



Koch Brothers File Second Lawsuit Against Cato Institute

By Andrew Harris - Apr 10, 2012 4:38 PM ET

Billionaire brothers Charles G. Koch, co-founder of the Cato Institute, and David H. Koch sued the free-market advocacy group, seeking reversal of what they called a “board-packing scheme” to weaken their influence.

In a complaint filed yesterday in a [Kansas](#) court, [a copy](#) of which the institute posted on its website, the brothers claimed Cato Chairman Robert Levy, President Edward Crane and seven other directors last month improperly added four more directors to the board to dilute the Kochs’ voting power.

“The primary purpose of the board-packing scheme was to disenfranchise certain of Cato’s shareholders -- namely Charles and [David Koch](#) -- and prevent them from being able to elect a percentage of board members proportionate to the Kochs’ voting shares,” the brothers alleged.

This is the second lawsuit Charles and David Koch filed against the Washington-based group, which has been a supporter of litigation challenging President [Barack Obama](#)’s 2010 health-care reform legislation.

The Koch brothers, principals of the closely held refining and chemical company Koch Industries Inc., have been active in Republican Party fundraising. The company headquarters is in Wichita, Kansas.

The Johnson County, Kansas, court where the cases are pending is located in Olathe, about 22 miles southwest of [Kansas City, Missouri](#).

Share Offer

The brothers on March 1 sued Cato and the widow of Chairman Emeritus William Niskanen seeking enforcement of a shareholders agreement provision they say compels Niskanen’s estate to offer his shares to the institute and, if it declined to buy them, to the surviving shareholders: the Kochs and Crane.

The Kochs sought no money damages in that suit, only a declaratory judgment that Niskanen's widow -- as personal representative of his estate -- must carry out her alleged duties under the shareholders' agreement.

Niskanen died in October. The institute filed an answer to the original lawsuit today, according to the court's electronic docket. In a copy of that document posted to its website, the institute disputed the Kochs' characterization of the agreement and saying the document speaks for itself.

Copies of the institute's answer and the second Koch complaint posted to its website couldn't be independently verified in court filings.

'Multiple' Filings

"Our board acted wholly within its authority at the March 22 special directors meeting," Levy said today in an e-mail in response to a request for comment on the new lawsuit's allegations.

"These multiple legal filings are intended to intimidate," Levy said. "They do not have that effect, but they will, sadly, harm the pro-liberty movement and cause the [Cato Institute](#) to expend resources on activities that are wholly removed from our institutional mission."

The new case is Koch v. Cato Institute, 12cv2830, Johnson County, Kansas, District Court (Olathe). The original lawsuit is Koch v. Washburn, 12-cv-01749, Johnson County District Court, 10th Judicial District (Olathe).