



CONIFEX TIMBER – HAMPTON LUMBER TRANSACTION

September 3, 2019

WHAT IS HAPPENING?

- On June 24, 2019 Conifex announced that it entered into a definitive agreement to sell its Fort St. James sawmill and associated forest license to Hampton Lumber for \$39 million plus the market value of finished lumber and log inventory at closing.
- Proceeds from the sale will be used to help Conifex sustain operations at other locations.

WHEN WILL THE SALE CLOSE?

- The transaction is expected to close in October when approved by Doug Donaldson, the Minister of Forests, Lands, Natural Resource Operations, and Rural Development.

WHY IS CONIFEX SELLING?

- Declining timber supply and timber quality caused by the mountain pine beetle epidemic and wildfires in the Interior have led to reduced supplies and rising log costs.
- Premier John Horgan and Minister Donaldson challenged forest industry CEOs to work collaboratively with each other, the unions, their communities, and First Nations to mitigate the above challenges, and to help cope with the dual impact of 20% average duties on lumber exported to the U.S. and sustained low lumber prices.
- The Conifex Fort St. James sawmill needs to be modernized and upgraded to compete in the log supply and lumber pricing conditions expected over the next several years. At present, Conifex is unable to fund the investment required to sustain production at the site.
- To comply with the guidance provided by the Premier and Minister, Conifex reached out to a host of stakeholders and First Nations, both in Fort St. James and outside the community, to explore all available alternatives to sustain lumber production at the site.
- The outcome of these many discussions was the difficult decision to sell the mill and forest license to Hampton. The Hampton transaction fully supports the government's objectives for industry rationalization that is mindful of the impacts on people, communities, and First Nations.

WHY SELL TO HAMPTON?

- Hampton brought a vision and the necessary capital to rebuild a modern mill that can ensure sustainable lumber production at the site despite the decline in fibre supply and expected continued volatility of lumber markets.

WHO IS HAMPTON?

- Hampton is the 8th largest lumber company in North America, family-owned and privately-held. Headquartered in Portland, it operates nine sawmills in Oregon, Washington and British Columbia, including two in the Burns Lake area of British Columbia.
- Hampton has a solid track record in rebuilding the Burns Lake facility in 2012 and forming a successful joint venture with the Burns Lake Native Development Corporation.

WHAT ARE HAMPTON'S PLANS FOR THE FOREST TENURE AND THE SITE?

- Steve Zika, Hampton Lumber's CEO, is on the record that "while economic conditions are extremely challenging right now for the lumber industry in British Columbia, we believe the long-term outlook for Canadian lumber is promising."
- Hampton has stated that they intend to build a new modern sawmill in Fort St. James and look forward to building relationships with local First Nations and other community partners similar to what they have done with the Burns Lake Native Development Corporation.
- Specific plans for the site will be further developed and shared once the sale is completed and Hampton becomes the new owner.

WHAT HAPPENS TO THE EMPLOYEES?

- Once the transaction is completed, Hampton will be able to identify their future workforce needs.
- For hourly employees, Hampton will become the successor employer, bound by the United Steel Workers collective agreement, and can then begin discussions with the union. Hourly employees with any questions should contact their local union representative.
- Salaried employees with any further questions can contact their immediate supervisor.

HOW ARE EMPLOYEES AND THEIR FAMILIES BEING SUPPORTED?

- A Community Workplace Transition Committee has been set-up, comprised of representatives from the District of Fort St. James, Nak'azdli Whut'en, Ministry of Forests, Lands, Natural Resource Operations, and Rural Development, Hampton, Conifex and United Steel Workers. It is meeting regularly to identify resources and develop action plans to support impacted workers and their families through to the completion of the rebuild.
- Conifex has established an employee information line at 1-866-468-0226.

WHAT NEEDS TO HAPPEN NEXT?

- The sooner Ministerial approval is granted, the sooner Hampton can advance its rebuild plans. As part of the new Bill 22 public interest test, Minister Donaldson will consider views from workers, First Nations, and community stakeholders. We encourage you to share your views and express your support for the transaction through the public engagement portal - [Link to Public Interest Information and Forms Related to Conifex Sale](#).
- We believe the Hampton opportunity is the most promising outcome during a difficult time in the industry. It's the only opportunity we saw for continued lumber production that fits the fibre supply in the area. And so far it's the only announcement of its kind in the province.
- Timely completion of the transaction moves us all closer to a sustainable future for the site.