

February 11, 2019

WITH PREJUDICE

BY EMAIL

Mayor Caul (jcaul@fortfrances.ca)
Town of Fort Frances

Doug Brown, Chief Administrative Officer (dbrown@fortfrances.ca)
Town of Fort Frances

Lisa Slomke, Clerk (lslomke@fortfrances.ca)
Town of Fort Frances

Kathy Lawson, Deputy Clerk (klawson@fortfrances.ca)
Town of Fort Frances

Mayor and Members of Council of the Town of Fort Frances (town@fortfrances.ca)

Dear Sirs/Mesdames:

RE: False and Defamatory Resolution Regarding the Future of the Fort Frances Mill

We are the lawyers for Resolute FP Canada Inc. ("**Resolute**"), the owner of the Fort Frances pulp and paper mill (the "**Mill**"). We are sending you this letter on a with prejudice basis, and fully intend to rely on it in any legal proceedings.

It has come to our attention that the Council of the Town of Fort Frances (the "**Council**") has already broadly published and distributed a proposed resolution regarding the future of the Mill, including to media, which resolution is to be tabled for consideration by the Council this evening (February 11, 2019). We have attached a copy of the resolution as Appendix A to this letter.

The resolution contains numerous false, misleading and defamatory statements concerning Resolute, and the resolution's publication to third parties constitutes actionable defamation on the part of the Council and/or its members.

Of even greater concern, the resolution states on its face that, upon being passed, the Council intends to further disseminate copies of it to a host of third parties, including the Premier of Ontario, the leaders of Ontario's opposition parties, the Minister of Natural Resources, the Member of Provincial Parliament

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for the region of Kenora-Rainy River, as well as “critics for natural resources” and “all Rainy River District Municipal and First Nation councils and representative bodies”.

Each such publication would constitute a further instance of actionable defamation on the part of the Council and/or its members.

Furthermore, the distribution of the letter may adversely affect Resolute's contractual relationships and/or economic interests with third parties and/or otherwise negatively impact the proposed sale of the Mill.

Resolute reserves its rights to pursue any and all of its legal rights and remedies against the Council and/or its members for any past or future publication of false and defamatory statements concerning Resolute, and/or any more general interference with Resolute's business.

We and our clients are open to a discussion to ensure that the Council and/or its members are properly apprised of the facts concerning the Mill and its proposed sale, and we urge you to contact us.

Yours very truly,

DAVIES WARD PHILLIPS & VINEBERG LLP

A handwritten signature in black ink, appearing to read 'AC', followed by a long horizontal flourish.

Andrew Carlson

AC/

cc Jacques Vachon
Stéphanie Leclaire
Martin Savoie

RESOLUTION REGARDING THE FUTURE OF THE FORT FRANCES MILL

To be tabled for consideration by
Council of the Town of Fort Frances
on Monday, February 11, 2019

WHEREAS:

1. The Town of Fort Frances (“**Fort Frances**”) was founded in 1903 and has been the site of a paper mill (the “**Mill**”) for over a century;
2. The current owner of the Mill is Resolute Forest Products (“**Resolute**”);
3. The Mill is an irreplaceable key economic asset of Fort Frances that has been jeopardized by what appear to be dealings motivated by a desire to maintain control of the local wood supply or to hinder new entrants to the forest industry;
4. The wood fibre from the Crossroute Forest (the “**Crossroute**”) is a publicly-owned resource that has been designated to supply the Mill first and foremost, and this priority is clearly reflected in the Sustainable Forest License (“**SFL**”) that was issued by the Ontario government to Resolute;
5. The Ontario Minister of Natural Resources (the “**Minister**”) has the authority to vary, amend, or overlay the SFL so that another licensee is provided with access to wood fibre in the Crossroute, but the Minister has not indicated whether he will do so to support a buyer who wishes to acquire and operationalize the Mill;
6. Local forest resources should be sustainably managed to primarily support and create jobs and economic prosperity for their surrounding communities – a commitment reflected in the SFL policy regime and the successor Enhanced Sustainable Forest License (the “**eSFL**”) regime;
7. There is enough wood supply in the Crossroute and surrounding forests to support multiple, operational facilities in the region;
8. Resolute idled and permanently closed the Mill in 2013 but continued to harvest wood from the Crossroute for use at its other facilities, hundreds of kilometres from Fort Frances, including to Resolute’s Thunder Bay mill — a clear inconsistency with the SFL;
9. Fort Frances understands that the reason two previous offers to purchase the Mill from Resolute and operate it have failed has been due to the inability to negotiate access to a supply of wood fibre;
10. The previous provincial government — including the then-Minister who was MPP for a riding benefiting from the redirected Crossroute wood fibre — declined to assist Fort Frances and its neighbouring communities to ensure that the Crossroute wood rights were prioritized for creating local jobs in the Fort Frances area;
11. A new potential buyer (the “**Buyer**”) emerged in December 2018 with an interest in purchasing and operating the Mill, with the potential to create over 700 jobs for the surrounding communities;

12. The Buyer has engaged in discussions with Fort Frances and Rainy River District municipal and First Nations community leaders on its plans for the Mill, including its intent to enter into arrangements which economically empower area First Nations and facilitates their participation in the Buyer's business enterprise and related support services;
13. Fort Frances has been informed by the Buyer that Resolute has declined to engage in any substantive negotiations with them and has put in place obstacles to the Buyer's ability to secure access to wood in the Crossroute, despite the clear provisions of the SFL favouring an operating facility in Fort Frances;
14. Fort Frances has been informed that such obstacles have included requiring the Buyer to enter into a non-disclosure agreement (an "**NDA**") which would prohibit the Buyer from communicating with government officials — which is necessary to secure a wood supply and assess a number of regulatory matters related to the Mill and its return to operation;
15. Resolute has recently informed Fort Frances that it now intends to open the future of the Mill to a competitive bidding process, which closes in just over one month — on March 15, 2019;
16. Resolute has not indicated whether the NDA it will require of interested parties will prevent them from communicating with government officials or collecting necessary information to inform their bid;
17. On February 8, 2019, Resolute informed Fort Frances of its default intention to sell the Mill to a "community redeveloper" — a company which would dismantle the Mill and Fort Frances' key economic asset;
18. Fort Frances believes that Resolute's bidding process is designed to allow Resolute to reach an outcome which will result in the demolition of the Mill, followed by a permanent reallocation of rights to the Crossroute wood fibre to Resolute by default — and notably before the eSFL regime comes into effect allowing greater community influence over the Crossroute;
19. Fort Frances believes that the "community redeveloper" in question is the same firm which has purchased other shuttered industrial facilities in the province, and is actually a demolition company;
20. Fort Frances has concerns about this community redeveloper's record of successfully and fully rehabilitating and remediating former industrial properties; and
21. Fort Frances is firmly committed to the principle that its forests are linked to its economic future, and moreover:
 - A. Has lost confidence in Resolute to administer a fair process for the sale of the Mill or to broker access to wood fibre in the Crossroute to a successful bidder, without the intervention of the provincial government,
 - B. Is of the view that Resolute's strategy, lobbying, and engagement with the Buyer have not been aligned with the interests of Fort Frances or the public policy underlying the Crossroute SFL,

- C. Believes that Resolute's prior representations of any intent to sell the Mill to a new operator have been insincere,
- D. Believes that Resolute wishes to see the Mill demolished before Fort Frances and other impacted communities have a voice in the imminent eSFL management regime for the Crossroute, and
- E. Believes that Resolute's actions and behaviour in respect of the SFL have been an abuse of dominance and are contrary to the intent of the SFL;

THEREFORE, BE IT RESOLVED THAT:

22. Fort Frances demands that Resolute:

- A. Allow all bidders on the Mill the ability to engage in dialogue with government prior to submitting their bid so that they can reasonably prepare for a successful acquisition of the Mill,
- B. Allow sufficient time for bids on the Mill to be prepared and submitted,
- C. Inform Fort Frances, in confidence, of the identity of bidders so that Fort Frances may engage in discussions with them and provide information that is responsive to the bidders' plans for the Mill properties, and
- D. Comply with the terms of the SFL and engage in a process to provide access to wood fibre in the Crossroute, reflecting such intention in any bid or tender package issued in respect of the sale of the Mill;

23. Fort Frances calls on the Premier of Ontario and the Minister to use all measures within their authority:

- A. To ensure the Mill is open for business,
- B. To provide access to fibre in the Crossroute to potential operators of the Mill, in keeping with the text of the SFL, and
- C. To support outcomes for the Mill which create jobs and prosperity in Fort Frances and surrounding municipalities and First Nations; and

24. Fort Frances shall issue a copy of this resolution forthwith to Resolute, the Premier of Ontario, the Minister, the Honourable Greg Rickford, MPP (Kenora-Rainy River), provincial Opposition Leaders and critics for natural resources, and all Rainy River District municipal and First Nation councils and representative bodies.