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Cato Institute Sends S.O.S. via the Web

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8:06 p.m. | Updated The Cato Institute, a libertarian research center locked in battle with the conservative billionaires Charles and David Koch over control of the organization, started a Web page Wednesday called [“Save Cato”](#) to lay out their case in the increasingly public fight.

The Koch brothers brought a federal lawsuit last week against the nonprofit organization seeking to establish control over its unusual governing structure.

The Kochs say they are trying to protect their legal interests in the institute by bringing the lawsuit. Leaders of the Cato Institute say they see the move as a threat to their independence because it would allow the Kochs to merge the organization’s widely cited research more directly with the brothers’ political outlets.

Charles Koch helped found the Cato Institute in the mid-1970s, and he and David Koch have served on its board while contributing some \$30 million to the group over the years. But the relationship has deteriorated, and the “Save Cato” Web site announced Wednesday marks a further escalation in the public rift between the institute and the Kochs.

The Kochs hold two of the four “shareholder” seats at Cato. Their lawsuit, if successful, could give them control of a third seat as well, effectively giving them the power to appoint a majority of a separate, 16-member board of directors and set policy for the group.

On the Web page, Cato leaders argue that the Kochs’ lawsuit would turn the nonpartisan research institute into “yet another political arm of their vast empire” and they urge supporters to join them “in persuading the Kochs to drop this takeover attempt.” The site also includes postings of legal and Internal Revenue Service documents relevant to the dispute, along with other material.

Executives at Koch Industries, the Kansas business conglomerate owned by the brothers, had no immediate comment on the creation of the Web page.

Update:

The Kochs did some public relations of their own, sending a letter on Tuesday laying out their position to alumni of programs affiliated with the Charles Koch Foundation.

The Koch foundation said in the e-mail, which it released publicly, that Charles and David Koch had sought to avoid the lawsuit against Cato through extensive negotiations, offering proposals to the Cato Institute to find a solution to the governance dispute short of going to court. But those efforts ultimately failed, the Kochs said.

“We can all agree that the timing is extremely unfortunate and that at this critical time our efforts should be directed to advancing the principles that allow a free society to prosper,” the letter said. “And Charles Koch and David Koch went to great lengths to avoid this dispute. Their efforts were numerous, sincere, and went literally up to the last minute.”

The foundation also said that the decision to structure the Cato Institute in the 1970s under four “shareholder” owners “was done intentionally, not by accident.” The letter continued: “It was done because Charles, as principal donor and founder of the Charles Koch Foundation and Cato, wanted to keep oversight of Cato in the hands of a few shareholders who could be relied on to maintain the original intent and vision for the organization, even if the composition of the board changed over time. That was and is the reason for the restrictions on the shareholders’ ability to transfer Cato stock to other people; and each shareholder agreed to be bound by the terms of the shareholders’ agreement. Cato has been operating under this structure for more than 35 years.”