

COUNCILOR CRAIG BERKMAN -- DISTRICT 3

Terms: January 1, 1979 - December 31, 1980  
January 1, 1981 - January 12, 1982 (date of resignation)

District Area: Original district covered southwestern portion along Willamette River, northern portion of Western Clackamas County and eastern section of Washington County including Tigard. Since November 1981 District was changed and covers the entire western section of Portland along Willamette River.

Areas of Interest: Fiscal control/investments  
Solid Waste - primarily energy recovery  
Westside Corridor <sup>and recycling</sup> project

Council Committees: 1979 - Chair, Solid Waste/Public Facilities  
1980 - Regional Services  
1981  
1982 - Regional Services  
Audit Committee

Particularly helpful with regard to financial matters regarding the energy recovery facility

Emergency Siting Legislation

Oct. 1981 with other Councilors spoke out against EIEIO regarding unethical tactics in circulating petitions -- housing goals, etc.

Supporter of PRT submitting business plan before additional funding.

Craig Berkman took office as METRO Councilor for District 3 in January, 1979. He was re-elected in November, 1980 to a 4-year term. Berkman brings to METRO a strong background of civic and political involvement. He is a member and former director of the World Affairs Council of Oregon and a member of the Portland City Club and Portland Chamber of Commerce. He was co-organizer of the People for Portland campaign in 1970, and an appointee to the Metropolitan Youth Commission in 1971.

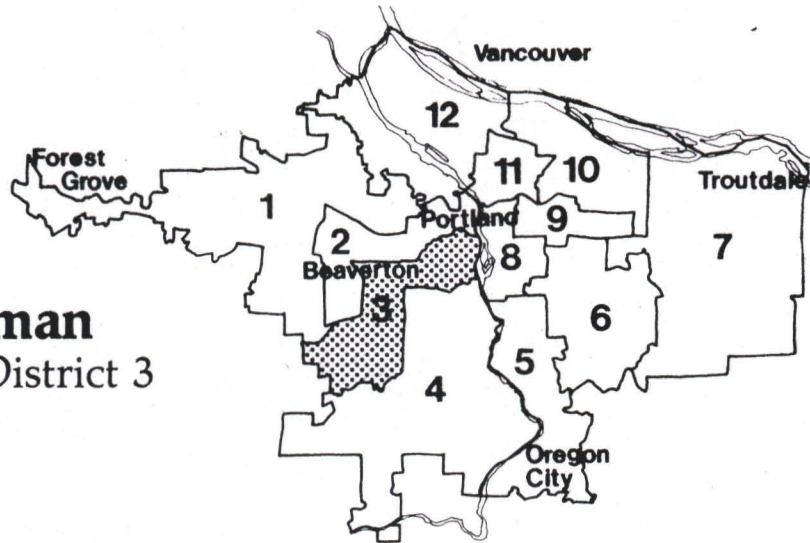
Berkman is currently a member of the METRO Council's <sup>Regional Council</sup> Committee, which is responsible for activities involving solid waste, criminal justice and the Washington Park Zoo. He chaired the Council Solid Waste and Public Facilities Committee in 1980, and was a member of the Zoo Committee.

In addition to his public service, Berkman is Vice-President of Marketing and Finance, and the director and secretary for Cardiac Resuscitator Corporation, a Portland firm that is manufacturing and marketing new equipment for emergency treatment of cardiac arrest victims.

Berkman received a bachelor's degree in government from Wheaton College, a bachelor's degree in International Studies from Harvard University, and a master's in public administration from University of California at Berkeley, and a Doctor of Jurisprudence from Northwestern School of Law.

Berkman and his wife, Susan, have two daughters and live in southwest Portland.

**Craig Berkman**  
MSD Councilor, District 3



Craig, representing District 3 on the MSD Council, brings his political and civic public involvement to this new popularly elected regional government. He is a member and former director of the World Affairs Council of Oregon; a member of the Portland City Club and of the Portland Chamber of Commerce. He was the co-organizer for the People for Portland campaign in the summer of 1970 and was appointed to the Metropolitan Youth Commission in 1971 by Multnomah County Commission Chairman James Gleason.

At MSD, he is chairman of the Council Solid Waste and Public Facilities Committee and is a member of the Zoo Committee.

Craig currently serves as Vice-President of Marketing and Finance, Director and Secretary of Cardiac Resuscitator Corporation, a Portland, Oregon company engaged in manufacturing and marketing new equipment for emergency treatment of cardiac arrest victims.

Craig received his higher education at Wheaton College, (AB, Government), Harvard University (International Studies), University of California at Berkeley (MA, Public Administration), and Northwestern School of Law (Doctor of Jurisprudence).

Craig and his wife, Susan, have two daughters. They live in southwest Portland.



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OATH OF OFFICE

I, Craig Berkman, do solemnly swear to perform the office of Councilor of the Metropolitan Service District to the best of my ability; and to uphold the Constitution of the United States, the Constitution and laws of the State of Oregon, and the Rules and Ordinances of the Metropolitan Service District.

Craig L. Berkman

Sworn to before me on this the  
8th day of January, 1981.

Gynthia M. Wickman  
Notary Public of the State of Oregon

My commission expires on 9/17/84.

Erbert bond  
25 OCT 1981

I HEREBY CERTIFY THAT THE FOREGOIN  
IS A COMPLETE AND EXACT COPY OF TH  
ORIGINAL THEREOF.

Rebecca V. Shoeman, Archivist  
Clerk of the Metro Council

BEFORE THE COUNCIL OF THE  
METROPOLITAN SERVICE DISTRICT

For the Purpose of appointing ) Resolution No. 79-36  
Councilors to Standing Com- ) At the request of  
mittees ) Rick Gustafson

WHEREAS, The Council at its meeting of March 8, 1979,  
adopted Resolution 79-32, Establishing Standing Committees of the  
Council, and

WHEREAS, The Presiding Officer of the Council has appointed  
councilors to each of five committees listed hereinbelow, and

WHEREAS, The Council wishes to confirm said appointments  
pursuant to applicable procedural rules, now therefore

BE IT RESOLVED,

That the Council hereby confirms the following committee  
appointments:

Planning and Development: Marge Kafoury, Chairman; Gene  
Peterson, Cindy Banzer, Corky Kirkpatrick, Jane Rhodes

Solid Waste/Public Facilities: Craig Berkman, Chairman;  
Jack Deines, Jane Rhodes, Gene Peterson.

Transportation: Charles Williamson, Chairman; Carrie  
Miller, Betty Schedeen, Donna Stuhr.

Ways and Means: Corky Kirkpatrick, Chairman; Jack Deines,  
Donna Stuhr.

Zoo: Cindy Banzer, Chairman; Betty Schedeen, Craig Berkman

ADOPTED By the Council of the Metropolitan Service District  
this 22nd day of March, 1979.

  
Presiding Officer





## The Oregonian

### Investors accuse Berkman of fraud

Venture funds - A lawsuit claims the Portland capitalist and former state GOP chief misused \$33.5 million

Wednesday, December 21, 2005

**JEFF MANNING**  
The Oregonian

Craig Berkman, who for more than two decades enjoyed unrivaled access to Oregon's political and business elite, has been accused by more than 50 investors in three of his venture capital funds of fraud and misappropriating \$33.5 million.

In a lawsuit filed Tuesday in Multnomah County Circuit Court, the investors accuse Berkman of running a complex fraud by using millions of dollars they invested in his funds to repay pre-existing debts.

Berkman also put much of their money into companies Berkman controlled or had a significant personal interest in without disclosing the conflict of interest, the lawsuit alleged.

"This should never have happened," said Steve English, a Portland lawyer representing the investors. "He was paid generously by our clients, and it apparently wasn't enough."

Berkman, the former state Republican Party chairman who ran unsuccessfully for his party's gubernatorial nomination in 1994, declined to comment.

"I haven't seen this lawsuit, and I have nothing to say until I do," he told The Oregonian.

Berkman received at least \$500,000 a year in management fees from the three funds, Synectic Ventures I, II and III, English said. The companies he invested in also paid thousands of dollars in rent and salaries to Berkman's management firm, Craig Berkman & Associates, according to the lawsuit.

The lawsuit says only \$15 million remains of the \$75 million invested in the three funds. Of the missing amount, \$33.5 million was "converted to improper use," English said.

Some of Portland's wealthiest businessmen put money into the three Berkman funds, among them former lumberman Peter Stott; Peter Brix, former owner of Brix Maritime; and real estate investor Jordan Schnitzer.

Lewis & Clark College gave Berkman \$1.5 million, but the largest single investor -- with about \$50 million -- was the British Columbia Investment Management Corp., the province's \$62 billion public pension fund.

Paul Fortino, a Portland attorney representing the Canadian fund, pointed out that its money comes from average, middle-income British Columbians.

"My client, while it is a very large investor, is made up of thousands of ordinary civil servants," he said.

The lawsuit also accuses the now-defunct accounting firm Arthur Andersen of professional negligence.

Investors claim the accountants who did the books for Berkman were party to information that should have made them suspect Berkman was "engaged in fraud, potential illegal acts, and other inappropriate transactions." But the firm never notified the investors or the venture fund advisory panels of anything, the lawsuit alleges.

Arthur Andersen folded in 2002 after being charged with obstruction of justice for its role in the Enron scandal. But investors hope to tap into a reserve fund set up to handle the firm's legal liabilities.

Berkman, 64, rose to prominence as both an investor and politician, fields where his amiable charm came in handy. A moderate Republican, he ran unsuccessfully in the 1994 GOP gubernatorial primary against Denny Smith and seriously explored another run in 2002. He headed the Oregon Republican Party from 1989 to 1993.

Berkman was also a tireless promoter of Oregon business, pouring a good deal of the \$150 million he claimed to have raised over two decades into local companies, particularly medical technology operations.

He enjoyed easy access to the city's moneyed elite, many of whom considered him a friend.

"He was the ultimate insider," said Fortino. "He had great connections. At least on paper, he had a great pedigree."

Not everyone was thrilled with the way Berkman operated.

In 1998, the Oregon Division of Finance and Corporate Securities sanctioned him for selling unregistered securities. Berkman neither admitted nor denied wrongdoing but agreed to pay a \$10,000 fine.

The state cited him again three years later for failing to comply with the terms of the 1998 settlement. It blocked him from raising any additional capital until he obtained a securities license, which Berkman then did.

As the two state inquiries proceeded, Berkman was raising money for three new venture capital funds that became the subject of the lawsuit. With the dot-com economy roaring at full throttle, he raised \$75 million for the funds. Investors claim they were never told of the two state sanctions.

The dot-com bust took a harsh toll on many venture funds. But the Berkman funds took a pounding far worse than many others. Most of the approximately 30 companies Berkman bankrolled are now out of business.

The investors allege Berkman began misappropriating their money almost immediately upon raising money for Synectic Ventures I in 1998. He had the funds loan \$1.7 million to Craig Berkman & Associates, which then used the money to repay loans to other investors in earlier deals, the lawsuit alleges. In financial statements, Berkman hid the transactions as "other investments."

Berkman's portfolio of companies spun off considerable cash for Berkman individually, the investors allege.

Among them was Puriponics, an Oregon company co-founded by Berkman that hoped to market algae as a health supplement and for use in the cosmetics industry. Berkman was president of the company as well as a director. He also had a significant personal investment in the company.

Berkman steered more than \$6 million from the Synectic funds into Puriponics, the lawsuit alleges. Craig Berkman & Associates collected more than \$300,000 in rent payments from Puriponics for use of Berkman's Portland office. Puriponics also paid Berkman a salary, investors allege.

Investors lost \$6,251,125 on Puriponics, the lawsuit claims.

The investors ousted Berkman from control of the three funds in November 2004. They hired the Portland law firm Bullivant Houser Bailey, which has been investigating Berkman's handling of the funds for more than a year.



Five of the 54 investors named in the lawsuit were reached by The Oregonian on Tuesday, but none would discuss the case on the record. Only one offered comment -- but asked for anonymity out of embarrassment.

"I think we investors are heartbroken because this was a man who had so much talent and capability," the investor said. "And for many years, he appeared to be very loyal.

"He didn't need to do this, to make a living. He didn't need to do this to his friends and investors."

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## The Talented Mr. Berkman

The rise and fall of Portland's best-known venture capitalist.

BY NIGEL JAQUISS



In a city with few high rollers—and even fewer who could get an audience with the president—Craig Berkman stood out.

A toothy, Gatsbyesque figure, still boyish at 64, Berkman grew up poor on Portland's east side. But like Gatsby, he eventually made himself a fixture in high society, a pillar of the Oregon Republican Party, and Portland's best-known venture capitalist. A scholarship kid who sang at proms to earn money, Berkman later became a regular in the Heathman dining room's power-breakfast crowd and at the Arlington Club. He got his suits tailor-made on Rodeo Drive and counted the legendary buyout king Henry Kravis and many of Portland's wealthiest citizens as investors.

He was one of the first calls when local nonprofits needed money. "Craig donated money and put personal time into many charities," says Bill Furman, CEO of the Greenbrier Companies, a Portland railcar manufacturer.

That's all gone now. Just before Christmas, while Berkman was skiing in Kitzbühel, Austria, with his new wife, a former Miss New York, he learned that more than 50 investors were suing him for fraud in Multnomah County Circuit Court. The lawsuit claimed he had plundered investors' funds for his own benefit.

Even more jaw-dropping than the allegations was Berkman's reaction. Although his attorney has not yet filed a legal response, Berkman admitted in a sometimes tearful two-and-a-half hour interview with *WW* earlier this month that he "loaned" himself \$5 million of investors' money without telling them.

"The loans and my failure to disclose them fully and in a timely manner gives the appearance of wrongdoing, and I deeply regret that," Berkman said.

Here was a man who raised tens of millions of dollars based purely on his reputation, who wrote hefty checks to charities and political candidates. Now, when he might otherwise be looking for one final score to cap a brilliant career, Berkman is in disgrace.

What happened?

"Craig Berkman has had a successful career based on getting people to trust him with their money," says Steve English, an attorney representing the investors suing Berkman. "We intend to prove he abused that trust for his own personal gain and to cover up his own past investment losses."

Born Craig Lamont Willoughby in Sioux City, Iowa, Berkman grew up in Portland's Roseway neighborhood. He was an only child who got his last name from his stepfather, Pinky Berkman, whom he barely knew. "He was a clothing salesman and died young," Berkman says.

After graduating from Madison High School, he went to Wheaton College in Illinois on a scholarship and later earned graduate degrees at University of California-Berkeley and Lewis & Clark Law School.

While living in the Bay Area in the late '60s, Berkman agreed to help friends raise seed capital for the company that became Applied Materials.

"They asked me to find some money for them," he recalls. "They thought I had some skills in that area."

With Berkman's help, Applied Materials became the world's largest supplier of products and equipment to the semiconductor industry, earning profits last year of \$1.2 billion.

Berkman sold his stock long ago and declines to say how much he made from Applied Materials, other than "it was enough



to buy a home and help put my kids through school."

He thus joined an elite breed of high-stakes gambler essential to the American economy—the venture capitalist.

Venture capitalists raise money for startups. Without them, there would be no Apple Computer, no Amazon.com and no Google.

Most startups fail, which means venture capital is a game only for the rich. "Only one or two in 10 investments pan out," says Glenn Smith of the Portland Venture Group, "so you're looking for a company that is going to give you 10 to 100 times your investment."

And in Portland, where much of the wealth belongs to families who felled trees, bent metal or developed land, a silver-tongued evangelist for high-tech medical devices could find himself a niche. That was Berkman.

"People would come to Craig with complicated ideas and six weeks later he'd have raised a bunch of money," says Kelly Clark, a Portland lawyer. "He was great at taking the complicated ideas and making them simple."

Upon returning to Portland in 1970, Berkman quickly put his newfound venture-capital skills to use. He and Bill DeWeese, a former Esco Steel executive, raised funds for a company called Cardiac Resuscitator Corporation, which made portable defibrillators.

Berkman says they parlayed \$500,000 into \$12 million, an experience that convinced Berkman medical devices were the future.

Through the next two decades, his biggest successes—Catheter Technology Corp., Bainbridge Sciences and Catheter Innovations—all came in that field.

In 1988, for example, Catheter Technology Corp., another Berkman-DeWeese venture, sold for \$50 million. Berkman says investors made more than 20 times their money but won't say how much he made.

Berkman's flashy clothes reflected his success. He bought so many suits from Bijan, the celebrity tailor on Beverly Hills' Rodeo Drive, that Bijan, whose wall is covered with clocks showing the time in his top clients' hometowns, added a Portland clock in Berkman's honor (even though it's in the same time zone).

Still, Berkman drove nondescript cars, battled much younger and taller men—Berkman is 5-foot-10—in rough-and-tumble pick-up basketball games at the downtown YWCA, and lived in a modest Multnomah Village home.

Berkman shrugs off the contradictions, saying he's never cared much for material possessions: "My mother always told me, whether your name is Rockefeller or Smith, you can only eat one meal at a time."

Compared to the Silicon Valley, Boston or even Seattle, Portland's venture-capital community is tiny: There are a few relatively small firms, such as Olympic Venture Partners and SmartForest Ventures. Unlike those firms, which employ several technical and financial experts, Berkman has been a lone wolf since DeWeese died in 1988, usually operating with just a secretary.

Unlike other local venture capitalists, Berkman has always had a taste for politics.

In 1972, at age 30, he ran unsuccessfully for state treasurer. Three years later, when the Republican Party held its national convention in Portland, Berkman says he hung out with Nelson Rockefeller and sold the then-vice president two portable defibrillators.

"They kept one at the family compound at Pocantico Hills, [N.Y.]," Berkman recalls.

In 1988, Berkman cemented his position as a player by donating \$100,000 to George Bush Sr.'s presidential campaign.

The first President Bush subsequently taped a video for a Benson Hotel fundraiser for the Albina Youth Opportunity School honoring Berkman, recalls school supporter Diane Farmer Linkhart. "I've been a pretty good friend of the Bush family," Berkman says.



In 1989, Berkman won the chairmanship of the Oregon Republican Party. A moderate, he infuriated the party's right wing by opposing 1992's anti-gay Measure 9.

In 1994, Berkman entered the Republican gubernatorial primary. Several of his biggest campaign supporters, including Portland barge-line owner Peter Brix, who contributed \$10,000, and property heir Jordan Schnitzer, who gave \$5,000 through his company, are among those investors suing Berkman. (Brix and Schnitzer did not return WW's phone calls.)

But in 1994, Schnitzer apparently felt differently. "Jordan took on an important role during the campaign. He introduced people to Craig, and I think some of those people also became investors," says Patrick Donaldson, Berkman's deputy campaign director.

Berkman lost the Republican nomination for governor to former Congressman Denny Smith, who later lost the general election to Democratic state Sen. John Kitzhaber.

Ironically, Berkman—who loaned his own campaign \$630,000, more than half what he ultimately spent—was a lousy political fundraiser. "It was almost comical," says Kelly Clark, who worked on Berkman's campaign. "We'd have to sit him down and force him to make the calls."

Normally, venture-capital firms promise to invest the money they raise in startups. As payment, they receive a management fee and a share of the profits.

Records show that for much of his career, however, Berkman operated very differently. Rather than waiting to see whether the startups he championed would pay off, he developed an ingenious way to turn nearly every startup into quick cash.

Like other venture capitalists, Berkman identified promising young companies. But rather than putting an investor's money directly into the company he was pitching, records show Berkman instead often issued "convertible promissory notes." The notes guaranteed investors 8 percent interest; if the startup flourished, the investor could convert his note to stock. If the company failed, the investor still earned interest and got his money back at the note's maturity, usually three to five years away.

The promissory notes eliminated most of the risk for investors, in theory, because investors were guaranteed a minimum return of 8 percent. As Berkman would explain to securities regulators in a taped 1997 interview, his scheme was "risk-free to the extent of yours truly to repay the note." Unlike the monies raised by more traditional venture capitalists, Berkman made no promise to actually invest the money he raised in new companies. That meant he was free to spend the money as he chose, a freedom that would ultimately saddle him with a mountain of debt.

The notes' implicit premise was that Berkman was wealthy. "They're much less at risk with my resources than with [a startup's] resources," he said in a 1996 deposition.

From 1983 to 1998, state records show that Berkman issued well over 100 notes, ranging in size from a few thousand dollars to \$300,000. He declines to say how many he issued in total.

The notes first came to light during the '94 gubernatorial race, when Berkman disclosed on a candidate's financial filing that he owed 37 personal debts of greater than \$1,000.

Among those he owed were Schnitzer Northwest Properties, former Gov. Vic Atiyeh, professional golfer Peter Jacobsen, and Harry Demorest, who once ran the local office of the accounting firm Arthur Andersen and who now sits on the Oregon Investment Council.

Although the form did not disclose total borrowings, Berkman produced a similar list of 36 personal debts totaling just over \$3.1 million in a court filing two years later. It is unclear how much Berkman had in the way of assets.

Although everything from Berkman's clothes to his generous civic and political contributions bespoke great affluence, he guarded his personal financial information obsessively.

He demanded that his 1996 divorce file, which would normally be a public record, be sealed. After spending considerable time and money on a lawsuit against the founders of a company he invested in that same year, he immediately dropped the suit when the defendants pressed for details of his borrowings.

Remarkably, Berkman claimed none of his note holders ever requested a financial statement.

"Haven't been asked for one and none has been provided," Berkman said in 1997. "Without exception these [investors] are friends of mine and I've been fortunate to have a better than successful record as an entrepreneur."

In addition to their money, Berkman excelled at getting influential people to lend him their names.

When Berkman wanted to beef up the board of one of his startups, Expert Systems Publishing of Lake Oswego, for instance, he recruited former National Security Agency Director Admiral Bobby Inman and former White House drug czar Bill Bennett for the company's board.

Big names meant more to some Berkman investors than financial projections. "He traveled in a social circle of people of great wealth," says Donaldson, who in addition to working on Berkman's campaign was an investor. "I'll never forget going with him to [the late New York] Sen. Jacob Javits' penthouse in Manhattan to raise money. That was quite an eye-opener."

In the mid-'90s, John Norville bought a \$10,000 Berkman promissory note after Berkman told him about EndoVascular Instruments, a medical-products company.

"It was presented as if it were a major favor to get in on this investment," recalls Norville, who co-wrote the screenplay for the movie *Tin Cup*.

Part of the pitch, Norville recalls, was who Berkman knew. "He was dropping names as fast as he could open his mouth," Norville says.

EndoVascular Instruments failed to thrive, and Norville sought repayment of the note, which he says proved difficult. "It seemed you couldn't get a straight story," Norville says. "Getting the money back took a lot of work."

Sometimes, people just aren't quite what they seem.

Although Berkman donated hundreds of thousands of dollars to Republican candidates in the past two decades, records show he hasn't voted since November 2000.

And then there's Richard Beattie, the New York lawyer well-known for his association with the buyout firm Kohlberg Kravis Roberts. Beattie, Berkman recently claimed, was "special counsel" to Berkman's later ventures.

Not true, Beattie says: "I'm not his special counsel and never have been."

A man as busy as Berkman—he often served as chairman for as many as four companies at a time—could be forgiven the occasional mistake. But when state securities regulators began investigating his operation in 1997, they found substantial transgressions.

Until then, Berkman's convertible promissory notes worked like a printing press. But lawyers for the Oregon Department of Business and Consumer Affairs pounced on them.

"I've never seen anything like this," Kyle Martin, one of the state lawyers, told Berkman in a taped interview.

In November 1998, regulators ruled that Berkman had been selling unregulated securities and doing so without a license. He paid a \$10,000 fine and signed a "cease and desist" order.

The penalty that proved most punishing in the long term, however, was Berkman lost the ability to issue new promissory notes to pay off old ones.

Not a problem in the short term. Even before the state investigation concluded, Berkman announced the first of a series of conventionally structured venture-capital funds.

Like the funds offered by other venture firms, the new investment vehicles paid Berkman a management fee and share of



the profits and required investors' monies be put into startup companies.

Despite the publicity surrounding the state's disciplinary action, Berkman raised \$75 million, about two-thirds of it from a Canadian pension fund and the rest from individuals and Lewis & Clark College.

Powerful friends again served as a sales tool. His funds' advisory boards included former California Gov. Pete Wilson, supply-side economist Arthur Laffer, Bush first-cousin George Herbert Walker III, former Health and Human Services Secretary Dr. Louis Sullivan and, locally, Lake Oswego resident Tony McPeak, the U.S. Air Force chief of staff during Operation Desert Storm.

Successful Portlanders such as former Crown Pacific CEO Peter Stott, Greenbrier's Bill Furman, and former Stoel Rives lawyer Stephen Babson plunked their money down for partnership units in the funds at \$125,000 a pop.

Berkman seemed to have dodged a bullet. His bold dot-com investments made front-page news, and Gov. John Kitzhaber named him to the state's Internet Commission. In 2001, Berkman even mused about entering the race to succeed Kitzhaber.

But there was a gut-churning problem festering behind Berkman's ever-present smile: The promissory notes he had issued over the past 15 years were coming due. And, as Berkman told *WW*, because most of the 30 companies he had invested in since the late '80s had tanked, he faced a cash crunch (for example, Berkman invested more than \$10 million in 800.com, a local web retailer, and lost it all).

Berkman was in deep trouble, although you'd never know it from listening to him. Giving the keynote speech at Clark County's Economic Development Conference in 2002, Berkman casually mentioned that EndoVascular Instruments, of which he was chairman and which was headquartered just down the road, was ready to skyrocket.

"It's a company you might want to remember," he told his audience, according to a transcript, "because it has a chance, literally, to have a market value of a couple of billion dollars. I said, yes, the 'B' word."

Small problem: Berkman had said in a 1996 deposition that stock in EndoVascular was "probably worthless."

Berkman now concedes that between 1998 and 2001, he diverted investor funds earmarked for startups to his own pocket, because he "had some prior convertible notes coming due."

Berkman admits he "borrowed" without seeking investors' permission: "Some knew, most didn't." He claims he has repaid the \$5 million, although a dispute exists over the value of stock he used for partial repayment.

Not all of his investors are angry. "I knew going in there were going to be big risks," says Larry Thorpe, a Houston lawyer who invested in Berkman's funds. "People who invest in venture capital ought to expect that."

But the lawsuit filed by others claims Berkman took much more than risks. The lawsuit alleges he used their money to prop up companies in which he had previous investments, falsified details of stock purchases, improperly paid himself salary and rent through various companies, and "caused the funds and the individual investors to lose substantially all of the principal invested in the funds."

Berkman says he lost about \$33 million of the funds' money but blames the dot-com bust, 9/11 and the risky nature of the venture-capital business.

"For every dollar we invested, there were substantial investors alongside us," he says. "I was a good steward of investors' funds," Berkman says.

It may be years before the lawsuit Berkman faces is resolved, but his reputation locally is unlikely to recover.

Gen. McPeak, who once invested in a Berkman company, is typical of those who have lost faith. McPeak says he resigned from Berkman's advisory board two years ago and hasn't spoken to him in a year.

"I thought I'd be asked for advice, but that never happened," McPeak says. "My name was being used, but I wasn't being used. I didn't like that."



Nonetheless, Berkman is plowing ahead. He recently married for a third time, to a concert pianist and a former Miss New York (1985) named Mary-Ann Farrell, who lives in Florida.

Berkman also hooked up with a group in the Sunshine State called Palm Beach Capital Advisors LLC. That firm touted him as "co-manager—Venture Capital Opportunities" on its website but has since deleted any reference to Berkman.

And in a fascinating move for a man who never owned a home locally worth much more than \$250,000 and who likes to say he is "tighter than the skin on a grape," Berkman bought a Tampa-area home in November for \$3.94 million, plunking down \$1.2 million in cash. Berkman declined to explain how a man so broke that he "borrowed" \$5 million from investors could afford a 8,000-square-foot lakefront home.

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