

March 15, 2013

Good Morning Chairperson Dohrety and members of the Committee. My name is Bill Packus and I live in Oregon City. Thank you for moving forward with the creation of a board to study options for Oregonians to retire. I'd like to share my story to show how many workers are at risk of retiring into poverty even though we played by the rules and did everything right.

Beginning in 2004 I worked at the Blue Heron mill until the mill closed in 2011. I served as the Union Representative on the Blue Heron Board of Directors from 2007 thru 2009. I'd like to share with you the recent history of our mill. These dates are approximations to the best of my ability:

- 2000 Smurfit sells the Oregon City Mill to KPS (New York investment firm) and the employees thru an ESOP. KPS pays one million dollars for the mill.
- Employees give up 25% in wages and benefits for their ESOP stock, the new company (Blue Herron Paper) discontinues the retirement plan.
- 2005 Stoel Rives LLP Attorneys modify the ESOP so that KPS could sell 100% of the mill to the employees without an employee vote.
- 2006 KPS sells their portion of the mill to the employees for 30 million dollars with a loan from Wells Fargo Bank. Mill is valued at 70 million.
- 2007 Blue Herron Paper enters bankruptcy discussions because we cannot meet the payments to Wells Fargo, and the overdraft charges are mounting.
- 2010 Blue Heron continues to pay penalties, payments and interest to Wells Fargo until all assets are depleted.
- December 31 2010, Blue Heron Paper announces Chapter 7.

- February 2011 Blue Heron Paper announces to the employees the mill will shut its doors in two days, payroll checks bounce, medical insurance stops.
- March 2011 bankruptcy court Judge tells attorneys, employees are the priority and must be paid.
- April 2011 Bankruptcy Judge appoints a trustee to handle bankruptcy.
- May 2011 trustee freezes a portion of employees 401K.

On March 1st of 2011 all Blue Heron employees lost all their medical benefits and approximately \$30 million in promised retirement that they paid for in wages and benefit losses over an 11 years period. Two months of wages and vacation owed employees have never been paid. Life changed immediately for 150 families and some of the personnel stories are devastating.

401k was unfrozen at the end of 2011 making those moneys available. KPS made more than \$25 million on their 1 million dollar investment. Wells Fargo was made whole by the trustee and profited on the years of payment penalties. Stoel Rives and all additional legal and accounting services were made whole for expenses and fees. The CEO and upper management of Blue Heron Paper made millions on the KPS purchase and sale. Employees lost everything.

On my last night shift, at Blue Heron, my wife and I were coming back from Fred Meyers, my daughter was helping us prepare dinner and there was a kitchen fire. We lost some documents and a computer in addition to use of our house for 3 months. All of us are safe and I can thank God and my neighbor for saving most of my house.

Thank you,

William Packus