

ROGER S. MEIER

May 8, 1991

The Honorable Victor Atiyeh
Governor 1979-1987
519 SW Park - Suite 208
Portland, OR 97205

JUN 01 1991
Governor Atiyeh

Dear Vic:

By now you have probably seen the letter to the editor from Bob Straub, and my response to the Oregonian article. In case you have not, I am enclosing a copies.

I would appreciate a letter to the editor from you. I am enclosing a relatively complicated schedule, that maybe, with some help, I can interpret.

This analysis compares the amount of money actually earned by Oregon PERS' investments with KKR to the amounts Oregon would have earned over similar periods on the same dollars invested at hypothetical returns of 8%, 10% and 12%.

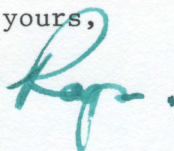
Oregon PERS' uses an assumed investment return of 8% for actuarial purposes.

As the enclosed chart indicates, Oregon PERS' has invested a total of \$879.98 million over time in KKR fund transactions. These investments have returned a total of \$1,999.72 million including current values of securities still held. If Oregon had invested this \$879.98 million for the same periods of time, but had realized an 8% compounded returned, the Oregon PERS' would have \$869 million less today. If it had invested the same \$879.98 million and earned a 10% return, Oregon PERS' would have \$791.49 million less today. If Oregon PERS' had invested the same amount and earned a 12% return, it would have \$706.20 million less today.

These numbers graphically demonstrate the very substantial amounts of additional money realized by Oregon PERS' and therefore by Oregon taxpayers, as a result of their investment with KKR.

If you have any questions with respect to this analysis, please don't hesitate to call. Thanks for your support.

Sincerely yours,



RSM:rd
Encls.

**COMPARISON OF RETURNS
ON OREGON PERS INVESTMENTS WITH KKR
TO HYPOTHETICAL ALTERNATIVE INVESTMENT RETURNS**
(\$millions)

	<u>Cost</u>	<u>Actual Amount Realized/Value*</u>	Excess of Actual Amount Realized From KKR Investments Over Hypothetical Alternative Investments Returning:		
			<u>8%</u>	<u>10%</u>	<u>12%</u>
Investments Which Have Been Sold	245.89	721.81	375.34	345.53	313.65
Investments Still Held**	<u>634.09</u>	<u>1,277.91***</u>	<u>493.89</u>	<u>445.88</u>	<u>392.55</u>
TOTAL	<u>879.98</u>	<u>1,999.72</u>	<u>869.23</u>	<u>791.41</u>	<u>706.20</u>

*All amounts are after KKR carry.

**Valuations of investments still held are based on (i) in the case of companies with publicly traded stocks, recent public market prices (3/28/91) except RJR Nabisco where 80% of a recent public market price was used in an effort to continue to reflect KKR's conservatism in valuing its investments, (ii) in the case of Duracell, the low end of the estimated offering price range (\$12-14) of its pending public offering and (iii) in the case of companies which are still private, the valuations made by KKR at December 31, 1989 for purposes of its annual reporting to Fund investors. K-III is excluded from this analysis because it only began operation in mid-1989 and as a result was valued at cost at December 31, 1989, the last valuation date for this investment. Red Lion is also excluded from this analysis because it was not a KKR Fund investment.

***Of this total, approximately \$185.74 million has already been paid out to Oregon PERS in cash.

ROBERT W. STRAUB 2087 ORCHARD HEIGHTS ROAD N.W. SALEM, OREGON 97304 503 585-6189

May 6, 1991

The Editor
The Oregonian
1320 S.W. Broadway,
Portland, Oregon 97201

I can't leave Roger Meier out on a limb on this K.K.R. deal carried recently in your paper. I have known and worked with Roger for a number of years on Oregon investment matters. During the early years when I served as chairman of the State investment council and we were shifting the investment of Public Retirement Fund money from low yielding bonds to higher yielding growth stocks and other equities Mr. Meier served on a council with me. His knowledge and expertise was of invaluable help. He served with complete dedication and integrity. His outstanding financial knowledge was invaluable.

It is not by accident or a fluke that the Oregon Public Employees Retirement Fund is recognized throughout the country as being one of the most outstanding, cleanest and best performing public pension funds.

In my opinion, we all owe thanks to Roger Meier for the unselfish and valuable contribution he has made to the performance of the Retirement Fund.

Rather than shadow box at unproven allegations of wrong doing you should give Mr. Meier credit for the long hours of valueable service to the public employees of Oregon in helping to wisely manage their Retirement Fund.



Robert W. Straub

RWS/dml

Jim -

I hope you approve!

BR.

Meier responds: Accusations of payoff false

By ROGER S. MEIER

Sensationalized allegations that I misused my former position on the Oregon Investment Council for personal gain, or for the advantage of a highly respected investment firm, are absolutely false and impugn the integrity of dozens of highly respected Oregonians with whom I served, including three distinguished governors.

Under the authority of Govs. Tom McCall, Bob Straub and Vic Atiyeh, I brought my financial expertise as an unpaid member of the Oregon Investment Council to benefit Oregon public employees so their retirement dollars would be invested in a prudent manner and be available to them at the time of their retirement. This is a significant responsibility and one that I accepted and then discharged with professionalism.

Yet, James Long's article of May 4, "Stock sale to ex-chief of council questioned," raises false charges that I was sold stock in a private company by Kohlberg Kravis & Roberts in a deal that was tantamount to a payoff by KKR for my 16 years of service on the Oregon Investment Council.

In a yet-to-be-published "kiss-and-tell" book about Kohlberg Kravis Roberts & Co., a disgruntled and embittered former partner, Jerome Kohlberg, accuses me, his partners and others of gross financial misdeeds.

Joining Kohlberg in this inaccurate and biased account is New York Times reporter Sarah Bartlett, who plays up the vengeance Kohlberg feels for his now more-successful ex-partners, Henry Kravis and George Roberts.

Last summer, I was interviewed by Bartlett in preparation for her book, which she said was about the emergence of public pension funds as institutional investors. At no time during the interview did she inquire about any of the trans-

Roger S. Meier is president and chief executive officer of AMCO Inc., a Portland real estate and investment company. He is a former chairman of the Oregon Investment Council.

gressions of which she, Kohlberg or Long now accuse me.

The facts tell an entirely different story.

The public records of the Oregon Investment Council minutes of October 1987 should give any inquiring Oregonian an idea of the basis of these attacks.

Following Kohlberg's dissolution with his former partners, he started his own fund to make investments in leveraged buyouts. He returned to Oregon and sought an investment from the Oregon Investment Council, then

The result, I believe, is a scurilous attack to discredit the integrity of the investment council and to embarrass me personally.

chaired by Carol Hewitt, a highly respected Portland attorney.

Kohlberg sought my endorsement of his fund, though I had retired from the investment council more than 12 months previously. From my considerable knowledge of Oregon's experience with leveraged buyouts, I declined to sponsor Kohlberg's venture to my successors on the council. The reason: lack of management depth.

Independently of this encounter, Kohlberg sought a commitment from the investment council and was refused, without either my sponsorship or my criticism. The council's decision, together with his modest fund-raising results, left him embittered.

The result, I believe, is a scurilous attack to discredit the integrity of the investment council and to embarrass me personally.

Beyond that issue, I am concerned about the motives of The Oregonian to promote these charges. Long's article of

May 4 implies that these allegations have just been brought to light. That is not the case.

More than two years ago, Long inquired about my purchase of stock in U.S. Natural Resources. I vehemently denied accusations raised by Long that I purchased the stock at an advantaged price. In fact, I made the investment at the same price as recent shareholders had sold their shares based on the then-current value of the privately held company.

Before the purchase, neither I nor the Oregon Investment Council had any relationship with U.S. Natural Resources as an investor or otherwise. I made the investment as a private citizen who had retired from the investment council almost a year earlier.

Long further suggested in his story that I had asked KKR for an opportunity to buy stock in Fred Meyer during the time that I served on the council. That is an absolutely false and insulting accusation that I vehemently countered in my communication with The Oregonian almost two years ago.

The result was seemingly a non-issue to The Oregonian, and no story resulted.

Finally, why did Long omit from his story the mention of previously publicized legal opinions issued by the Oregon attorney general in 1984 and 1985 who concluded that there was absolutely no conflict in my holding directorships of Norris Industries and Fred Meyer while I served on the council?

Moreover, I disclosed my director's fees, on these and other boards on which I served, in my annual statements of economic interests to the Oregon Ethics Commission.

By failing to mention these facts, the story leaves the unfair and erroneous implication that I was doing something behind the state's back.

These allegations are totally without merit and dishonor my years of public service to Oregon. Oregonians should not allow themselves to be duped by questionable motives.

VICTOR ATIYEH
GOVERNOR
1979-1987



INTERNATIONAL
CONSULTANT & TRADE

May 8, 1991

The Oregonian
1320 SW Broadway
Portland, OR 97201

TO THE EDITOR

The recent article attacking the integrity of Roger Meier is an outrageous abuse of a gentleman who had not only served our state above and beyond the call of duty, but had done a singularly outstanding job for the retired public employees of this state.

Roger Meier was almost a full time volunteer of the Retirement Board and used his immense knowledge and talent for the benefit of the fund. He established the path to extraordinary success almost unequaled in this country. I know from my personal observation of the hours of thought he put into his public responsibility. He is a man who should be honored not dishonored.

I would be the very first to condemn anyone who, while officially serving in a public office, used their position to personal benefit. Credibility and trust is mandatory in my view. Roger certainly conducted himself in such a fashion as long as he was a public official.

Once one leaves their governmental duties and are no longer in a position of influence in public matters their private life should be restored. We must not ask anyone to give of themselves and then thereafter hold them in bondage. To do otherwise as in this recent case with Roger would put a chilling effect on good people who could ably serve our state but would decline rather than expose themselves to punishment the rest of their lives.

We must do all we can to nurture and encourage public service in the Oregon tradition. I pray that these recent events will not tarnish that very worthy goal.

Very truly yours,

A handwritten signature in black ink, appearing to read "Victor Atiyeh", written over a horizontal line.

Victor Atiyeh

ROGER S. MEIER

JUN 01 1991
Governor Atiyeh

May 10, 1991

Honorable Victor Atiyeh
Governor 1979-1987
519 SW Park - Suite 208
Portland, OR 97205

Dear Vic:

Laura joins me in sending you our gratitude for your most eloquent letter to the Editor of The Oregonian. After years of service, and particularly the battle of divestiture, I did not want anymore publicity. This recent episode is more than I bargained for, but your letter is so comforting and so glorious that may be it was all worth it.

I just do not know how to say thank you in the same words that you expressed. I hope other citizens will be encouraged to donate their time and service to the State and not be restricted when they are no longer a public servant.

Your letter and note, Vic, were truly wonderful and once again Laura and I both send you our gratitude.

Sincerely yours,



RSM:rd