http://webarchives.net/december_1999/koch_loses_oil_fraud_case.htm

Koch loses oil fraud case

. Damages could top more than $200 million in suit brought by Bill Koch; company to seek reversal of verdict.

TULSA -- A federal jury on Thursday ruled against Koch Industries in a multimillion-dollar lawsuit that claimed the company defrauded the government by mismeasuring oil purchases on federal and Indian lands.

The Wichita-based company could be held liable for about $215 million in total damages for filing false claims that caused underpayment of oil royalties to government agencies and federally protected tribes.

It was a difficult defeat for Koch Industries, which has fought to uphold its reputation and protect itself financially since the case was first filed 11 years ago. The suit was brought on behalf of the government by Bill Koch, a former Koch Industries director who is long estranged from his brothers Charles and David, who run the company.

Koch Industries immediately issued a statement saying it will ask U.S. District Judge Terry Kern to set aside the verdict.

"There is insufficient evidence to support the adverse ruling rendered here today," the company's statement read in part.

With annual revenues of about $35 billion, Koch Industries is the second-largest privately held company in the nation with large interests in oil and agribusiness. It employs 13,000 people, including about 2,600 in the Wichita area.

Bill Koch said from his home in Florida that he was very pleased with the verdict. He planned to celebrate by attending a backyard barbecue for his family and neighborhood children.

"This (verdict) shows they are the biggest crooks in the oil industry," he said.

"That to me is very sad," he added. "This is the company my father built and it has my name attached to it. My father built it on integrity and honesty."

He said his brother Charles, the company's chairman and chief executive, had instituted management practices that maximized profits through illegal and immoral means.

Charles Koch could not be reached for comment. Spokeswoman Mary Beth Jarvis said he was on a plane to Colorado for a family gathering with his brother David, an executive vice president of the company.

The jury found that Koch Industries made 24,587 false claims during the late 1980s, resulting in $553,504 in underpayment of royalties owed to the government and tribes.

That underpayment will automatically be doubled in some cases and tripled in others for a total of about $1.4 million in compensatory damages, said Bill Koch's spokesman, Brad Goldstein.

Kern is required by law to levy penalties of $2,000 to $10,000 for each false claim. He has not set a date for a penalty hearing.

The federal government will receive 75 percent to 80 percent of the overall award; the remainder will go to Bill Koch and his business partner, Bill Presley, who carried the suit on the government's behalf.

The company also will have to pay Bill Koch's legal fees, his chief lawyer, Roy Bell said. Bell estimated the fees to be about $20 million to $25 million.

Diane Nance, a member of the jury, said Koch Industries documents and business records introduced by Bill Koch's lawyers were persuasive in reaching a verdict.

"One of the key things to me was I felt the company was kind of mismanaged from the top to the bottom," she said. "There didn't seem to be much training of what people were supposed to do and not supposed to do."

The jury foreman, John Middleton, said that he was "relieved that it's over," and that the case had contained "a lot of information to digest."

The amount of information, based on millions of pages of documents and interviews with hundreds of witnesses, was pointed up by the length of deliberations. The four-man, four-woman jury considered the evidence for eight days and was still asking for clarification of the law an hour before the verdict.

In the trial, Koch Industries relied on testimony from oil producers who said its measurement practices were honest.

Mickey Thompson, executive vice president of the Oklahoma Independent Petroleum Association, supported the company during and after the trial.

In a statement Thursday, he said that he was "saddened but not surprised by the verdict."

"Having been exposed to just a small fraction of the negativism heaped upon Koch Industries by the plaintiff's legal team, I can imagine how the jurors must've felt swamped," he said.

Koch Industries conceded that it had received about $170 million in oil it didn't pay for, called "overage" in the oil trade. But it argued that the overage was a tiny fraction of the oil that was moved through its huge pipeline system.

The company also said it had adjusted some measurements in its favor, but that it was necessary to compensate for adverse field conditions such as sediment-encrusted storage tanks and gases trapped in freshly pumped oil.

Nance, the juror, said she understood that there were conditions that sometimes justified adjustments. But in the case of Koch Industries oil gauge readers, "they were adjusting this and adjusting that and adjusting everything.

"They just kind of left it up to the guys (in the field) to figure out what to do on their own."

Koch Industries spokesman Jay Rosser called the lawsuit "another manifestation of Billy's obsessive, 19-year campaign against the company and his brothers." He added, "Billy has stalked his brothers, suing them for imagined wrongs of every kind."

The most recent suit was last year, when a Topeka jury ruled that Charles and David Koch had not cheated Bill Koch and a fourth brother, Frederick, when Bill and Frederick sold back their shares in the family owned company.

Bell, Bill Koch's attorney, acknowledged that there was a lot of negative emotion between the brothers.

But he said Bill Koch pursued the Indian oil case mainly because "he was hurt and insulted ... when he discovered that his father's name had been used by the richest people in America to steal from the poorest people in America."

Both Bell and Bill Koch said they regretted that the tribes, particularly Oklahoma's Osage people, could not share in the damage award.

The federal whistleblower law used by Bill Koch to sue Koch Industries did not allow the tribes to join in the suit, Bell said. It also provides for the government's share of the damages to be paid directly to the federal treasury.

Questions about Koch's business practices on Indian and federal lands were first raised by Bill Koch and a U.S. Senate panel in 1989.

The Senate investigation concluded that Koch had violated the law in its oil purchases, but the Justice Department declined to pursue the matter or to join Bill Koch's lawsuit.

Dennis DeConcini, then a senator from Arizona who served on the investigating panel, said it was "very satisfying" to see the verdict because the Senate probe had been stymied by Koch's political power.

"The politics that plagued our attempt to investigate have not been able to withstand the justice system," he said.

He said he hoped current members of Congress would allocate the government's share of the damage award to the tribes affected.

"They're the ones who have been hurt by the lack of economic return," he said.

Osage leases in Oklahoma made up about 43 percent of Koch Industries business on Indian and federal lands. The tribe is split over how it should proceed in the wake of the verdict.

The tribe's chief, Charles Tillman, is a supporter of Koch Industries and issued a statement saying he was "baffled" by the verdict.

"With all due respect to the jury, I think Koch Industries should appeal this verdict," he said. "When you get to the root of this trial, you discover it is nothing more than a sad family matter with one brother, Bill, determined to hurt his brothers Charles and David."

But Geoffrey Standing Bear, leader of a dissident faction of Osage royalty owners, said he and others plan to file their own suit against Koch without the blessing of the Tillman-led Tribal Council.

Thursday's verdict marked the fourth time in three months that Koch Industries has been hit with damages or settled a multimillion-dollar court case.

In late September, the company agreed to pay $8 million and plead guilty to misdemeanor environmental violations over spills of aviation fuel and wastewater at a Minnesota refinery.

In October, it agreed to settle a case involving 310 oil spills in six states. Sources close to the case said the settlement, when finalized early next year, will be in the $35 million range.

Also in October, a jury awarded $296 million in damages after two teenagers were killed in a 1996 explosion of a Koch gas pipeline near Kaufman, Texas. The company is appealing that verdict.

http://www.wichitaeagle.com/business/local/docs/koch1224_txt.htm

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KOCH INDUSTRIES TO PAY RECORD FINE FOR OIL SPILLS IN SIX STATES
01/13/2000; Regulatory Intelligence Data; INDSTRY GROUP 99

WASHINGTON, D.C. -- Koch Industries Inc., will pay the largest civil fine ever imposed on a company under any federal environmental law to resolve claims related to more than 300 oil spills from its pipelines and oil facilities in six states, the Justice Department and the U.S. EPA announced. A settlement filed today requires Koch, the second-largest privately held company in the United States, to pay a $30 million civil penalty, improve its leak-prevention programs and spend $5 million on environmental projects.

http://www.court.state.nd.us/court/opinions/990204.htm

Ritter, Laber and Associates, Inc., Eugene A. Burdick, and Russell L. Kiker, Plaintiffs and Appellees

v.
Koch Oil, Inc. a division of Koch Industries, Inc., and Charles Meduna, Defendants and Appellants

No. 990204

Appeal from the District Court of Stark County, Southwest Judicial District, the Honorable Maurice R. Hunke, Judge.
REMANDED WITH INSTRUCTIONS.
Opinion of the Court by VandeWalle, Chief Justice.
Ronald H. McLean (argued), Serklund, Lundberg, Erickson, Marcil & McLean, Ltd., 10 Roberts Street, P.O. Box 6017, Fargo, ND 58108-6017, Marvin L. Kaiser, Kaiser Law Firm, P.O. Box 849, Williston, ND 58802-0849, James J. Fetterly and Gary J. Gordon, Fetterly & Gordon, P.A., 1800 U.S. Bank Place, 650 Third Avenue South, Minneapolis, MN 55402, for plaintiffs and appellees.
John W. Morrison (argued) and Shane A. Hanson, Fleck, Mather & Strutz, Ltd., 400 East Broadway, Suite 600, P.O. Box 2798, Bismarck, ND 58502-2798, J. Kory Parkhurst (appeared) and David H. Luce, Koch Industries, Inc., 4111 East 37th Street North, Wichita, KS 67211, for defendants and appellant.

Ritter, Laber & Assoc., et al. v. Koch Oil, et al.

No. 990204

VandeWalle, Chief Justice.

[¶1] Koch Oil and Charles Meduna, Koch's North Dakota assistant chief gauger ("Koch"), appealed from an order certifying a class action brought by a class of persons represented by Ritter Laber and Associates, Eugene Burdick and Russell Kiker ("Ritter") under Rule 23 of the North Dakota Rules of Civil Procedure. We remand with instructions.

[¶2] The class consists of all persons and entities owning royalty interests and leasehold interests in wells from which Koch purchased or sold oil in the State of North Dakota between January 1975 through December 1988 where the oil was measured by hand gauging. The class is made up of approximately 6,000 unidentified, interest owners owning interests in approximately 2,300 wells in North Dakota. The class representatives allege Koch acquired more oil than it paid for due to inaccurate measurements. The class seeks recovery based on three claims: conversion, unjust enrichment and an accounting.

[¶3] This action was commenced in January 1996 in Stark County in the Southwest Judicial District of North Dakota. Koch removed the action to the United States District Court for the District of North Dakota. After conditionally certifying the matter as a class action, the federal court concluded it lacked jurisdiction and remanded the case to the state District Court for the Southwest Judicial District of North Dakota. The court granted the class's motion for certification on May 11, 1999. The primary issue on appeal is whether or not the district court abused its discretion in certifying the class action. An order certifying a class action under North Dakota Rule of Civil Procedure 23(b) is appealable. Werlinger v. Champion Healthcare Corp., 1999 ND 173, ¶ 6, 598 N.W.2d 820. Traditionally, we have construed Rule 23, N.D.R.Civ.P., as being very open and receptive toward class actions. Id.

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http://www.sierraclub.org/sierra/200207/thinktank.asp

Rethinking the Think Tanks

How industry-funded "experts" twist the environmental debate.

By Curtis Moore

"You know us better than you think," boast the ads of Koch Industries, a conglomerate owned by reclusive billionaire brothers Charles and David Koch. And it's true: Most of us have unknowingly wolfed a burger ground from Koch beef, ridden on tires made from Koch's Trevira polyester, or escaped the rain beneath a roof covered with Koch asphalt.

But there's a darker side to the boast. Turn on National Public Radio most any afternoon, leaf through a newspaper or news magazine, watch a congressional hearing, or surf the Internet, and you will likely encounter the thoughts of Charles and David Koch (pronounced "coke"). The views will seem to be coming from an independent think tank–the Cato Institute or Citizens for a Sound Economy, for example. Yet behind these groups stands the brothers' vast fortune: Koch Industries is the nation's second-largest privately owned company and the largest privately owned oil company, with annual revenues of more than $30 billion. Charles cofounded Cato in 1977; in 1986 David helped launch CSE. The brothers are following in dad's footsteps: Fred Koch was a charter member of the ultraconservative John Birch Society in 1958.

Today, Koch money–and cash infusions from corporate allies such as Exxon, Philip Morris, General Motors, and General Electric–funds industry-friendly messages that fill our airwaves and editorial pages, and influence outcomes in the halls of Congress and courtrooms across the country.

Consider, for example, Citizens for a Sound Economy, the Washington, D.C.—based organization bolstered by periodic bursts of funding from both cofounder David Koch and brother Charles. CSE is often described as a "consumer group," but according to internal documents leaked to the Washington Post, 85 percent of CSE's 1998 revenues of $16.2 million came not from its 250,000 members, but from contributions of $250,000 and up from Koch Industries as well as other corporations, including U.S. West and

Philip Morris.

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http://www.cnsnews.com/ViewNation.asp?Page=\Nation\archive\200209\NAT20020923b.html

Major GOP Donor Receives Federal Oil Contract

By Marc Morano
CNSNews.com Senior Staff Writer
September 23, 2002

(CNSNews.com) - The U.S. Department of Energy's selection of Koch Supply & Trading, LP, to supply oil to the nation's Strategic Petroleum Reserve (SPR), is drawing fire from groups who accuse the administration of rewarding one of the Republican Party's largest donors with a plum government contract.

Koch Industries and one of the company's senior officers have made hundreds of thousands of dollars in political contributions since 1999 and before, with federal election records showing the bulk of those contributions going to Republicans.

But a defender of the administration's choice for the SPR believes critics would be unhappy regardless of which oil company was selected. "You could throw in any other oil company's name and [critics] would probably say the same thing ... what is relevant to them is that it's oil and they hate oil," said George Landrith of the free-market advocacy group Frontiers of Freedom.

Koch Supply & Trading, LP was selected Aug. 8 by Secretary of Energy Spencer Abraham to "provide approximately eight million barrels of crude oil to the SPR."

Koch Supply & Trading is part of the Kansas based Koch Industries, a conglomerate of oil and gas holdings that bills itself as the largest privately held companies in the U.S., with annual revenues of $25 billion.

According to Abraham, "The SPR provides the nation with an energy resource that can be used as directed by the president to protect Americans against future supply disruptions." Koch is scheduled to deliver oil between October 2002 and April 2003.

Quid Pro Quo?

According to Federal Election Commission data compiled by The Center for Responsive Politics, the Koch Industry PAC gave $436,774 to congressional candidates during the 2000 election cycle with 76 percent going to Republicans and 24 percent going to Democratic candidates.

David Hamilton Koch, executive vice president and Koch Industries board member, made personal contributions of $250,000 to the Republican National Committee between 1999 and 2002.

The PAC also gave $5,000 to President Bush's 2000 campaign, and David Koch gave $1,000 to the Bush campaign.

In addition, FEC records show Abraham received $8,500 dollars from Koch Industries for his failed Michigan Senate 2000 re-election campaign and another $5,000 in 1996. Abraham received another $1,000 for his 2000 campaign from David Koch.

Sheila Krumholz from the Center for Responsive Politics pointed to Koch's pattern of political campaign contributions and claimed it loomed large in the company being selected by the Energy Department.

"It does not surprise me in the least given their history with the current Bush administration," Krumholz told **CNSNews.com**.

Krumholz explained that when you combine the Koch Industry PAC with individual Koch family donations and other Koch subsidiaries, it reveals that Koch entities gave 88 percent of their total donations to the GOP and conservative causes and 12 percent to Democratic candidates and causes in the 2000 election.

"History has shown pretty consistently that having a relationship with key politicians pays off in spades when you need it," Krumholz said.

John Coequyt, an analyst with the Environmental Working Group, agreed that Koch's pattern of campaign donations might have played a role. "I am sure it doesn't hurt," Coequyt said. "Now they are given a very large contract with the U.S. government. Of course as an environmentalist, I am offended by that," Coequyt added.

'Best Value'

A Depart of Energy spokesman, speaking on background, told **CNSNews.com**, "I can emphatically say that the [SPR] bid was selected based on content. It was the best value to the government."

The DOE spokesman said Koch "submitted the best bid for all eight million barrels." The spokesman noted that the contracts are determined not by who gives the most barrels of oil for a set price, but who can give the best quality of oil. Quality is defined as more oil that is the most refined from its crude state.

Koch Industries did not respond to repeated requests for comment.

President Bush has announced his intention of filling up the SPR to its 700 million barrel capacity for the first time in U.S. history by 2005. Koch was selected as "part of the administration's 'royalty in kind' exchange program in which crude oil from federal leases in the Gulf of Mexico is exchanged for oil to be stored in the SPR for emergency protection against future supply disruptions."

According to DOE, the SPR oil storage sites are located in Texas and Louisiana in undisclosed underground salt mines.

George Landrith, president of the Frontiers of Freedom, a free-market energy advocacy group, said the attacks by the environmentalists and anti-corporate groups on the administration were a "pretty obvious play."

"Their line no matter what is going to be 'See Bush is paying off his friends" - because they like to act like Bush is just big oil," Landrith said.

The real reason the green movement and anti-corporate groups are upset, according to Landrith, is because "they view energy as a bad thing."

"They really loath energy because of what it has done for man, because it makes us so we don't have to be an agrarian society living in grass huts," Landrith added.

Koch's Political Donations

Koch has given to numerous political causes including the libertarian CATO Institute and the free market Competitive Enterprise Institute.

Paul Weyrich, president of the conservative Free Congress Foundation wrote during the 2000 election campaign that Koch was being unfairly singled out by the Clinton administration for environmental penalties because of its support for GOP and conservative causes.

"Here is [the Clinton] administration which disputes that there is ever any conspiracy with a) Whitewater, b) Waco, c) Ruby Ridge, d) Vince Foster ... the president's attempt to get Monica Lewinsky a job ... but a company which discloses its problems and corrects them is guilty of conspiracy. Right," Weyrich wrote.

Landrith agreed with Weyrich's assessment that Koch's donations to the GOP and conservative causes may have resulted in the Clinton administration targeting the oil conglomerate for environmental fines.

"The Clinton administration was fairly political in who they chose to go after. They definitely cut political enemies' lists," Landrith said.

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http://www.mediawhoresonline.com/koch.htm

CASH ‘N’ CARRY CHRONICLES
An MWO Continuing Feature

KOCH INDUSTRIES AND THE POLLUTION OF THE BUSH WHITE HOUSE Part II

In Part I of its report on Koch Industries, the second-largest privately-held company in the United States, and the Bush Administration, MWO detailed the firm’s right-wing background and its heavily one-sided investment in Republican candidates, including George W. Bush.

That was the cash part. Now, what did Koch get out of the Bushes? The story goes back a ways, before Dubya was Governor of Texas.

KOCH POLLUTION AND THE LAW

Over the past decade, Koch Industries has found itself repeatedly in one kind of legal trouble or another.

During the 1990s, the firm’s faulty pipelines were responsible for more than 300 oil spills in five states, prompting a penalty of $35 million. In 1996, a flawed pipeline caused an explosion outside of Dallas in which two teenagers were killed. In a lawsuit related to the deaths, a trial court returned a judgment of $376.69 million against the company.

But these lawsuits and fines accompanied many other brushes with the law. As one writer has put it, “The corporate history of Koch Industries – a company David Koch co-owns with his brother Charles --reads like a laundry list of legal disputes.” Two decades ago, David and Charles bought out the shares of two other brothers, Bill and Frederick, for $1.1 billion. Bill (David's twin) and Frederick then claimed that Charles and David had misrepresented the company's value, and shortchanged them by $340 million. The dispute dragged on until last October 1999, when the U.S. Supreme Court declined to hear an appeal in the case, letting stand a lower court's decision in favor of Charles and David.

Bill Koch has also alleged that Koch Industries underreported the amount and quality of oil it garnered from drilling operations on federal and tribal lands. The charge was highly reminiscent of the Teapot Dome scandal of the 1920s, in which involved private companies drilling on federally-owned lands. The charge led to an Oklahoma federal jury finding of guilty that opened Koch Industries to liabilities running as high as $214 million in penalties and claims, depending on appeals.

In January, 2000, the Koch family’s legal problems took a bizarre twist when former Playboy centerfold Anna Nicole Smith filed a lawsuit against Koch Industries for allegedly conspiring with her stepson to defraud her of $474 million in Koch Industries stock that she alleges was left to her by her late husband.

The most serious charges against the company, however, were brought by the Clinton Administration’s Department of Justice. In 2000, Koch Industries and four employees were indicted on 97 counts of violating federal clean air and hazardous waste laws. Government prosecutors accused the company of intentionally releasing fumes from benzene -- a suspected carcinogen -- into the atmosphere and then lying about it to state regulators in Texas. If convicted, the company was liable for fines up to $352 million, in addition to heavy jail terms and fines for the four employees.

GOVERNOR DUBYA, KOCH, AND THE POLLUTION OF TEXAS

While federal officials tried to crack down on Koch and other major oil polluters, George W. Bush, elected Governor of Texas in 1994, moved state policy in the other direction.

As governor, Mr. Bush quietly set up a committee led by Exxon, Koch, and other big oil and chemical companies, to advise him what to do about the state's deadly air pollution.

Regulators wanted compulsory cuts in emissions of up to 50% .

But the oil companies thought this much too expensive, even though they dared not risk the bad publicity of opposing regulation outright. So Bush's "secret" committee instead proposed making the cuts voluntary – and Governor Bush duly steered the toothless plan through the Texas legislature.

Pollution in Texas did go down – by a measly 3%. As a result, Houston took pride of place at the most polluted city in the nation. And the oil companies saved hundred of millions of dollars that they would have had to spend under the compulsory emissions cut proposal.

When the $35 million federal settlement against Koch came in January 2000, half of the fine was awarded to Texas. State Attorney-General John Coryn and State Railroad Commissioner Tony Garza hailed the settlement, as did their boss, Governor George W. Bush, who was in the thick of launching his presidential campaign.

Politically, Bush took cover against the inevitable charges that he was in the pocket of Big Oil.

But a far bigger problem loomed for Koch, in the form of the 97-count indictment that could have cost the company serious damage – to the tune of $352 million in civil fines, plus jail time of up to 100 years and another $50 million in fines.

And this time, Bush could exert much more leverage for Koch – so long as he was able to take over the White House.

BUSH CARRIES FOR KOCH: CASES DISMISSED

Throughout the 2000 campaign, candidate Bush promised he would loosen environmental protections and limit jury awards against corporations found guilty of wrongdoing.

But scant notice as paid to the continuing federal prosecution of Koch – or the heavy Koch donations to Bush, the Republican Party, and various conservative political action committees.

David Koch and his wife Julie alone have $487,500 in campaign contributions to the Republicans – and absolutely nothing to the Democrats.

The Koch case was headed for trial last spring – just after Bush took over the White House. But then the funniest thing happened, on the very day that the jury was to begin hearing the case.

On April 9, 2001, the Department of Justice announced that it was dropping all charges against Koch Industries and its employees, in exchange for a one-time $20 million fine.

In dollar amounts, the company wound up paying about 5% of what its liability could have been, with no jail time for anyone.

And David and Julie Koch's investment in the Republican Party paid off by a factor approaching one thousand to one.

Not surprisingly, the Bush Department of Justice made it sound as if it had scored a great environmental victory, as did Texas officials.

(See official DoJ press release:
http://www.usdoj.gov:80/opa/pr/2001/April/153enrd.htm/)

But Koch could hardly contain its satisfaction.

Koch spokesman Jay Rosser noted the government did not win convictions for alleged air pollution violations against Koch and the four individuals originally charged.

And more good news was to come for Koch.

The very next month, Koch announced it has reached a payment settlement of its conviction on charges it had underreported its drilling on Federal land. Justice Department officials later confirmed that the settlement had been for $25 million – about one-tenth of what the company was liable to pay.

http://www.kochind.com/articles/380.asp
http://southflorida.bizjournals.com/southflorida/stories/2001/06/04/story6.html

In Part III of "Koch Industries and the Pollution of the Bush White House," learn how Koch and its Big Oil friends helped the Bush Administration gut environmental laws and regulations – posing a clear and present danger to public health and safety.

KOCH INDUSTRIES AND THE POLLUTION OF THE BUSH WHITE HOUSE

Part I

Koch Industries, headquartered in Wichita, Kansas, is the nation's largest privately-held energy and energy-investment company, with annual revenues of more than $25 billion.

It is one of the world's premier convicted air and water polluters.

It is also a huge financial backer of the Republican Party and George W. Bush, as well of numerous right-wing think tanks and "grassroots" front groups.

And, in direct return for its gigantic contributions, Koch (pronounced “Coke”) has received extraordinary financial and legal breaks from the Bush Administration – including efforts to gut existing environmental protection laws and regulations.

In 2000, Koch settled a case involving hundreds of oil leaks and millions of gallons spilled oil in six states with a record $35 million payment to the government. And it pleaded guilty in Minnesota to discharging oil into streams, paying an $8 million penalty.

But that was not all. When George W. Bush assumed the presidency, Koch was fighting an even bigger 97-count federal indictment, charging it with gross legal violations in connection with concealing from state and federal authorities the release of 91 metric tons of benzene, a known carcinogen, from its Corpus Christi, Texas, refinery in 1995.

Under Environmental Protection Agency regulations enacted by the Clinton Administration in 1995, the plant was allowed to release only up to six metric tons of benzene, a colorless petroleum byproduct – only 1/16 of what it actually released.

Suddenly, however, in April 2001, the Bush Justice Department reached a deal with Koch, dropping ALL outstanding environmental charges against the company in exchange for a one-time fine of $20 million – a paltry sum considering what the company could have been forced to pay, and no more than chump change for a $25 billion firm.

Even more alarming is the fact that the Bush Administration, with heavy input from Koch Industries and its subsidiaries, has systematically gutted *precisely* those provisions of the Clean Air Act , the Clean Water Act, and other environmental laws and regulations that caused Koch such difficulties.

What Enron was to the Bush energy policy, Koch was, and is, to Bush environmental policy, posing an enormous clear and present danger to public health and safety.

It is one of the greatest political scandals in American history, fusing financial corruption, extremist right-wing politics, and the most compromised White House in living memory.

The Background: Oil, Money, & Right-Wing Politics

Koch Industries is the descendent of an oil-and-gas concern founded in 1940 by Fred G. Koch. Koch, was an inventive entrepreneur, whom the company credits with discovering a new method of thermal cracking which opened the way for his fortune-building.

He was also a right-wing extremist – a major contributor to right-wing and antiunion causes, and a founder and member of the national council of the John Birch Society.

The Founding Father:
Fred G. Koch, Oilman, Bircher

Fred’s sons Charles and David inherited the firm – and his right-wing politics as well.

Under the influence of his reading of Ludwig von Mises and Ayn Rand, Charles became the chief bankroller of the right-wing free-market Libertarian Party in the 1970’s. His brother, David, ran for Vice President on the Libertarian ticket in 1980.

Right-Wing Kingpins, Corrupt Polluters:
Charles and David Koch

The Koches also founded what in Libertarian circles became known (not always affectionately) as the "Kochtopus" – a nation-wide conglomerate of think tanks, front groups, and other organizations, headed by the Koches most auspicious venture, the Cato Institute.

Funding Cato has made the Koches monumental figures in the fashioning of contemporary right-wing Republican ideology, above all in the area of radical deregulation.

Along the way, both Charles and David gained astronomical personal fortunes, enough to get them BOTH on Forbes magazine’s exclusive list of the 50 richest

Americans.

With the advent of Ronald Reagan, George H.W. Bush, and George W. Bush, the Koches have felt increasingly at home in the Republican Party – and they and their company have put their money where their mouth is.

Koch Industries: Bush, G.O.P. , Right-Wing Sugar Daddy

On April 10, 2001, the Washington Post's Dan Eggen, writing in connection with the Bush Administration's dropping of charges against Koch Industries, reported the following:

"The company and its employees donated $800,000 to GOP candidates and organizations during the last election cycle, half of which came from David H. Koch, the firm's executive vice president, according to campaign finance records. Bush received more than $30,000 from Koch Industries and its employees in the presidential race and had received a similar amount since 1995 as governor of Texas, campaign records show."

According to the Center for Responsive Politics, in the 2000 cycle, 76% of the Koch Industries PAC's money went to Republicans, while 100% of its contribution in the presidential contest went to George W. Bush.

And all of David Koch's personal contributions – totaling roughly half a million dollars -- went to Republican candidates or organizations, including George W. Bush.

But the generosity of Koch Industries and its owners is hardly limited to the G.O.P.

The Koch philanthropic foundations, building on the great success of Cato, supports right-wing causes at every level, including academic research and the recruitment of young scholars to reactionary think tanks, as well as "implementation" groups that attempt to turn these ideas into political realities.

Among the right-wing groups, apart from Cato, supported heavily by the Koch Foundation are Citizens for a Sound Economy (overseen by top Bush family consigliere and political operative, C. Boyden Gray), the Institute for Justice, the American Legislative Exchange Council, the Reason Foundation, the Heritage Foundation, the Landmark Legal Foundation and the Young America's Foundation.

A few brave reporters – very few – have tried to press the White House on its questionable links to Koch Industries and the Koch brothers – but received the usual run-around and clever parsing and double-talk and outright falsehoods from White House press secretary Ari Fleischer.

Note the following exchange, from last May:

White House Press Briefing, May 2, 2000

> Q: Ari, last month, Koch Industries, one of the nation's largest oil companies, pled guilty to a felony environmental crime. The Washington Post reported, also last month, that the company and its employees gave $30,000 to President Bush during the Presidential race and a similar amount in 1995 as Governor of Texas when he was running.
>
> Q: -- is the President now willing to give the money back because the

company has been convicted of a felony?And does the President have a policy of accepting campaign contributions from convicted felons?

Ari Fleischer: Can you give me a list of who the individuals were who gave the campaign contributions?

Q: David Koch --

Fleischer: And were these individuals convicted, or was it just the company?

Q: The company was convicted --

Fleischer: So, it was not the individuals --

Q.: But the company also gave --

Fleischer: So, it was not the individuals.

Q: The company was convicted of a felony and the company gave money to the --

Fleischer: And therefore every employee of the company is a felon?

Q: Now, wait, wait, wait, wait -- if I could follow up. The company was convicted of a felony. The company gave money to the campaign.

Fleischer: The company gave money to the campaign?

Q: According to the Post, Bush received more than $30,000 from Koch Industries and its employees in the Presidential race and received a similar amount since 1995 as Governor of Texas.

Fleischer: As you are aware, it is illegal to accept corporate contributions in federal campaigns, so therefore, any contributions came from individuals. So, unless you are prepared to say that a company that has a conviction means that all of its employees are felons -- I'd be careful there.

Q: Let me just ask one further follow-up. Does the President have a policy of accepting money from executives of corporate felons?

Fleischer: Again, individuals are free to give money in their own capacity. And it is illegal to accept money from corporations, as you know.

Think that was transparent? Here’s another exchange, from the very next day:

White House Press Briefing, May 3, 2001

Q: Ari, yesterday, I asked you about Koch Industries, which last month pled guilty to a felony environmental crime. The question was – the campaign took money from the company and from the employees, and you said -- it couldn't have taken money from the company, because it's illegal to take money from the company. Which is true, but I went and checked, and in fact, Koch Industries Political Action Committee (PAC) gave $5,000 to the campaign. And the political action committee is controlled by the company. Back to the original question --

Ari Fleischer: That's not accurate.

Q.: It is accurate.

Fleischer: The political action committee is comprised of voluntary contributions from employees.

Q: But the company decides how to spend it.

Fleischer: The political action committee decides how to spend it.

Q: But the company controls the political action committee.

Fleischer: It's not corporate -- the political action committee is a voluntary committee - Is there a question?

Q: Yes, there is a question -- which I think you dodged yesterday --given that this money came from what is now a convicted corporate felon, does the President have a policy on accepting money from convicted felons, and should he give it back at least to the PAC, which is controlled by the company?

Fleischer: Again, you are making a tie between individuals and corporations. That's not the case. Corporations cannot give campaign contributions and the campaign did not receive corporate contributions.

Q: Excuse me, could I follow up, Ari?

No follow up allowed.

As it happens, Ari was dodging matters a lot more serious that whether the Bush campaign took money from the convicted polluter Koch Industries.

A lot more serious.

So much for the cash. Next time, the carry.

In Part II of "Koch Industries and the Pollution of the Bush White House," learn how Koch, bankroller for the G.O.P. free-market right and for George W. Bush, cashed in its chips – big time – in 2001.

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From Disinfopedia:

Koch Industries is the second largest privately-held company in the United States (behind
Cargill), with annual sales of more than $40 billion. Its owners, brothers Charles and David H.
Koch, are leading contributors to the Koch Family Foundations, which support conservative
organizations and think tanks such as Citizens for a Sound Economy and the libertarian Cato
Institute.

Koch was started in 1927 by Fred Koch with an oil delivery business in Texas. It quickly
diversified into a number of other areas, but it amassed most of its fortune in the oil trading and
refining.

Charles G. Koch has championed a strategy of 'market-based management' (MBM) in the
business, a theory which seems be closely related in the Koch brothers' interest in libertarian
institutes.

During 2003, Koch announced a $4.4 billion cash purchase of Invista, the world's largest fibers
company (which owns brands such as Lycra and Teflon) from DuPont.
[http://augustafreepress.weblogger.com/stories/storyReader$15961]

Koch Industries is also a major polluter. During the 1990s, its faulty pipelines were responsible
for more than 300 oil spills in five states, prompting a landmark penalty of $35 million from the
Environmental Protection Agency. In Minnesota, it was fined an additional $8 million for
discharging oil into streams. During the months leading up to the 2000 presidential elections, the
company faced even more liability, in the form of a 97-count federal indictment charging it with
concealing illegal releases of 91 metric tons of benzene, a known carcinogen, from its refinery in
Corpus Christi, Texas. If convicted, the company faced fines of up to $352 million, plus
possible jail time for company executives. After George W. Bush became president, however,
the U.S. Justice Department settled the lawsuit for a fraction of that amount.

References

* Jeremy Grant, The private empire of Koch Industries

OK, now guess which company Bush awarded the US oil reserve contract to? And guess which

company gives heavily to the Republican party and to Bush? Three
guesses and the last two
don't count.

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