.C. Ltd. (50% ownership interest)	Forest Licence A93631 in the Mackenzie Timber Supply Area	300,000
<b>Intended Recipient</b>		
Babine Forest Products Limited	Forest Licence A16823 in the Lakes Timber Supply Area	334,951
Babine Forest Products Limited	Forest Licence A96136 in the Lakes Timber Supply Area	10,000
Babine Timber Limited	Forest Licence A16825 in the Lakes Timber Supply Area	94,748
Babine Timber Limited	Forest Licence A96137 in the Lakes Timber Supply Area	10,000
Northwest BC Timber Resources Ltd.	Forest Licence A16833 in the Kispiox Timber Supply Area	87,571
0736238 BC Ltd.	Forest Licence A74498 in the Kispiox Timber Supply Area	11,381

s.21

5. List any Private Lands that are currently subject to the Tree Farm Licence as per section 54.7 (1) of the Forest Act (if applicable): Not Applicable.
6. List any licences that have been directly awarded in respect to treaty related measures, interim measures or economic measures: Not Applicable.
7. Detailed information with respect to replaceable contract obligations (if any) associated with the licence(s) being transferred (Recipients of the Agreement must assume the contracts – see Section 54(d.1) of the Forest Act): None.
8. In regard to licence deposit, the 1<sup>st</sup> Intended Recipient of the Agreement and Current Holder of the Agreement have agreed to the following (*select one option*):

\*600,000 (transposition error)

- (i) ~~The current deposit held under the Agreement is to be applied on behalf of the Intended Recipient of the Agreement (Applies to Cash deposits only);~~

~~Or~~

- (ii) A new licence deposit payable to the Minister of Finance for the total of the current deposit required for the agreement will be submitted and the current deposit held under the Agreement is to be returned to the current holder of the Agreement (B.C. Reg. 55/2006).

9. Payment of a non-refundable transfer fee of \$100.00 for each agreement and road permit is attached to this notice in the form of a check made payable to the Minister of Finance.
10. Contact particulars (name, address, telephone number, email address):

Current Holder of the Agreement:

Conifex Inc.  
ATTN: Adam Infanti  
Vice President, Finance  
Suite 980 - 700 West Georgia Street,  
Vancouver, BC V7Y 1B6  
Phone: 604-216 6828  
Fax: 778-331-8944  
Email: adam.infanti@conifex.com

Intended Recipient of the Agreement:

Fort St. James Forest Products Limited Partnership  
ATTN: Heath Curtiss  
Vice President, Legal & Government Affairs  
Hampton Lumber  
9600 SW Barnes Rd., Suite 200  
Portland, OR 97225-6666  
Phone: 503-203-6610  
Email: heathcurtiss@hamptonlumber.com

11. The intended date of the disposition is the fifth (5<sup>th</sup>) business day after (i) the approval of the Minister is received for the dispositions, and (ii) any approvals required under the Competition Act (Canada) are obtained, provided that date is not later than November 30, 2019.

We hereby seek a notice that the intended dispositions may proceed to completion.

Dated for reference this 11<sup>th</sup> day of July, 2019.

Conifex Inc.

By: K. Shields

Authorized Signatory

Name: Kenneth Shields

Title: President and CEO

Fort St. James Forest Products General Partner Ltd.,  
in its capacity as the general partner of  
Fort St. James Forest Products Limited Partnership

By: Vicki Shaylor

Authorized Signatory

Name: Vicki Shaylor

Title: Director



Borden Ladner Gervais

**Borden Ladner Gervais LLP**

An Ontario Limited Liability Partnership

1200 Waterfront Centre  
200 Burrard St, P.O. Box 48600  
Vancouver, BC, Canada V7X 1T2

**Bank of Montreal**

First Bank Tower  
595 Burrard St  
Vancouver, BC, Canada V7X 1L7

CHEQUE NUMBER 129557

CHEQUE DATE 07-12-2019

MM-DD-YYYY

Two thousand three hundred and 00/100\*\*\*\*\*

Trust \$\*\*\*2,300.00\*\*\*

Borden Ladner Gervais LLP

PAY  
TO THE  
ORDER  
OF:

**Minister of Finance**

AUTHORIZED SIGNATURE

AUTHORIZED SIGNATURE

⑈ 1 29557 ⑈ s.21

Payee: Minister of Finance  
Vendor ID:

Check #: 129557

Check Date: Jul 12/19

Client.Matter	Description	Transaction Amount
564306.000001	TC- # 129557- Minister of Finance (Permit transfer fees)- RGO	2,300.00
Trust Total:		\$2,300.00

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Withheld pursuant to/removed as

s.3



## **Current Conditions in the Forest Products Industry and Operating in British Columbia**

The past 12 months have been extremely challenging times in the forest industry. Housing starts in the U.S. have not met expectations and have actually declined from early 2018 levels. China, which has been a huge growth market for Canadian and other exporters, has slowed in connection with declining Chinese GDP, partially affected by the trade issues with the U.S. Other global competitors have also stepped up their efforts to sell wood products in Asia. Many North American lumber producers ramped up production during early 2018 in response to high lumber prices, and imported lumber from Europe came into the East Coast in response to record lumber prices. Transportation issues in North America held back shipments in early 2018. As transportation issues resolved, pent up inventory freed up in the second half of 2018 causing the supply of lumber to jump and forced lumber prices to begin their crash in July of 2018. Higher U.S. mortgage rates in late 2018, falling stock prices, unprecedented rain, heavy snowfalls, and other storms in the U.S. Midwest and U.S. South in early 2019 restricted the spring building season, causing further disruption in short-term demand. WSPF prices have begun to stabilize recently, but pulp prices and extremely poor low grade lumber prices continue to pose financial challenges for Canadian mills. In certain species, like Douglas fir, where supply has been constrained and right-sized by a variety of factors there has been more stability in 2019.

For years, BC was an excellent region to manufacture lumber due to available timber related to pine beetle harvest uplifts, a favorable currency exchange versus the U.S. dollar, and a skilled workforce. Tariffs of approximately 20% instituted by the U.S., record high log prices in BC, lower pulp prices, poor lumber markets, high manufacturing costs, high harvest and haul costs and a decreasing timber supply have resulted in most wood products manufacturers operating in a loss position which has driven curtailments and closures of many facilities. High log prices resulted from bidding activity in 2018 when lumber prices were at record levels and log supplies were tight due to reduced AACs and more dead pine becoming uneconomical to utilize for lumber production. All of us in the forest industry have known that future available timber supply in BC was going to be significantly reduced and that mills and jobs would be lost. While a move to more value-added products and secondary production will help, most of the northern interior may be too far away from end markets for products like cross laminated timber. Many large producers in BC have been making significant acquisitions and capital investments in the U.S. in response to a declining timber supply in BC. These diversification efforts have been focused near vibrant housing markets, with significant supply of low cost timber, low labor costs, and communities that support and incent industry. In the last several years BC has gone from one of the most competitive places to manufacture lumber in North America to the highest-cost region with significant regulatory and timber supply risk going forward.

However, while much of the current focus is on short-term losses and operating conditions in BC, at some point, enough lumber capacity will be removed and the cost of logs will fall in line with the lumber market. WSPF products will still be in demand by customers and, potentially, the duty issues with the U.S. could be resolved or temporarily relaxed. For those with a long-term vision and the financial ability to absorb near-term losses, BC will again be a reasonable place to manufacture lumber sustainably. A shift from mega mills to right sized mills will stabilize the BC industry and negatively impact fewer communities. Future operators will be those companies that continue to invest in making their sawmills competitive from a product value and efficiency

standpoint and right size their operations to the timber available in the local area. Consistent with the provincial government direction, the survivors will be more community-based operations with increased diversity and support from both the First Nations and local communities.

**Hampton Background** - Hampton is a family business that has been in existence almost 80 years. There are three Hampton majority shareholders with a next generation of ten younger family members to follow in their footsteps. Hampton has a Board of Directors that includes the three majority Hampton shareholders, the CEO, and four independent directors with outside experience including a non-executive Chairman of the Board. While the Company is known as a large lumber manufacturer (nine sawmills, 8<sup>th</sup> largest producer in North America) we consider ourselves a small close knit company with a focus of operating in, and being actively involved in, small communities. We own approximately 140,000 acres of timberland in Oregon and Washington, all certified sustainable through SFI and third party audits. In addition, we have a very large sales and distribution business that is branded under Hampton Lumber Sales and Trans-Pacific Trading Ltd. (TRAPA). TRAPA is headquartered in Vancouver, BC, and is responsible for exporting all Hampton export products as well as wood products from other vendors.

The Company operates with a motto of “A better way every day,” which is based on continuous improvement in all areas: safety, environmental stewardship, community/employee engagement, performance and efficiency. Our core values are centered on ethics, people, safety, candor, innovation, and execution. We are proud of our reputation and work hard to ensure we live up to those standards initiated by our founder’s son, John Hampton, many years ago. The Company has grown dramatically in the last twenty years with sales of approximately \$2 billion in 2018, but we maintain a conservative balance sheet to handle the ups and downs of the lumber market and we will not grow just for growth’s sake. We are proud of the fact that we didn’t close any sawmills during the great recession. While we have grown larger, we still operate like a smaller family-owned company and maintain a culture with a respect for employees and the communities we operate in.

Leading into the great recession in November of 2006, we purchased the 89% ownership in Babine Forest Products (Babine and Decker Lake sawmills from West Fraser). While the timing was extremely challenging from a business standpoint, we wanted to enter the WSPF lumber market as our existing lumber production in Oregon and Washington was based solely on Douglas fir and Hemlock. While both those Burns Lake sawmills had once been premier operations, they were run down when we made the acquisition and certainly not top tier mills. We suffered through the great recession like everyone else, but still continued to invest capital in equipment, maintenance and training. The tragic accident at the Babine sawmill in January 2012 was the worst event our employees and company have ever endured. However, we have persevered, and when faced with the decision to take the insurance proceeds and leave BC or take on the difficult task of rebuilding the sawmill in the face of future timber supply shortages, we chose to stay in Burns Lake and rebuild the Babine sawmill. The community and our employees came together and worked hard to build a top-tier modern sawmill. Today, while still facing timber supply challenges, high log costs and poor lumber markets, our mills continue to operate. To date, we have not curtailed despite the terrible economic conditions discussed previously. We also believe our partnership with First Nations is a future model for how a community sawmill operation can function beneficially for the First Nations, the community, the Province, the employees, and the business. Over 60% of the

Babine workforce is First Nations, and they are strongly represented in trades, administration, and management. While we are proud of what we have accomplished, we also recognize we are not perfect. We have learned a great deal in the 13 years of operating in BC and developing improved relationships with First Nations, the community, and our employees. We continue to focus on identifying our mistakes, learning, and improving those relationships.

**Hampton Plans for Fort St. James (FSJ)** - The existing Conifex sawmill in FSJ was built many years ago at a time when maximum production was the critical factor. It originally had three primary saw lines and ran two sawmill lines as recently as 2018, with Conifex producing almost 300mmbf of lumber at that site. That worked reasonably well when logs were plentiful and low cost. Logs are now in tight supply, costs are much higher, and getting the maximum sales value out of every log is critical. It is not feasible, or cost efficient, to remodel the existing sawmill to be competitive in today's market. Operating the existing sawmill today will generate losses in excess of \$1 million a month. In addition, the sawmill site needs major attention for general maintenance and improvement in many areas. Even if it was financially feasible to operate the existing sawmill for a period of time, it is not practical given our plans for constructing a new sawmill at the same site. We will need to deconstruct the existing building, prep the ground, pour concrete and reconstruct. This cannot physically, or feasibly, be done on the existing site with any portion of the operation being active. A deconstruction and construction site take a great deal of room, coordination and control to ensure safety and efficiency is maintained during deconstruction and reconstruction. To make this process economically feasible, Hampton will also need to use some of the existing equipment for the new mill, which will not allow equipment to be in two locations at the same time.

As soon as the acquisition is final, we will make plans for dismantling the old sawmill and planer, while retaining and/or auctioning off the existing equipment. Because much of the operation was constructed many years ago, this work needs to be done by experienced contractors who are qualified to handle asbestos, lead based paint, and safely dismantle older mechanical and electrical equipment. This would likely begin in early spring of 2020, depending on the timing of the licence transfer.

We have had numerous discussions internally with Hampton managers, and at a high level with our Board of Directors on plans for a new sawmill. We have a preliminary estimated budget of \$50-\$60 million for a new mill (that may have some reused equipment). The sawmill needs to be right-sized to the timber supply that we feel can be secured at a reasonable price. We estimated in our intended disposition notice that our log consumption at the new mill would be in the range of 400,000m<sup>3</sup> – 600,000m<sup>3</sup> annually. Anything less than that would be impractical to get economies of scale and run a sustainable operation that can weather the down-turns in the cyclical lumber industry. Richard Vossen, our BC Woods Manager, is leading the analysis of the available local timber supply that is the critical first step in designing the right sawmill. Not only is the available log volume important, but also the profile of the logs so that the mill can be designed to specialize in running the predominant log. A smaller right-sized sawmill, which we anticipate building, cannot run all sizes of logs. It will be important to trade logs with other mills for operational and economic reasons. This will also help stabilize surrounding mills going forward and should improve the region's competitiveness in the global market.

In addition to our internal discussions, we have had a formal meeting in Vancouver on August 8<sup>th</sup> that included the Hampton Chairman of the Board, CEO, V-P of Manufacturing, Capital Projects Engineer, and our engineering and design consultant, Lloyd Pederson, to discuss mill designs. Mr. Pederson, who helped us design and construct our Babine sawmill, has been retained to design our new FSJ sawmill and expects to have two general design concepts finalized by the end of October (See Attachment D for contract with Pederson Management Ltd.). While the new FSJ sawmill will have less lumber production than the old FSJ Conifex sawmill, it will be right-sized and will have the latest design in safety and technology similar to Babine to ensure safe and stable employment in the future. Depending on timing of the licence transfer, equipment lead times, and engineering availability, we would expect to begin construction on the new FSJ sawmill in 2020 and have the mill operational by the 4<sup>th</sup> Quarter of 2021/1<sup>st</sup> Quarter of 2022. During the time of construction, while the sawmill won't be running, there will be a significant amount of economic activity at the site, in the community, and in the region. We will attempt to use local contractors for the work that is applicable, but there is no doubt there will be significant demand in the community for support services, supply, restaurants, local retail, hospitality, etc. for our vendors, contractors, and employees involved in the project.

As part of the acquisition from Conifex, we will be inheriting the hourly collective bargaining contract with the United Steel Workers (USW). We are a successor employer under that contract. We will meet with the USW after the acquisition closes to discuss that existing contract.

We had tentatively planned to operate on the acquired licence during the time the mill is being constructed to provide work for local contractors, generate some revenue, and to offset significant expenditures while no mill is operating. Conifex had harvested heavy on the front end of the current five year cut control period so approximately 600,000m<sup>3</sup> of volume is available during the current cut control period. However, with recent curtailments and closures there is a short-term surplus of logs on the current log market. There is some concern by local FSJ licence holders that additional log sales may further depress the market. Therefore, we will be mindful of those licensees in proceeding. As we have discussed with all stakeholders, we will likely harvest some volume to keep the contractors busy, but will work with local licensees to minimize any negative impacts.

We plan to continue meeting with local First Nations to develop formal and informal partnerships with FSJFP. See additional discussions in the engagement section below on the status of these discussions. We would like to enter into equity partnership arrangements with the local First Nations who are interested. We have an established history with these partnerships in Burns Lake and we see it as an advantage for the new sawmill and the community by helping to secure local timber for local mills. In our many meetings and discussions with community stakeholders the issue of timber leaving FSJ is paramount. We have also had numerous conversations with Fort St. James Green Energy (FSJGE) about partnership opportunities. Presently we believe that relationship will consist of a fibre supply agreement from FSJFP to FSJGE and also some support for helping them obtain fibre until the sawmill starts operations.

We are optimistic about the long-term future of a new sawmill in FSJ and are excited and confident that we can achieve the concept of a community-based operation, similar to what has been successful in Burns Lake.

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## Attachment F

### LETTER TO THE FORT ST. JAMES COMMUNITY FROM HAMPTON LUMBER

Since Hampton Lumber announced our intention to acquire the Fort St. James sawmill and the associated timber licence from Conifex, there has been an understandable amount of skepticism about our intentions to build a new sawmill. I realize and understand that Fort St. James residents are anxious about the future. With many sawmills curtailing or closing due to high log costs and timber supply shortages we have entered a very difficult period for the forest products industry in British Columbia. Hampton Lumber suffered through a similar period in the Pacific Northwest during the 1980s when environmental litigation halted virtually all harvests on the federal forests.

We have operated sawmills in small communities for nearly 80 years. We know how devastating a mill closure is to a community. The Declaration of Financial Crisis issued on July 16 by Mayor Bev Playfair and Chief Alexander McKinnon of Nak'azdli Whut'en reaffirms the very real economic and social costs of the Conifex mill closure.

As a family-owned sawmilling company, we are fortunate to have the flexibility to operate with a long-term focus. Over the past several decades, this has helped us minimize the likelihood of painful shutdowns and disruptions for our employees, their families, our contractors, and our communities. This was noted in recent coverage in BC Local News ('Hampton mills stand out for avoiding curtailments'). Given the nature of our business, curtailments and shutdowns can be a reality for any company in our industry. However, the Hampton family and our management group work hard to minimize these disruptive actions.

The forest products industry is competitive and its future in British Columbia is going to be challenging. Success will require long-term strategic thinking and a willingness to take risks. While other companies may be reluctant to expand or enhance operations in British Columbia, we believe that a new sawmill in Fort St. James – sized for a secure future timber supply – will be competitive and sustainable.

Our two sawmills in Burns Lake, which are partially owned by the local First Nations, still face significant challenges in maintaining existing production levels in the face of dramatic reductions to the Lakes TSA AAC. To supply these mills, we have acquired additional licences to the west, partnered with First Nations, and aggressively competed to purchase wood over a large area. We are not alone in this pursuit, which is why millions of m3 of timber is leaving the Fort St. James area and heading for other mill towns. Log profile is a major factor in determining where logs are processed. Small logs go to small log sawmills, big logs to big log mills, and pulp logs go to pulp mills. In addition, focused, streamlined mills have a distinct advantage and are often able to out-compete less modern local mills to secure logs.

While timber supply is a constant challenge for our Burns Lake mills, we would not be building a new sawmill in Fort St. James if we were planning to take the licence wood to Burns Lake. With the existing Conifex mill being uneconomical, the only other significant consumer of local saw logs in the area is Sinclair Apollo. Our new mill will create an additional option for timber holders who are looking for a local home to sell their logs and will help ensure competitive log pricing.

We believe there is a future for wood manufacturing in Fort St. James. The approximate two-year period between the finalized purchase and completion of a new mill will be difficult for the employees and the community. The actual timing will be dependent on the government's review and approval of the licence transfer. We would like to establish some formal and informal partnerships in the community and have already met with First Nations leaders, local elected officials, and contractors. We plan to have more meetings in the coming weeks and months. Once

the transfer is approved we will work toward finalizing the plans for the new mill. Our engineering team is already working on general sawmill design and we have developed financial budgets for the various designs. The most significant factor in the final mill design will be the estimated secure, long-term timber supply.

We have invited community leaders in the Fort St. James area to visit our Babine mill in Burns Lake this fall to learn more about new sawmilling technologies, the rebuilding process, and employment opportunities during construction. We will discuss potential opportunities to support existing contractors and local businesses during the rebuilding phase through harvest off the licence and construction work. If we do operate the timber licence prior to the new mill being operational, the beneficiaries will be the local community as the Burns Lake sawmills do not currently require additional volume over the next 2 years.

While the transition won't be easy, please know that we are sincere in our efforts to develop a successful sawmill in Fort St. James. Members of the Hampton team will be in the community this fall to continue our preparations. If you have any questions or comments, please contact us through our website at [www.HamptonLumber.com](http://www.HamptonLumber.com) or through Facebook.



## UNITED STEELWORKERS - LOCAL 1-2017

Prince George Office:  
#100-1777 3<sup>rd</sup> Avenue  
Prince George, B.C. V2L 3G7  
Admin email: [info@usw1-2017.ca](mailto:info@usw1-2017.ca)  
1-800-565-3641 (toll free)  
250-563-7771 (p) 250-563-0274 (f)

Williams Lake Office:  
124C N. 2<sup>nd</sup> Avenue  
Williams Lake, B.C. V2G 1Z6  
Admin email: [info@usw1-2017.ca](mailto:info@usw1-2017.ca)  
1-888-398-8248 (toll free)  
250-398-8248 (p) 250-398-6218 (f)

July 23, 2019

**TO ALL CONIFEX FT. ST. JAMES USW LOCAL 1-2017 MEMBERS  
BULLETIN # 1**

**Re: Sale of Mill**

The Local Union would like to address the recent announcement of the pending sale of your mill to Hampton Lumber, as well as some of the questions that I have received.

I used the phrase "pending sale" because although the two forest companies have reached a Purchase Agreement, its completion is still subject to certain regulatory approvals (including approval from the Ministry of Forests) as well as other customary closing conditions.

The Local Union was notified by Conifex management of the Purchase Agreement on June 24<sup>th</sup>, shortly before it was publicly announced. The sale did not come as a surprise to either the Local Union or, I'm sure, most of you who work there since you've all been faced with curtailments with very little notice many times now.

We have spoken with representatives from Hampton and they really have not told us any more than they've said in the news and their original press release. Other than that they want to wait until the sale has been approved and they take ownership. They say that until then it's "still Conifex's mill".

On July 10<sup>th</sup> the Local Union attended the initial Worker Transition Meeting. The purpose of those present is to facilitate information exchanges among all relevant stakeholders and to ensure that services to impacted employees/contractors are coordinated and responsive.

There were about 20 people in attendance representing different organizations such as the Ministry of Forests, Conifex, Hampton, District of Ft St James (Mayor), Nak'azdli Whut'en, Binche Whut'en, Tl'azt'en, Work BC and Service Canada. One of the issues I raised at that initial meeting was the fact that nobody from the Plant Committee was invited to attend that meeting. The next meeting is scheduled for July 24<sup>th</sup> - and Francois Hamel and Shelby Gramm will be attending.

The Local Union has requested that the Pension Plan office host a meeting in Ft. St. James to discuss any issues that you may have around the layoff and the resulting impact to your Pension. We expect to have a date confirmed for that meeting soon.

We will be holding a Skills/Needs Assessment Study over the next two weeks. The results of this Study will be sent to the Ministry of Social Development and Poverty Reduction. Sessions will be held at the Mill for those who are still working and, upon completion with that group, we will be calling the laid off people to schedule times and places to complete their Assessments.

There will be a Job Fair held at the Kwah Hall on July 31<sup>st</sup> from 10:30 am until 2:00 pm. We would encourage you to stop by and check it out.

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BRIAN O'ROURKE President	PAUL FRENCH 1 <sup>st</sup> Vice President	ROD PARK 2 <sup>nd</sup> Vice President	DAN WILL 3 <sup>rd</sup> Vice President	MARK BISSAT 4 <sup>th</sup> Vice President	LINDA FAULCONER 5 <sup>th</sup> Vice President	DON IWASKOW Financial Secretary
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I have spoken to quite a few of you who have called with questions regarding the current situation (ongoing curtailment) as well as about the pending sale. Here are some of the most common questions and answers:

**Q Are we entitled to Severance?**

**A No. Severance is only paid for Tech Change and Permanent Plant Closure, not in a lay off situation like the one we are currently in.**

**Q Are we entitled to Seniority Retention and, if so, how long?**

**A Members with less than one (1) year shall retain their seniority for eight (8) months. Members with one (1) year or more service shall retain their seniority for one (1) year, plus one (1) additional month for each year's service, up to an additional twelve (12) months.**

**Q Can Seniority Retention be extended beyond the timeframe itemized in the Collective Agreement to allow for the time it could take for a new mill to be constructed?**

**A That will be one of the issues that the Local Union will try to negotiate with the new owners.**

**Q How long do our medical benefits last for during lay off?**

**A Members with less than one (1) year seniority shall receive three (3) months of benefits, those with one (1) or more years of seniority will be entitled to six (6) months.**

**Q Is it true that the Local Union is supporting the sale of Conifex to Hampton Mills?**

**A Yes. We have said publicly that we support the sale, based on Hampton building a new mill in Fort St. James.**

Sisters and Brothers, the state of the Forest Industry is probably the worst we have ever seen. With all of the recent announcements of either permanent plant closures or curtailments, it leaves a lot of uncertainty and stress on workers, families and communities.

We know that these are very trying and stressful times and we are working to try to find ways to mitigate the damage and stress. Unfortunately, at this point much is out of our hands while we wait to hear if the sale is complete so we can then have discussions with the new owner. We will issue another bulletin whenever we have conclusive information to share and, in the interim, if you have additional concerns or questions, please feel free to contact me.

STEELWORKERS, LOCAL 1-2017

Rod Park, 2<sup>nd</sup> Vice President  
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Toll Free: 1-800-565-3641  
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Text: 250-960-8745

RP/mk  
cc: Brian O'Rourke

*Steelworkers1-2017*

## **SUMMARY**

While some see only darkness, others see a light. Most are focused only on the current crisis in the forest products industry, while we want to focus on the future. Hampton believes there is long-term opportunity and that the forest industry will again be a stable and significant economic driver in BC. It is a cliché we hear every day – let’s make this a “win-win.” At Hampton, we see this potential transaction as the opportunity to create a win for the local FSJ First Nations, the community of FSJ, future employees of the new sawmill, local contractors and businesses, the region, and for BC. In summary:

**Hampton** – A unique business opportunity to grow our core sawmill and marketing operations. Utilizing the proven leadership team that rebuilt and has successfully run the Babine sawmill, we will build a new sawmill with the latest safety and technology that is right-sized for the estimated secure timber supply in the Region. We will build upon the principles of a community based sawmill that has worked in Burns Lake with local First Nations partnerships and an experienced local workforce and contractor base.

**Conifex** – By selling the FSJ sawmill and licence, Conifex will divest themselves of an uneconomical old sawmill and generate liquidity they can use to support their Mackenzie sawmill, which likely requires some additional investment to remain competitive.

**Local First Nations** – The opportunity to invest in partnerships that create economic benefits for their Nations, improve business capacity, assure more benefits from their traditional territory, and create job opportunities for their people. An investment in this new partnership will provide the local First Nations a greater stake in the local economy and as partners in a new sawmill and forest licence, they will also have a stronger voice on forest management activities within their traditional territories.

**Union** – With a new sawmill and an experienced owner with the ability to invest in the latest safety and technology improvements, the workers will have high paying sustainable jobs for the benefit of their families and the community for decades.

**The Community of Fort St. James** – While many towns in rural BC are suffering from the effects of the current forest products industry crisis, Fort St. James will be celebrating the construction of the first new sawmill in BC in many years. During the next two years, the construction process will generate local jobs on the plant site, and a demand for support services. The communities desire of “local timber for local mills” will be satisfied with a sawmill that will be sustainable for many years during the inevitable good and bad times of the lumber industry cycles. Not only will the sawmill employ local people directly, but the indirect jobs and revenue generated from economic activity will be substantial.

**Province of British Columbia** – The Premier has laid out a vision of Interior Revitalization and the proposed transaction in FSJ is consistent with that vision. No one else in the industry has proposed spending millions of dollars to build a new sawmill in this environment. The plans proposed will be consistent with the vision of a community based sawmill with benefits for First Nations, workers, and the local community. With a new sawmill operating, it creates support for

cogeneration power, finger jointed lumber, potentially cross laminated timber, and other forest related spin-off employment and opportunity.

**FSJGE** – With a new sawmill to supply fiber to their cogeneration operation, they can continue to maintain their business and employment with a competitive fiber source. During the two year period the sawmill is being constructed, Hampton will be working with FSJGE to secure fiber from the leverage of operating on the new timber licence obtained as part of this transaction and future supply contracts.

Given the significant gains for the FSJ community and stakeholders in this potential transaction, we ask that the Minister proceed with his Bill 22 obligations, with proper fiduciary responsibility, but also with a sense of urgency so that planning for a new sawmill can be finalized. We stand ready to assist with any information requests that can help with this process.

## **APPENDIX**

### **Dates of Public Information Meetings**

FSJGE – meetings May 10<sup>th</sup>, May 30<sup>th</sup> followed by conference calls and discussions throughout June. Meeting again on July 16<sup>th</sup>. Discussions throughout July and August. Meeting scheduled for September 18<sup>th</sup>. Discussions have been around fiber supply agreement and potential partnership. Potential partnership likely not possible due to feedback received from First Nations.

July 2<sup>nd</sup> – Tl'azt'en Chief and Council

July 2<sup>nd</sup> – Binche Chief and Economic Development Officer

July 9<sup>th</sup> – KDL Group

July 9<sup>th</sup> – Nak'azdli Whu'ten Chief and Council

July 9<sup>th</sup> – Fort St. James Mayor and Council

July 25<sup>th</sup> – Vanderhoof Mayor and Council

July 23<sup>rd</sup> – Ubleis and Newlands

July 24<sup>th</sup> – Transition Group Meeting

July 31<sup>st</sup> – Fort St. James Job Fair

August 6<sup>th</sup> – Nak'azdli Whuten and Council

August 7<sup>th</sup> – Transition Group Meeting

August 7<sup>th</sup> - Fort St. James open house meeting

August 24<sup>th</sup> – Transition Group Meeting

August 27<sup>th</sup> – Burns Lake Mayor and Council (had contacted in early July but no dates available until end of August)

September 5<sup>th</sup> – Tour of BFP and meeting with Fort St. James Council members

September 6<sup>th</sup> – Tour of BFP and meeting with Tl'azt'en

September 12<sup>th</sup> – Fort St. James Mayor and Council

September 12<sup>th</sup> – Nak'azdli tour of BFP and DLFP

September 12<sup>th</sup> - Yekooche Economic Development Officer and Forestry Advisor

September 13<sup>th</sup> – Binche Chief and Economic Development Officer

September 13<sup>th</sup> – Nak'azdli Whut'en Chief and Council

Three Conifex Fort St James employees have also come for tours at Babine Forest Products – all on separate occasions.

We have recently contacted Conifex and they will be asking their Operations Group and Woods Group if they would like to tour Babine Forest Products and Decker Lake Forest Products.



Burns Lake Native Development Corp.  
Box 1030  
Burns Lake, BC V0J 1E0  
(250)692-3188 Fax: (250)692-7483

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September 4, 2019

**Honourable Doug Donaldson**

Minister of Forests, Lands, Natural Resource Operations and Rural Development  
PO Box 9049 Stn Prov Govt  
Victoria, BC V8W 9E2

**RE: LETTER OF SUPPORT**

To Whom it may concern;

The Burns Lake Native Development Corporation (BLNDC) are partners with Hampton Lumber Mills in the Babine Forest Products and Decker Lake Forest Products sawmills in Burns Lake BC. BLNDC also owns Burns Lake Native Logging, which has been providing harvesting and road building services for Babine for the past 40 years. We have worked with the Hampton Management Team since 2006 and although we have struggled together through some difficult times during the recession in the forest industry and the loss of Babine Sawmill in 2012, we have a positive working relationship with Hampton. Our partnership has provided employment and business opportunities for many of the local First Nations.

Hampton has taken a real initiative to make changes after the tragic loss of the mill to improve worker safety and environment at Babine. We keep in close communication and many of the suggestions and changes we have recommended have been implemented by the Hampton team.

We support Hampton's plans to purchase the Conifex sawmill and associated forest licence. We feel Hampton's plans to build a new sawmill will socially and economically help the community of Fort St. James and the surrounding First Nations Communities.

Regards,

Chantal Tom, General Manager  
Burns Lake Native Development Corporation



September 10, 2019

Ministry of Forests, Lands, and Natural Resource Operations and Rural Development  
PO Box 9049  
Stn Prov Govt Victoria, BC  
V8W 9E2

**Re: Purchase of Fort St. James Conifex Sawmill**

Dear Honourable Doug Donaldson,

At our September 10, 2019, regular meeting, the council for the Village of Burns Lake unanimously passed a motion to send a support letter in favour of the purchase of the Conifex sawmill and licence in Ft. St. James by Hampton Lumber Mills (Hampton).

Council strongly supports the sale. Not only will the purchase strengthen the financial viability of Hampton Lumber Mills, but it will also enhance the local economy in Fort St. James and Burns Lake.

On a local level, Hampton has continued to invest in our community since their purchase of Babine and Decker mills in 2006. Hampton employs local contractors and workers, providing good paying and stable employment which ensures the continued economic health of our community. Hampton's ability to be flexible during a tight lumber market has resulted in no curtailments at either the Babine or Decker mills this year. It is because of their track record that we view this purchase as increasing the viability of the industry in both Fort St. James and the Lakes District.

Hampton not only provides financial support for numerous community events, their employees are also fully engaged in the community, volunteering at events such as Aboriginal Day, Canada Day and the Fall Fair. It is because of their commitment to the community that our council endorses their bid to purchase the Conifex mill in Fort St. James.

Should require additional information, please contact me at (250) 692-7587 or via email [mayer@burnslake.ca](mailto:mayer@burnslake.ca).

Sincerely,

A handwritten signature in black ink, appearing to read "Dolores Funk", written over a circular stamp or seal.

Dolores Funk, Mayor



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[www.sinclar.com](http://www.sinclar.com)

September 27, 2019

Mr. Doug Stewart  
Director Forest Tenures Branch  
Ministry of Forests Lands Natural Resource Operations and Rural Development  
PO Box 9510, Stn Prov Govt  
Victoria, BC V8W 9C2

**RE: Concerns Regarding the Conifex-Hampton Transaction**

Dear Mr. Stewart,

Sinclar Group Forest Products, based exclusively in British Columbia's central interior, has been operating for 57 years while its sawmills, Apollo Forest Products (Fort St. James) and Nechako Lumber (Vanderhoof) have been operating for 50 years. Throughout our existence, the company has worked hard to partner with First Nations, support communities, and continually explore opportunities to utilize and maximize the value of the fibre we process.

Throughout Sinclar's history, the company has demonstrated its willingness to work with First Nations and communities. Sinclar partnered with Nak'azdli Whut'en to establish Tl'oh Forest Products in 1995. After 20 years, the facility was closed but the partnership was beneficial to both parties – generating economic activity for the community, employment for Nak'azdli members, and utilizing waste trim blocks from sawmilling operations. Recently, we have built on our 20-year relationship with Saik'uz by extending our Forest Benefits Agreement for an additional 10 years. In that agreement, Sinclar has committed to working collaboratively to manage the land and environment, protect cultural value on the land base, provide training and employment, and explore business development opportunities together. In Prince George, Lakeland Mills partnered with the City to capture waste heat from the sawmill's energy system to provide heat for buildings in Prince George's downtown.

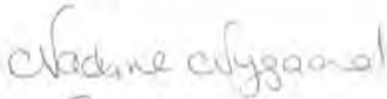
The declining annual allowable cut (AAC) will put increasing strains on the fibre supply. It will take time to rationalize production to new sustainable levels and will force companies, First Nations, communities, industry stakeholders and the Provincial government to establish new relationships and partnerships to maximize the utilization of the fibre.

Sinclar is submitting two documents regarding the forest industry in Fort St. James:

1. Prince George Regional Fibre Flow Assessment – Sinclar's assessment of the fibre supply and the negative implications of the Conifex-Hampton transaction.
2. Alternate Proposal for Consideration Regarding the Conifex Assets – Sinclar has a strong history of working with First Nations and community partners and has been developing an alternate plan for the Conifex assets that, based on our experience, we believe could be implemented in Fort St. James.

If you have questions or would like to discuss any of the information provided, please feel free to contact me at (250) 561-4558 or [greg.stewart@sinclar.com](mailto:greg.stewart@sinclar.com).

Regards,



For:

Greg Stewart  
President

Enclosure

Cc. Chris Stagg, RPF, Assistant Deputy Minister  
Larry Pedersen, RPF

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s.21

# **Alternate Proposal for Consideration Regarding the Conifex Assets**

**September 21, 2019**

## **Background**

Fort St James has been dependent on the forestry sector. At one point, the community had three sawmills, a pole plant and a finger-joint facility all operating in the community. These operations further supported logging contractors and others. Earlier in 2019, Conifex decided to curtail their Fort St. James operations and began a process of divesting their Fort St James company.

Concurrently, the Provincial government introduced Bill 22 requiring from the Provincial Forest Minister to approve forest tenure transfers based on the impact on competition and the public interest. Specifically, the legislation requires First Nation, community and labour feedback.

Hampton has announced their intention to buy Conifex's Fort St James assets for \$39 million and build a new mill.

Currently, the Conifex-Hampton transaction is awaiting approval from the Minister.

The purpose of this document is to propose an alternative to Conifex-Hampton transaction.

## **Principles**

In reaching this proposal, the following principles have been considered:

- Recognize the rights and title of local First Nations.
- Strengthen the stability of Fort St James and First Nation communities in the surrounding region.
- Find a regional solution to maximize the benefits (economic, environmental sustainability, cultural values, and employment stability) to existing stakeholders in the short and long term.
- To the greatest extent possible, fibre should remain local and must flow to area facilities to support continued operations.
- Improve the fibre certainty for the region to encourage capital investment by recognizing declining AAC levels and full fibre utilization in the Prince George Timber Supply Area (TSA).
- Positively influence and/or stabilize employment in the region.

## Potential Stakeholders in Fort St James

(Please note this is may not be the complete list of stakeholders in the region and additional stakeholders may need to be added to the list.)

<b>First Nations</b> <ul style="list-style-type: none"> <li>• Nak'azdli Whut'en</li> <li>• Tl'azt'en Nation</li> <li>• Yekooche First Nation</li> <li>• Binche Whut'en</li> </ul>	<b>Logging Contractors</b> <ul style="list-style-type: none"> <li>• K&amp;D Logging</li> <li>• Ubleis</li> <li>• Newlands</li> </ul>	<b>Operations</b> <ul style="list-style-type: none"> <li>• Apollo Forest Products</li> <li>• Veolia (Fort Green Energy)</li> <li>• Nechako Lumber (Indirect)</li> </ul>
District of Fort St James		
District of Vanderhoof (Indirect)		

## Proposals

Fort St James' strength in responding to the shifting systemic structure of BC's forest industry is through extensive collaboration and a commitment from each stakeholder to the success of each other.

The following items represent a list of proposed actions that could be an alternate outcome of the Conifex mill sale in Fort St James.

The list is not intended to be exclusive or final, rather the intent is to identify alternative opportunities the community may pursue to strengthen the region and respond to the Conifex mill closure. These actions/proposals have not been discussed with all the stakeholders listed above and would require further discussions with all the stakeholders before finalizing.

<b>Tenure</b>	<ol style="list-style-type: none"> <li>1. Forest tenures to be acquired by: <ol style="list-style-type: none"> <li>a. First Nations (90%)</li> <li>b. Fort St James community (10%)</li> </ol> </li> <li>2. Apollo to work with First Nations and government to convert the volume based tenures to area based tenures in their traditional territories.</li> <li>3. Apollo to work with the Fort St James community to expand their existing Community Forest Agreement.</li> <li>4. Apollo will enter into a 20+ year Forest Benefits Agreement (FBA) with each of the First Nations to access the tenures while supporting the First Nation acquisition of the fibre.</li> </ol>
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	<p>The FBA will be a comprehensive agreement addressing, but not limited to, such issues as:</p> <ul style="list-style-type: none"> <li>a. Price of fibre based on market conditions</li> <li>b. Land, environmental and cultural value management</li> <li>c. Employment, training and development</li> <li>d. Business development and economic opportunities</li> </ul> <p>5. Apollo will enter into a 20+ year FBA with the Fort St James community to access the tenures while supporting the community's tenure acquisition. The FBA will be comprehensive agreement addressing, but not limited to, such issues as:</p> <ul style="list-style-type: none"> <li>a. Price of fibre based on market conditions</li> <li>b. Land, environmental and cultural value management</li> <li>c. Employment, training and development</li> <li>d. Business development and economic opportunities</li> </ul> <p>Agreement would have cancellation and renewal provisions subject to performance by participants.</p> <p><i>(Note: Further discussions are required to understand how Conifex and/or the provincial government will be compensated for forest tenure. It would be worthwhile to understand the federal and provincial government funding available to First Nations and communities for these transactions. Another area to explore for these specific tenures may be the associated revenue sharing.)</i></p>
<b>Land Stewardship</b>	<ul style="list-style-type: none"> <li>1. First Nations and Fort St James would engage the stakeholders through multi-year service contracts to help manage, harvest, provide silviculture services or other required work. This will provide the capacity for the transition to First Nations managing the forest tenures on their traditional territory.</li> <li>2. The multi-year contract services would address, but not limited to: <ul style="list-style-type: none"> <li>a. Fee for service</li> <li>b. Land, environmental and cultural value management</li> <li>c. Employment, training and development</li> <li>d. Business development and economic opportunities</li> </ul> </li> </ul>
<b>Fort St James Employment</b>	<ul style="list-style-type: none"> <li>1. To add employment to Fort St James, Apollo would run a third shift, provided the following: <ul style="list-style-type: none"> <li>a. Able to safely operate the sawmill on three shifts</li> <li>b. Access to the appropriate, affordable volume of timber to operate the mill on three shifts</li> <li>c. Able to hire qualified employees</li> </ul> </li> </ul>

	<ol style="list-style-type: none"> <li>2. Develop a secondary manufacturing facility(ies) with community stakeholders over the next 2-5 years.</li> <li>3. The third shift may be phased out if: <ol style="list-style-type: none"> <li>a. The sawmill is no longer safe or economic to run the operations</li> <li>b. The secondary wood product facility is established</li> </ol> </li> </ol>
<b>Fort St James Fibre Flow</b>	<ol style="list-style-type: none"> <li>1. Establish a Fort St James fibre flow committee to: <ol style="list-style-type: none"> <li>a. Oversee fibre flows to try to get fibre economically to Apollo, Veolia and other potential stakeholders requiring fibre.</li> <li>b. Identify opportunities to access additional fibre for the region.</li> </ol> </li> <li>2. Committee to meet monthly initially to establish the fibre flow model and will then transition to quarterly meetings to understand and oversee the fibre flows.</li> <li>3. Terms of reference and committee members to be decided following further discussions with the stakeholders.</li> </ol>
<b>Fort St James Business Development</b>	<ol style="list-style-type: none"> <li>1. Establish a Business Development Committee to explore the industry transition, development of the secondary forest products industry in Fort St James and the related opportunities for the stakeholders.</li> <li>2. Terms of reference and committee members to be decided following further discussions with the stakeholders.</li> </ol> <p><i>(Note: Further discussions will be required to explore equity, investment and participation in facilities or new ventures among the willing parties.)</i></p>
<b>Investment in Apollo</b>	<ol style="list-style-type: none"> <li>1. Once Apollo is able to secure its long term fibre supply, Apollo will invest in enhancing the mill's competitiveness.</li> </ol>