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Cato, Koch brothers settle ownership fight

By KENNETH P. VOGEL | 6/25/12 4:02 PM EDT

The Koch brothers and the Cato Institute have agreed to resolve their fight for control of the think tank partly by replacing Cato CEO Ed Crane, a Koch critic, with retired banker John A. Allison.

The billionaire industrialists Charles and David Koch, who helped found the libertarian think tank with Crane in the 1970s and remained as shareholders, had sued to wrest control of the non-profit group from Crane and his supporters.

Under terms of the agreement made public in a joint statement from Koch Industries and Cato Monday afternoon, the factions will end their lawsuit and dissolve the shareholder agreement. Cato will be governed by a 12-member board of directors, which initially will include David Koch and Allison, a former CEO of BB&T bank, but not Charles Koch or Crane, whose personal dispute was seen in some quarters as motivating the tug-of-war for control of the group.

Crane will retire within six months, but will work with Allison, who is serving as CEO on an interim basis, during a transition period in which a permanent CEO will be tapped.

In the statement, Crane called Allison, "a great champion of liberty and an outstanding choice to build on Cato's success as the foremost non-partisan, non-aligned, independent source of libertarian perspectives on public policy."

But there were also signs of dissension in the statement, which said "For a majority of Cato's directors, the agreement confirms Cato's independence and ensures that Cato is not viewed as controlled by the Kochs."

Additionally, Cato board chairman Bob Levy called Crane's ouster "the end of an era at Cato."

Levy had been among the Crane loyalists who accused the Koch brothers of trying to seize control of Cato to use it to provide "intellectual ammunition" to the network of conservative non-profit groups funded by the brothers' donor network. The donor network is expected to steer as much $400 million to conservative causes ahead of the 2012 election, but in recent years, it had stopped giving to Cato.

In the statement, Charles Koch expressed confidence that Allison's leadership "will enable Cato to reach new levels of effectiveness. The alarming increase in the size and scope of government is undermining freedom, opportunity and prosperity for all. Effective action is required to limit government to its proper role."