

Forbes

Koch Brothers Sue Think Tank That They Founded

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UPDATE (6:00 PM PST): [Charles Koch](#) has provided a statement which is now integrated into the story.

UPDATE (2:30 PM PST): [Ed Crane](#) and the Cato Institute have provided a statement which is now integrated into the story.

In an attempt to wrest back control of an institution they helped create, billionaire brothers [David](#) and Charles Koch filed a lawsuit yesterday in Kansas' tenth judicial district against the Cato Institute, a libertarian think tank and public policy organization.

The lawsuit stems from a dispute surrounding the Cato ownership rights of late former chairman, William Niskanen, who died in October. The Koch brothers—both worth \$25 billion and tied for fourth spot on the [Forbes 400](#)—argued that Niskanen's widow, Kathryn Washburn, should not inherit the former chairman's 25% stake in the foundation. Based on foundation bylaws, the suit goes on to read, Washburn and the institute should be obligated to sell that 25% stake.

The Cato Institute, which is named as a defendant along with cofounder and current director [Edward H. Crane III](#) and Washburn, denied it had to sell these shares, according to the court document.

“Mr. Koch's actions in Kansas court yesterday represent an effort by him to transform Cato from an independent, nonpartisan research organization into a political entity that might better support his partisan agenda,” wrote Crane in a statement to Forbes. “We view Mr. Koch's actions as an attempt at a hostile takeover, and intend to fight it vehemently in order to continue as an independent research organization, advocating for Individual liberty, limited government, free markets and peace.”

Crane said he and Charles Koch helped found the Cato Institute, and that Koch had “supported the Cato Institute financially” since its establishment. He went on to say that the Kochs have never exercised significant influence over the direction the management of the organization.

In a statement provided to Forbes by a spokesperson, Charles Koch rebuffed the idea that he and his brother, who together own 50% of the organization, were attempting to seize control.

“We are not acting in a partisan manner, we seek no ‘takeover,’ and this is not a hostile action,” said Koch. “All we seek is adherence to the shareholders’ agreement, which was agreed to by each of the shareholders.”

The elder Koch went on to state that he and David wanted to ensure that the institute is not “subject to the personal preferences of individual officers or directors.”

Cato, a Washington, D.C. nonprofit, was founded in 1974 as the The Charles Koch Foundation, Inc. It changed its name in late 1976 to the Cato Institute after “Cato’s Letters, a series of essays published in 18th-century England that presented a vision of society free from excessive government power,” according to the foundation’s [website](#).

The Koch brothers are no strangers to lawsuits. Koch Industries, a multi-billion dollar Wichita, Kan. conglomerate, has been on both sides of a host of suits since its founding in 1940 by the brothers’ father, Fred C. Koch. Among the various court battles over the years includes an interfamily struggle with David and Charles squaring off against brother [William Koch](#) (net worth: \$4 billion). After a long legal struggle in the 1980s, William settled with his brothers and sold his stake in Koch Industries for \$1.3 billion in 1983. He later sued for more.

In 2001, Koch Industries was forced to reach a settlement with the federal government over claims that the company had taken more oil from Indian land than what it had originally agreed for. The original suit was brought against Koch Industries by William Koch.

[David Koch](#) also sits on the boards of other think tanks including the Aspen Institute and the Reason Foundation.