



Statement by Charles G. Koch Chairman and CEO, Koch Industries, Inc. Regarding the Cato Institute

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WICHITA, Kan.--(EON: [Enhanced Online News](#))--In December 1976, when I co-founded and provided the seed money to establish the Cato Institute, which originally was the Charles Koch Foundation, my vision was to build a principled and non-partisan organization that would advance the ideas that enable all people to prosper – by promoting individual liberty, limited government, free markets and peace. This was my intent then, and remains my steadfast intent 35 years later.

With its emphasis on education, Cato has contributed greatly to the marketplace of ideas and is now a respected thought leader. My brother David and I have every intent to ensure Cato continues its work on the full spectrum of libertarian issues for which it has become known.

I am troubled by recent false allegations that our actions to preserve shareholder rights were done in disregard of Cato's interests. Here are the facts behind what we have done and why.

We did not want to address this shareholder issue at this time. Although our legal filing has accelerated media coverage of this issue, this was not our desire. For months we made every effort to resolve, avoid, or delay this issue. We proposed a standstill agreement to delay for one year or longer any discussion on the shareholders agreement. We asked to delay any shareholders meeting, which would have left the pre-March 1 board of directors in place during this period. We proposed third-party mediation. We proposed alternative corporate structures. We made every effort to avoid this dispute – finally requesting just an additional four days to negotiate a potential resolution – but all of our 2 proposals were rejected. Every counterproposal we received required we forfeit our shareholder rights and act contrary to the corporate governance documents.

The third Cato shareholder, Ed Crane, insisted that we have a shareholder meeting on March 1 to vote on new directors. At this meeting, a new shareholder was to be recognized in violation of our longstanding written agreement and the Institute's bylaws and articles of incorporation. We warned Cato's leaders about the negative consequences of forcing a shareholder meeting. They scheduled the meeting anyway. Faced with this intransigence, we did not seek damages or make claims of misconduct by individuals. Rather, we merely filed a declaratory relief action asking the court to confirm the meaning of the relevant corporate documents.

The actions of Cato's leadership since the filing have provided evidence of their strategy. They thought we would back down rather than risk additional criticism from them and others on top of the many attacks we already face from opponents of a free society. They thought wrong. We will not capitulate to these threats and mistruths any more than we have bowed to other threats.

We have been asked why we did not choose to simply walk away from this dispute. Principle is not a matter of convenience. We firmly believe this is a pivotal moment in Cato's history. We want to ensure Cato remains consistent with the principles upon which it was founded. The furtherance of this vision is possible only if Cato fosters a culture that adheres to core principles such as integrity, humility, and treating others with dignity and respect. We view recent events as evidence that Cato's leadership has turned its back on these core principles. As we see it, we would not be acting honorably if we failed to stand up for these principles.

There is a great deal of speculation as to what direction we would take Cato if we were to be in a position to elect a majority of the board. Some have speculated that we would micro-manage the enterprise. Others have suggested we would turn Cato into a partisan Republican organization. These rumors are absolutely false.

My objective is for Cato to continually increase its effectiveness in advancing a truly free society over the long term. This was my objective when, in 1976, I came up with the idea of converting the Charles Koch Foundation to a public policy institute and recruited Ed Crane to run it. My observation was that there was an urgent need for an institute that would flesh out the policy implications of the general principles of a free society. I still believe there is a great need for this work and that Cato can fill that need.

To that end, we would seek to elect board members and officers who will ensure that Cato becomes increasingly effective in advancing liberty while remaining dedicated to its core principles. These officers and board members would act

independently from me or any other individual – instead, their role, as should be with any non-profit board, would be to ensure greater accountability and effectiveness. As someone who has created and helped build many organizations in both the profit and non-profit sectors, I know from first-hand experience that sustainable growth can be achieved only through leaders who are committed to core principles. Recognizing all that Cato has accomplished in the past, I envision a Cato that can accomplish even more in the future.

We are committed to seeing Cato flourish because we believe it has the potential to make an increasing contribution to the advancement of liberty and prosperity. But none of this will be possible if Cato's leaders abandon the principles they are supposed to uphold or otherwise violate the core values of a free society. Such a path has been the downfall of many organizations.