



Council demands that the province support the restart of Fort Frances mill and protect community's future in forestry

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Fort Frances, Ontario – Since the closure of the Fort Frances mill in 2014, the Town of Fort Frances has worked diligently with a number of entities interested in purchasing the Fort Frances pulp and paper mill and returning it to operating status. Despite presenting Resolute Forest Products with these options, and thorough lobbying efforts by the Town, in July 2019 Resolute sold the Fort Frances mill property to a numbered company associated with Riversedge Developments, for the sum of \$1.

Representatives of the Town and the owners of the numbered company have met several times in recent months to discuss their plans and understand the sale restrictions on the mill properties. In several meetings and communications from the new owners, both the Town and Minister Rickford were led to believe that a transition to a new operator was possible.

That now appears to be untrue. Last week, the Town learned of several restrictive covenants that were registered on title of the mill properties by Resolute and the Riversedge numbered company. The restrictive covenant agreements were registered on title on July 9, 2019. These covenants include restrictions on the properties that prohibit the sale to any entity that would manufacture various types of pulp or paper products, restrictions that require the sale of key mill assets for scrap, and restrictions that prohibit a new owner of the property from engaging the provincial government to request access to a wood supply from the Crossroute Forest. We are also concerned that, despite the nominal sale value, a \$3.5 million mortgage has been registered on title from a company called Combined Metal Industries. Combined Metal is a well-established scrap company based in the Toronto area.

The Town of Fort Frances finds these conditions entirely unacceptable, and a direct affront to both the public policy underlying the forest management system, and the sizeable investments that have been made in this property by our community and Ontario taxpayers. As recently as June 2017, the Ontario government forgave \$23 million in funding that was provided to Resolute for the Fort Frances mill. Now it appears that Resolute intends to destroy that asset, sink that investment, and remove the economic engine of the Rainy River District. These are not the actions of a good corporate citizen, but attempts to consolidate control of publicly-owned forests, extract the benefit of our natural resources to other districts of the province, and destroy our community's key economic driver.

The Crossroute Forest must be used to support the economies of communities within that forest, as it has for more than 100 years. With multiple serious parties having now expressed interest in reopening the Fort Frances mill and restoring jobs in our community, we demand that the provincial government consider all options at its disposal to support that outcome. We also call on the province to take immediate action to cancel the Sustainable Forest License granted to Resolute for the Crossroute Forest, and seek interest from others who would be willing to invest locally to use the fibre in our district in a manner that benefits our communities as intended. The Town has also conferred with its MPP, Minister Greg Rickford, who has expressed outrage at Resolute's actions and these restrictive covenants. He is travelling to Toronto this week to meet with representatives of Resolute to discuss their continued interests in the crown forests of this district.

The Town of Fort Frances remains committed to supporting an operational future for the mill properties and is satisfied that the assets of the mill remain in viable working condition. The mill also continues to meet its environmental compliance requirements. The Town is in discussions with its legal counsel and is considering all options available to protect these properties and the economy of Fort Frances and the Rainy River District.

The Town of Fort Frances is located in Northwestern Ontario, approximately 350 kilometres east of Thunder Bay, on the shores of Rainy Lake at the Canada-USA border. The Town was home to an active paper mill from 1914 to 2014, with a potential restart in 2019. The Rainy River District's population is approximately 20,000, 25 percent of which is Indigenous.

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Quotes from Mayor June Caul:

"After years of representing that it was seeking a buyer for the Fort Frances mill, we are very disappointed that Resolute would now use the sale of this mill to try to debilitate this asset and hurt a community that has given so much to its bottom line. What these restrictive covenants reveal is that neither Resolute nor Riversedge had any intention of allowing this mill to operate – and we know there is interest in doing so."

"After the substantial public investments that have been made in this mill, and the taxpayer money that Resolute has been allowed to walk away with already, this is despicable corporate conduct that should be condemned and penalized by the highest levels of government."

"Resolute appears to think it owns our forest. But the forests of our district belong to the people of Ontario – to our communities – not to a Quebec-based multinational corporation. The arrogance of these restrictive covenants shows how little respect Resolute and Riversedge have for our government and the people of Ontario, the Rainy River District, and our community."

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Background information:

- The Fort Frances pulp and paper mill was closed in 2014 by Resolute. Resolute committed to heat the empty facility at the request of the Ontario government. It maintained that it was actively seeking a buyer that would reopen the mill.
- In November 2014, the Town of Fort Frances chartered a plane to take community representatives to Queen's Park to seek the Wynne government's assistance following the closure of its mill. The government refused to meet with the delegation, and coordinated its own press conference to ensure media were not available to hear their story.
- Around the same time, Resolute and Expera were very close to a deal whereby Expera would purchase and operate the pulp mill. Resolute identified a suitable wood supply for the Fort Frances mill that would also provide saw logs for their sawmill in Sapawe. Talks broke down because Resolute insisted on controlling the wood supply from the Crossroute. Expera was unwilling to

have a competitor control their wood supply, and the provincial government declined to intervene, despite its clear jurisdiction over a publicly-owned forest.

- After the closure of the mill, the Ontario government sought repayment of over \$20 million in funding that was provided to Resolute just a few years earlier to construct a biomass boiler to support the operations of the Fort Frances mill. The Liberal government extended the repayment deadline on that funding 9 times over 3 years—from an initial deadline of December 2, 2014 to an eventual one of June 30, 2017. On June 29, 2017, the Liberals forgave this debt. This is reflected in Resolute's filings with the U.S. Securities and Exchange Commission.
- In December 2018, Repap Resources Group (now known as Rainy River Packaging) notified Resolute that it wished to negotiate the purchase of the Fort Frances mill, with the intention of quickly moving to restart the facility in 2019 to produce packaging materials. Repap has the backing of an investment bank in Toronto, and its management team consists of professionals with more than 180 years of combined senior executive experience in the pulp and paper industries. When Repap met with Resolute, Resolute attempted to have them sign a non-disclosure agreement which would prevent them from speaking with representatives of the government. It is impossible to negotiate for the purchase of this paper mill if one cannot engage the province to secure a wood supply from the Crossroute Forest.
- The Sustainable Forest License for the Crossroute Forest is held by Resolute. The SFL specifically states that the wood fibre from the Crossroute is to provide a wood supply for the mill in Fort Frances. Since closing the mill, Resolute has continued to use wood from the Crossroute to support its other operations, including in Thunder Bay and Atikokan.
- The SFL gives Resolute full management responsibility and decision-making authority on the forest. A new forest management plan is currently being prepared and will be effective in April 2020. While the allowable cut is forecasted to decline, there remains enough available fibre from the Crossroute Forest to support the Fort Frances mill, once that supply is combined with purchases of sawmill chips and private wood. The new Enhanced Sustainable Forest License which will come into place in the future, to replace the SFL, will give all area municipalities and First Nations greater influence over the management of the forest.
- In February 2019, the Town of Fort Frances tabled a resolution setting out its concerns about Resolute's actions. Resolute sent the Town a libel notice, but the resolution was passed anyway. The restrictive covenant reveals that the Town's concerns, as stated in that Resolution, were well-founded.
- The numbered company that currently owns the mill was incorporated in December 2018, around the same time that Repap went public with its intention to purchase and restart the Fort Frances mill properties in 2019.