



# Statement by David H. Koch Executive Vice President, Koch Industries, Inc. Response to Bob Levy's March 12th Statement Regarding the Cato Institute

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The following is a statement by David H. Koch Executive Vice President, Koch Industries, Inc.:

I am honored to be affiliated with Cato and, along with my brother Charles, to have been instrumental in helping build an organization we believe can help advance a free society. I have served on the board of Cato since 1987, have been a shareholder since 1991, and currently serve on the board's executive committee. I have been a major contributor since 1982.

On March 8, 2012, Charles issued a statement about why we felt compelled to file a declaratory relief action asking the court to resolve a dispute regarding Cato's underlying shareholders' agreement. At the time, I saw no reason to add to Charles' statement because he had clearly articulated what we were doing and why - fighting to preserve Cato's mission, integrity and long-term effectiveness.

I had hoped that the furor surrounding all this would die down; however, it appears that Bob Levy and Ed Crane will not let that happen. Bob's recent response to Charles' statement is so inaccurate and distorted I cannot let it go unanswered. I am disappointed that Bob would resort to tactics such as making unfounded personal attacks on fellow board members, unjustly challenging our intentions, and helping organize a public smear campaign.

Given my decades of support for Cato and deep interest in ensuring its future success, I want to correct the misinformation Ed's supporters have disseminated. I am confident that when all the facts are known, those who are objective and open-minded will understand the reasons for our action.

## **Cato's Corporate Structure**

For most of its existence, Cato has been controlled (as Bob's talking points describe it) in whole or large part, by the Kochs. In fact, between 1991 and 2008, Cato had five shareholders – Charles; Ed; Bill Niskanen; a long-time Koch Industries employee (then still employed by Koch); and me. During those 17 years, Koch-affiliated individuals had the ability to elect the majority of the board and the ability to acquire the stock of Ed and Bill, but we did not, and there was never any outcry over a "negative impact" during that time.

It is not accurate for Bob to now assert that the "survival" of Cato hinges on whether we have the ability to elect at least 50 percent of the board. Cato has operated under the model of a stock corporation for 34 years, without any controversy and consistent with Kansas law. Under this model it has become a respected libertarian think tank – regardless of who controlled a majority of its shares.

## **Cato Management's PR Strategy – Rule or Ruin**

If Bob's and Ed's primary objective is to protect Cato's reputation and independence rather than dominate the organization, why are they pursuing such a perverse strategy? This destructive path – which they chose long before we filed our lawsuit – can only harm Cato.

Before we filed our lawsuit, Ed explained to a donor that they believed if Cato's management forced this issue at this time, given the many attacks Charles and I already are facing from opponents of a free society, we would back down. Subsequently, others were told that if we did not back down, Ed would form a new organization, which presumably would leave Cato in ruins. When our efforts to maintain the status quo were rejected and Ed forced a shareholders' meeting to vote on new directors, he knew the damage this dispute would cause. Ed appears to be willing to inflict that damage, given his scorched-earth public relations campaign.

Our suggestion for third-party mediation was immediately rejected as a delaying tactic. This is completely false, but even if it were true, wouldn't a delay of a few weeks or a month have been worthwhile to avoid such a destructive public dispute?

It's difficult to reconcile Bob's and Ed's actions with the facts, or the current and future viability of Cato and its mission to advance a free society. Instead, Bob's irresponsible and inaccurate comments seem designed to elicit support from entities that have been attacking Koch Industries, Charles, and me. This has led to third parties such as Common Cause, a partisan activist group that has launched dishonest and violent attacks against us, to call for investigations into the tax-exempt status of Cato. It also has caused members of the far left, such as Center for American Progress, to side with Bob and Ed as yet another way to attack Charles and me. These attacks are by people and organizations that oppose the principles of a free society and only want to harm Cato and those who support it.

Sadly, we have seen this tactic by Cato's management before. During the past decade, Charles and I gave more money to the Cato Institute – more than \$13 million – than we had given in any previous decade. Notwithstanding all the wonderful things said about us when soliciting that support, in 2010, Ed became a source for Jane Mayer of *The New Yorker*, providing negative background on an article that was highly critical of Charles and me. This one-sided and politically motivated piece was driven by Obama supporters at

the Center for American Progress as an attempt to prevent us from effectively opposing the Administration's anti-libertarian agenda.

Bob also argues that because Charles and I are active in the political arena, our visible involvement with Cato jeopardizes its credibility. However, that visibility was exacerbated by Ed himself when he contributed to The New Yorker article. (He is the individual quoted as the "top Cato official.") When confronted about this, Ed initially claimed he only spoke briefly and favorably about us. He later acknowledged that he had made the statement as quoted, but it was only for background.