

LOG ...

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Ecotrust said when it put the deal together that the public's investment would create much-needed jobs in unemployment-racked Cave Junction.

"This project will bring back 70 jobs in an economically depressed region of the state with unhealthy forests," Ecotrust said on its application. "Working people are productive, pay taxes and are not a drain on the state resources. Rural Oregon communities need a sustainable economic engine to support the quality of life we all desire."

Davis, the laid-off mill worker, said his younger brother, Chuck, and a neighbor went back to work when the retooled mill started sawing logs again. But, Davis noted, "It didn't last very long." For Chuck - who joined the Marines right after the mill closed again - the mill's second shuttering brought grief. "He was so upset," said Davis' wife, Lynne.

Out of Ecotrust's 25 new market tax credit deals, Lane said only two have run into problems like Rough & Ready's. Still, he said "this is heartbreaking for us because when we put this deal together we were incredibly excited about the job creation, not only at Rough & Ready but the surrounding landowners."

As for the state's contention Ecotrust got the subsidies improperly by counting ineligible expenses, Lane said, "We are not saying that is correct." However, Lane said Ecotrust agrees with the state that "this is a good solution" to spend any money left to purchase timberland for the Phillippis to manage.

"We're working with the Phillippis, or monitoring them, because they're the ones that sort of have to drive it," Lane said.

In light of the problems that arose, Ecotrust will repay \$250,000 — half of the fees it earned for handling the tax credits — and use it to purchase timberland in low-

income tracts, Lane said.

Ecotrust is not ruling out future tax credit deals involving lumber mills, Lane said. "Ecotrust has a strong forestry team. We know a lot about it."

NINETY YEARS, THEN CLOSED

Rough & Ready had been sawing logs continuously since 1922 and was the last working mill in Josephine County when it closed in February 2013. Its holdings spanned two mills located side by side. One was a 1940s-era mill and had recently been upgraded with \$2.5 million of taxpayer help to more efficiently saw large diameter logs. The second mill, added in the 1970s, was capable of sawing small logs but had been dormant since 2002 because it wasn't capable of turning a profit.

The Phillippis closed the large log mill in 2013, citing the shortage of logs from federal lands. The infusion of taxpayer financing in 2014 was to retool the small-log mill and put it back in business after 12 years.

They were bullish about the chances of success.

"Demand is good right now," Link Phillippi said at the time. "Our markets are good. Our customers are begging for wood."

Critical to any mill's success is its ability to acquire raw logs.

Both Lane and Jennifer Phillippi said they had reason to believe Rough & Ready would be able to buy enough timber to successfully reopen and keep running. The mill had eight federal timber tracts under contract at the time the state and Ecotrust were putting together the deal to reopen the mill, they said.

Rough & Ready had not bought a lot of federal timber sales in 10 years, Phillippi said. But by 2014 they had enough in the pipeline to keep the mill busy for at least a year, she said. The political outlook for area timber harvests also looked better, thanks to an effort to find consensus among groups including loggers and environmentalists, Phillippi said. "It just seemed things

had changed."

The outlook was apparently still good enough as of Nov. 6, 2014, for the Phillippis to accept another \$4.3 million in federal tax credits, this time arranged through United Fund Advisors in Portland. The group gave the mill that money so it could buy a costly new planer and have "working capital" to buy logs.

Just over a year later, the Phillippis told Ecotrust they'd have to call it quits. They couldn't get enough logs. "Rough and Ready has been bleeding and is ready to pull the plug," von Hagen emailed to Lane and two Ecotrust vice presidents.

Phillippi said it became obvious the mill couldn't stay open when they landed only two federal timber sales in 2015. They were given first shot at another but declined, since they would have had to haul the logs 75 miles, she said. Their largest private log supplier suffered disastrous fire seasons in 2014 and 2015 and reduced its harvest by 75 percent, she said. They simply didn't have enough logs to keep operations going beyond early 2016, she said.

Through another company of theirs, the couple also own 25,000 acres of timber in Douglas, Jackson, Josephine and Morrow counties. In an interview, Jennifer Phillippi said their privately-held timber supply isn't large enough to have sustained the mill.

She and her husband were sorry the mill had to close and had gone to lengths to prevent it, she said. "We risked a lot of our own money and had lost a lot of money during the recession to try to keep the mill going," Phillippi said. "We just care so much about our community, we just were doing whatever we could."

It's not clear the federal timber supply dried up as Phillippi described. The Bureau of Land Management, which manages some of the federal land in the Illinois Valley where Rough & Ready was located, offered 38 million board feet for sale in that general area in

fiscal year 2015, according to spokeswoman Maria Thi Mai. Much of that was set aside to give small local businesses first shot at buying it. At the time it closed, Rough & Ready was the only business on that list, Thi Mai wrote in an email.

A NEW OWNER FOR THE MILL?

Although the Phillippis were ready to cut bait, Ecotrust was not. Staffers scrambled to find a buyer who would take over the mill and assume responsibility for the tax credits.

The group negotiated with Bruce Burton, co-owner of California-based Willits Redwood Company. But Burton said there wasn't enough time for him to complete due diligence before the Phillippis started auctioning off mill equipment in November 2016.

"It just seemed at that point it was a Hail Mary," Burton said. "I don't have the deep enough pockets to play in that league, with that elevated risk."

Jennifer Phillippi said the couple badly wanted to keep the mill going. Selling it to Burton "would have been our first choice," she said.

"We would have had our employees still working."

After the mill equipment was auctioned off and the property sold, roughly \$5 million was left from the \$12.3 million of incentives taxpayers spent on project, according to an Aug. 9, 2017, email Ecotrust's Adam Lane sent to a representative at Chase and others involved.

"Of course this is not the outcome for which we had hoped when we originally did the transaction but is the best that can be achieved at this point," Lane wrote.

The sale of the mill for use as a garden products distribution center in summer 2017 prompted state regulators to ask questions about why the mill project failed. They concluded that Ecotrust's spending at the launch of the mill retrofit was out of line.

In a Feb. 2 notice to Lane, Ray, the Oregon Department of Revenue director, wrote that Ecotrust mischaracterized its plans to regulators. Almost half the \$10 million project involved using a one-day, \$4.9 million loan from JP Morgan Chase Bank to allow a new entity 99 percent owned

by the Phillippis to acquire the mill and its equipment from a company owned by the Phillippis, it says. But Ecotrust's application did not disclose that plan to Business Oregon. For the Phillippis to in essence buy the mill from themselves for themselves cannot be counted toward a state new market tax credit, Ray wrote. So Ecotrust must repay the state \$1.2 million or invest \$2.9 million in an approved project.

Ecotrust has indicated it plans to make such an investment, probably in forestland.

Buehler said Business Oregon will closely monitor Ecotrust to make sure all spending is proper and that conflicts of interest don't arise.

Business Oregon officials took their questions about Ecotrust's dealings to Oregon Department of Justice, where prosecutors considered a criminal or civil investigation. They looked into the deal, spokeswoman Kristina Edmunson said, but decided not to investigate further.

Information from: The Oregonian/OregonLive, <http://www.oregonlive.com>

PUBLIC NOTICE

IN THE CIRCUIT COURT OF THE STATE OF OREGON FOR JOSEPHINE COUNTY THE CITY OF CAVE JUNCTION, A POLITICAL SUBDIVISION OF THE STATE OF OREGON, Plaintiff,

vs.

JUDITH ANNE RICHARDSON, ANY UNKNOWN HEIRS OF AVERY CLYDE TEMPLE, III, OR PERSONS WHO HAVE OR CLAIM ANY RIGHT, ESTATE, LIEN, OR INTEREST IN 425 E. RIVER STREET, CAVE JUNCTION, OREGON, LORI ANN TAYLOR, KELLY SMITH, JOSEPH ERICKSON, KARON BLAIR, DONEVIN MALONEY, RICHARD SCOTT MOORE, RAY KLEIN, INC. AN OREGON CORPORATION DBA PROFESSIONAL CREDIT SERVICE, THE STATE OF OREGON, AND THE UNKNOWN OCCUPANTS OF 425 E. RIVER STREET, CAVE JUNCTION, OREGON, DEFENDANTS. Case No.: 18CV04868

PUBLISHED SUMMONS

TO: ANY UNKNOWN HEIRS OF AVERY CLYDE TEMPLE, III, OR PERSONS WHO HAVE OR CLAIM ANY RIGHT, ESTATE, LIEN, OR INTEREST IN 425 E. RIVER STREET, CAVE JUNCTION, OREGON; THE UNKNOWN OCCUPANTS OF 425 E. RIVER STREET, CAVE JUNCTION, OREGON

Plaintiff, The City of Cave Junction, has filed a Complaint asking for Suit for The Application for The Appointment of a Receiver Pursuant to ORS 105.420 Through ORS 105.455 For 425 E. River Street, Cave Junction, Oregon. If you do not file the appropriate legal papers with the court in the time required (see below), Plaintiff, The City of Cave Junction, may ask the court for a judgment against you that orders the relief requested.

NOTICE TO THE RESPONDENT: READ THESE PAPERS CAREFULLY!

You must appear in this case or the other side will win automatically. To appear you must file with the court a legal paper called a Motion or Response. The Motion or a response must be given to the court clerk or administrator within 30 days of the date of the first publication specified herein along with the required filing fee. It must be in proper form and proof of service on the petitioners' attorney or, if the petitioner does not have an attorney, proof of service upon petitioner. The location to file your response is at the court address indicated here: 500 NW 6th St., Grants Pass, OR 97526. If you have questions, you should see an attorney immediately. If you need help in finding an attorney, you may call the Oregon State Bar's Lawyer Referral Service at (503) 684-3763 or toll-free in Oregon at 1 (800) 452-7636. If special accommodation under the Americans with Disabilities Act is needed, please contact your local court at the address above; telephone number: 541.476.2309.

Information required by ORCP 7(D)(6)(b): (1) The object of this Complaint is Suit for The Application for The Appointment of a Receiver Pursuant to ORS 105.420 Through ORS 105.455 For 425 E. River Street, Cave Junction, Oregon. (2) Plaintiff's demand for relief is as follows:

1. For a judgment and order appointing Jason Hayward, Attorney at Law, or such other person the court should appoint as the receiver for Defendants' property, (which is described as: THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF Josephine, STATE OF OR, AND IS DESCRIBED AS FOLLOWS:

A PARCEL OF LAND IN THE NORTHWEST QUARTER OF SECTION 22, TOWNSHIP 39, SOUTH, RANGE 8 WEST, OF THE WILLAMETTE MERIDIAN, JOSEPHINE COUNTY, OREGON, MORE PARTICULARLY DESCRIBED AS FOLLOWS: COMMENCING AT THE NORTHWEST CORNER OF SAID SECTION 22; THENCE SOUTH 0°10'00" EAST 30.00 FEET ALONG THE WEST LINE OF SAID SECTION 22 TO AN IRON ROD ON THE SOUTHERLY RIGHT OF WAY LINE OF RIVER STREET; THENCE ALONG SAID RIGHT OF WAY LINE SOUTH 89°55'00" EAST 145.00

FEET TO AN IRON ROD, WHICH IS THE TRUE POINT OF BEGINNING; THENCE ALONG SAID RIGHT OF WAY LINE SOUTH 89°55'00" EAST 210.50 FEET TO AN IRON ROD; THENCE SOUTH 0°05'00" WEST 10.00 FEET TO AN IRON ROD AND SOUTH 89°55'00" EAST 101.55 FEET TO AN IRON ROD; THENCE SOUTH 19°11'40" EAST 233.06 FEET TO AN IRON ROD; THENCE NORTH 89°55'00" WEST 388.00 FEET TO AN IRON ROD; THENCE NORTH 0°10'00" WEST 230.00 FEET TO THE TRUE POINT OF BEGINNING. EXCEPTING THEREFROM THE WESTERLY 95.0 FEET THEREOF. ALSO EXCEPTING THEREFROM THE FOLLOWING: COMMENCING AT THE NORTHWEST CORNER OF SECTION 22, TOWNSHIP 39 SOUTH, RANGE 8 WEST, OF THE WILLAMETTE MERIDIAN, JOSEPHINE COUNTY, OREGON; THENCE SOUTH 0°10'00" EAST 30.00 FEET ALONG THE WEST LINE OF SAID SECTION TO AN IRON ROD ON THE SOUTHERLY RIGHT OF WAY LINE OF RIVER STREET; THENCE ALONG SAID RIGHT OF WAY LINE SOUTH 89°55'00" EAST 145.00 FEET TO AN IRON ROD; THENCE CONTINUE ALONG SAID RIGHT OF WAY LINE SOUTH 89°55'00" EAST 210.50 FEET TO AN IRON ROD; THENCE SOUTH 0°05'00" WEST 10.00 FEET TO AN IRON ROD AND SOUTH 89°55'00" EAST 101.55 FEET TO AN IRON ROD FOR THE TRUE POINT OF BEGINNING; THENCE SOUTH 19°11'40" EAST 233.06 FEET TO AN IRON ROD; THENCE NORTH 89°55'00" WEST 76.15 FEET, MORE OR LESS, TO A POINT SOUTH 0°10'00" WEST FROM THE TRUE POINT OF BEGINNING; THENCE NORTH 0°10'00" EAST 220.0 FEET, MORE OR LESS, TO THE TRUE POINT OF BEGINNING.), to accomplish the immediate abatement of the nuisance conditions and zoning violations on Defendant's property. Pursuant to 105.430.

2. For a judgment and order requiring Defendants JUDITH ANNE RICHARDSON, LORI ANN TAYLOR, KELLY SMITH, JOSEPH ERICKSON, KARON BLAIR, DONEVIN MALONEY, RICHARD SCOTT MOORE, AND ALL OTHER PERSONS OCCUPYING SAID PROPERTY, RESIDING AT 425 E. RIVER STREET to reimburse Plaintiff for the reasonable and necessary costs incurred by Plaintiff in performing the abatement on Defendant's property pursuant to ORS 105.440.

3. For a judgment and order requiring Defendants, JUDITH ANNE RICHARDSON, ANY UNKNOWN HEIRS OF AVERY CLYDE TEMPLE, III, OR PERSONS WHO HAVE OR CLAIM ANY RIGHT, ESTATE, LIEN, OR INTEREST IN 425 E. RIVER STREET, CAVE JUNCTION, OREGON, LORI ANN TAYLOR, KELLY SMITH, JOSEPH ERICKSON, KARON BLAIR, DONEVIN MALONEY, RICHARD SCOTT MOORE, AND THE UNKNOWN OCCUPANTS OF 425 E. RIVER STREET, CAVE JUNCTION, OREGON to pay Plaintiff a reasonable administrative fee for the abatement, or 15% of the total costs of the abatement pursuant to ORS 105.435(3).

4. Plaintiff's claim of lien is superior and prior to the lien claims of RAY KLEIN, INC. AN OREGON CORPORATION DBA PROFESSIONAL CREDIT SERVICE and THE STATE OF OREGON pursuant to ORS 105.445(4).

5. For Plaintiff's costs and disbursements incurred in filing this action.

6. For any other relief the Court deems just and equitable.

(3) The date of first publication is Feb. 28, 2018

PATRICK J. KELLY, OSB #792882
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Published in the Illinois Valley News Feb. 28, March 7, 14, and 21, 2018.

Rough and Ready responds

On March 10, the Oregonian (the same story is published in this edition) published an article about Rough & Ready Lumber and the 2014 tax credit financing we tapped to add to our own large investment in an upgraded sawmill. It appears to us that the story was designed to evoke scandal and hook readers, rather than tell the less tantalizing narrative of our intention to modernize our small log mill and create a competitive operation that could sustain jobs for the Illinois Valley families with whom we've lived and worked.

The inaccuracies and misrepresentations in the Oregonian story require clarification.

1. The tax credit programs are complex "all in" projects in which equity and credit funds are rolled together. The \$4 million equity funds were all invested directly in the project to rebuild a small log sawmill and planer and were not cycled back to the owners.

All funding was invested in the project, minus legal and placement fees. The structure brought the existing mill into the project. Neither Rough & Ready nor related parties walked away with tax credit funds.

2. The article criticizes Rough & Ready for not anticipating log shortages while accepting tax credit support. The reporters lay out a puzzling contradiction. They charge us within adequate analysis at the start in respect to log supply; followed by a conclusion that we had access to an ample log supply which didn't justify our closing.

Just the reverse is true. At start-up we had on-hand over 12-months of federal timber under contract, along with a report from a respected local forest collaborative that supported annual harvest of 28 million board feet around our facility. At closing, a June 2015 legal decision had decimated an expanding federal timber sale program, and the expected timber offerings near the Illinois Valley didn't materialize.

The article notes that 38 million board feet of BLM timber were available and not used, but neglects to mention that this meager volume was offered in northeastern Jackson County, near two large business manufacturers, and far away from our plant.

3. The reporters conclude that we did not give a potential buyer time to assess the business and possibly continue the operation. Wrong again. We found an interested

purchaser and worked intensively with him for 4 months. He eventually declined due to an increasing uneasiness about log supply in an area where the forests are 80% federally owned. Then, immediately prior to the auction of the mill, a last effort was made to rescue the business through reigniting his interest in purchasing the operation. This is the brief period during which "there wasn't enough time for him to complete due diligence." The authors imply this pertains to the entire business review rather than the last few days.

4. It is curious that the reporters neglected to ask us about the tax credit structure. We are confident that the arrangement was appropriate. Business Oregon's suggested path forward aligns with our plans to reinvest proceeds from the sawmill sale into timberlands and thus, continue to support the local economy.

5. The article fails to acknowledge the benefits provided during the 20 months the mill was running. Business Oregon awarded tax credits for the project in hopes it would provide jobs in an area with high unemployment and an alarming poverty rate. The funds did permit 20 months of full-time, living-wage jobs for construction crews and mill employees, with several million paid in payrolls over this time.

The story is more sad than scandalous. Everyone involved is unhappy that the project fell short. We and the government suffered losses, but much of this is mitigated by the economic benefits provided during construction and operation. Timberland purchased with funds redeployed from the sawmill sale will be managed to promote jobs and provide logs to neighboring manufacturers desperate for wood.

Our family spent over 90 years operating this business, providing jobs to thousands of local employees, jobs that took many of them through to retirement.

In scrutinizing economic development tax dollars, journalists should judge the expenditures fairly and give an honest assessment of the inherent risk, the good faith efforts of those involved and the high stakes for an ailing community in need of life support.

Jennifer and Link Phillippi