

GIVING

GIFTS, GRANTS, AND GOOD WORKS

A Personal Stake in Giving

Donor aims to 'lick' illness that he has battled for 15 years

By Ben Gose

NEW YORK

Koch Industries is one of the largest privately held companies in the world, with more than \$100-billion in revenue from operations in industries like oil, chemicals, and timber—but it is far from a household name.

“We’re the largest company that you’ve never heard of,” says David H. Koch, who owns 40 percent of the Wichita, Kan., business.

Koch Industries may fly under the radar, but it is becoming harder to miss Mr. Koch’s philanthropy, which the company’s success has made possible.

His personal net worth is estimated by Forbes magazine at \$17-billion, and he gives to the arts, educational institutions, and public-policy think tanks, but the majority of his donations support medical research, particularly research on prostate cancer.

Mr. Koch, who is 67 and has battled the disease for 15 years, in October announced his largest gift: \$100-million to help build a new cancer-research center at his alma mater, the Massachusetts Institute of Technology.

His three brothers, including Charles, who also owns 40 percent of Koch Industries, have all suffered from prostate cancer.

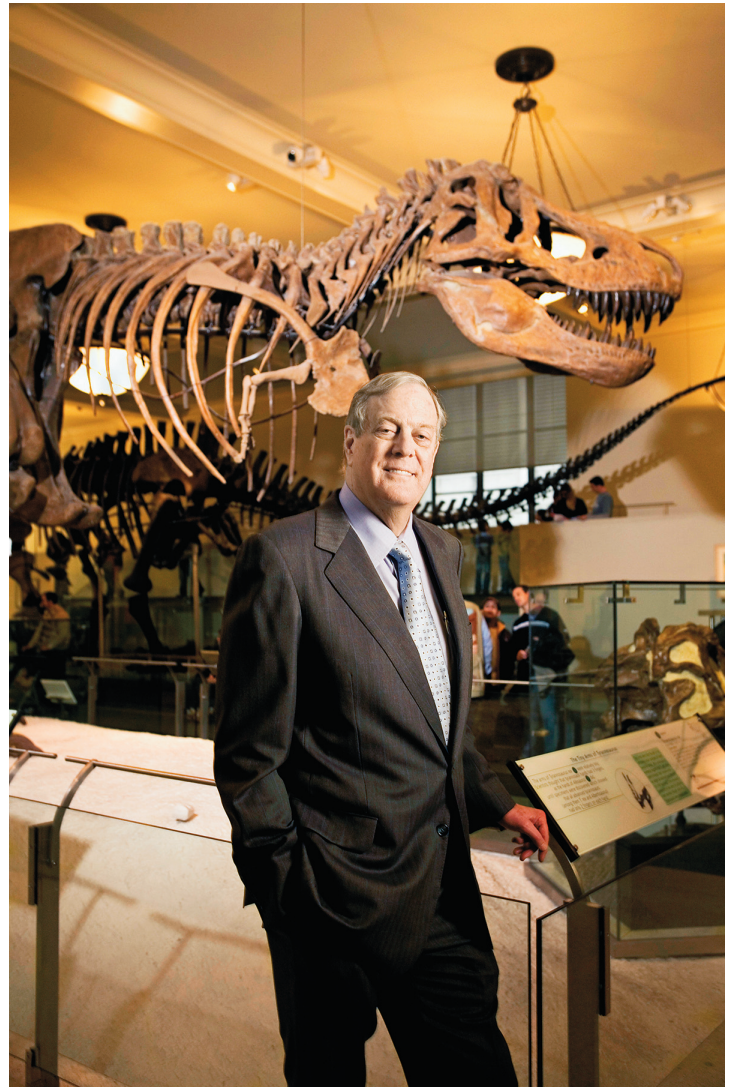
In addition to that gift, David Koch pledged another \$28-million to other organizations, placing him at No. 14 last year in The Chronicle’s annual survey of the 50 most-generous individual donors (January 24).

Millions of Dollars for Research

Mr. Koch (pronounced “coke”) has given or pledged millions for cancer research in recent years, including another \$25-million to MIT; \$30-million to the Johns Hopkins University, in Baltimore; \$30-million to the Memorial Sloan-Kettering Cancer Center, in New York; \$25-million to the M.D. Anderson Cancer Center, in Houston; and \$15-million to New York-Presbyterian Hospital Weill Cornell Medical Center, also in New York.

John M. Damgard, a friend of Mr. Koch’s since they attended high school at Deerfield Academy in the 1950s, says Mr. Koch is motivated in part by a desire to see his three children—his sons are 9 and 1, and his daughter is 7—grow up.

“He admires the fact that I was around to see my children go to school, get married, and have their own children,” Mr. Damgard says. “He said, ‘If that’s going to happen to me, we’re going to have to lick cancer.’”



Chris Casaburi, for The Chronicle

David H. Koch supports science research and education, like the dinosaur wing at the American Museum of Natural History: “I’ve had a fascination with those ancient creatures all my life.”

'A Matter of Time'

Mr. Koch works at his company's small New York office, on the 22nd floor of a Madison Avenue building, where he has a spacious two-room suite with expansive views of the city's skyline. Mr. Koch was a basketball star in his college days, and he retains his angular, athletic build. During an interview here, he says he believes his donations will help scientists produce a breakthrough that will cure prostate cancer.

"There's no question about it," Mr. Koch says. "It's just a matter of time."

Mr. Koch, who calls the MIT cancer researchers "the finest group doing basic cancer research that I know of," put an unusual condition on his gift to the university. He is requiring the institution to agree to build the new research center regardless of whether it has raised the 80 percent of funds the university usually wants on hand before breaking ground. Susan Hockfield, MIT's president, praised Mr. Koch's "enormous generosity" and told *The Wall Street Journal* that the university is comfortable with an expedited construction schedule "because the opportunities [in cancer research] are enormous right now."

The university began construction in March and expects to complete the building by 2010.

Mr. Koch joins a growing list of donors who have poured money into research on causes that affect them personally, including Michael R. Milken, the former junk-bond financier, who, like Mr. Koch, suffers from prostate cancer, and who founded the Prostate Cancer Foundation in 1993. Skeptics sometimes worry that donors with a personal stake in the medical causes they are supporting will push too hard for quick results, which could hurt the overall research effort.

But Jonathan Simons, president of the Prostate Cancer Foundation, in Santa Monica, Calif., says Mr. Koch is not focused on short-term results. "David has been an enormous supporter of basic research, whose payout is never known," Dr. Simons says.

About 27,000 people are projected to die from prostate cancer this year, down from roughly 50,000 in 1993. In October, the Prostate Cancer Foundation received a \$5-million gift from Mr. Koch that will be shared with four universities in an effort to use nanotechnology—which involves manipulating matter at the atomic scale—to target prostate tumors.

Many of Mr. Koch's other gifts are also related to science. In 2007, he pledged \$5-million to WGBH, a public television station in Boston, to support *Nova*, the long-running documentary series about science.

He supports research and exhibits focused on human evolution, and in 2006 gave \$20-million to the American Museum of Natural History, in New York, to update its dinosaur exhibits. As a teenager, he visited New York with his parents and spent several hours admiring the museum's dinosaur fossils.

"My mind was blown," he says. "I've had a fascination with those ancient creatures all my life."

Five years ago, Mr. Koch pledged \$25-million to Deerfield Academy, the private high school in Massachusetts from which he graduated in 1958, to help build an 80,000-square-foot science and technology center that opened in early 2007. Deerfield officials say the gift will help them attract high-achieving students who are interested in math and science.

"It's not an ego trip for David," says David G. Pond, who oversees alumni relations and development at Deerfield and has known Mr. Koch for 26 years. "It's, 'What does this place that I feel so strongly about need, and how can we do it in a high-quality fashion?'"

Mr. Koch, who earned bachelor's and master's degrees in chemical engineering from MIT, worries that the United States will suffer

if it continues to lag behind other countries, like China, in producing mathematicians, scientists, and engineers.

"If things don't change, they will surpass us in a lot of different ways," Mr. Koch says.

Think-Tank Gifts

Mr. Koch also supports a variety of think tanks that advocate free-market ideas, like the Cato Institute and Americans for Prosperity. A picture in his office shows him shaking hands with George H.W. Bush and his wife, Barbara. The Bushes look shocked. Mr. Koch explains: "I had just told President Bush that I ran against him for vice president in 1980," on the Libertarian ticket.

Critics have occasionally assailed Mr. Koch's giving to think tanks.

A 2004 report by the National Committee for Responsive Philanthropy, titled *Axis of Ideology: Conservative Foundations and Public Policy*, found that most of the public-policy giving by foundations started by David and Charles Koch goes to support organizations that work to limit or remove government regulation and taxation of industry. "Not surprisingly, these foundations give money to nonprofit organizations that do research and advocacy on issues that impact the profit margin of Koch Industries," the report said.

The report also found that Mr. Koch had given \$1.7-million to Republican political candidates from 1998 to 2003.

Mr. Koch is unapologetic when asked if the gifts to groups like the Cato Institute may have been motivated by self interest.

"Sure it'll help our company—it'll help all companies do better," Mr. Koch says. "We promote competition, freedom of choice, reducing taxation, excessive regulation, and trying to create a more prosperous nation."

'A Blessing or a Curse'

David Koch's father, Fred Chase Koch, grew up poor in Texas, but he went to the Massachusetts Institute of Technology and later invented a process for refining oil that produced a greater yield of gas than the existing technology.

That made Fred Koch a rich man at a young age, and he worried about spoiling his sons. When Fred Koch was in his 30s—before David was born—he wrote a letter, which he kept in a safe-deposit box, to David's two older brothers letting them know they would probably someday come into a large sum of money.

"It may either be a blessing or a curse," the elder Mr. Koch wrote. "You can use it as a valuable tool for accomplishment or you can squander it foolishly."

In some respects, the family fortune has been both. For nearly two decades, Fred Koch's four sons fought bitterly over the money. David's twin, William, and Frederick, the eldest son, contended they had been shortchanged in a 1983 deal that left David and Charles each owning 40 percent of Koch Industries. (Charles and David are now tied at No. 9 on *Forbes* magazine's list of the richest Americans, with fortunes of \$17-billion apiece.)

The dispute was settled in 2001, and David says the brothers are now on good terms. He was the best man at William's wedding in 2005. "There are no more battles," David Koch says.

The inheritance has also been a blessing, at least for Charles and David, because they have compounded their shares of the family fortune at a furious rate.

Charles became chief executive of the company when their father died in 1967. David, who is now executive vice president, joined the business in 1970. The company had annual revenue of a few hundred million dollars when Fred Koch died, according to David Koch. Today, Koch Industries has more than \$100-billion in revenue.

"If my father were able to come back on this earth today to see what's been accomplished since his death, he would be in total disbelief," David Koch says.

Charles Koch says the company's chemical-technology division, which David heads, has grown 500-fold since David joined the company. Charles credits David's "special ability to integrate technology and commercialization." And he sees his brother taking the same studious approach with his philanthropy.

"David studies this just the way he studies everything," Charles Koch says. "He makes sure it's set up properly and that it has a high probability of really creating value."

A 15-Year Battle

Before he met his wife, Julia, whom he married in 1996, Mr. Koch was a legendary bachelor, hosting parties for hundreds of people ("a third of which were beautiful, wild, single women," he points out). Since then, Mr. Koch has embraced life as a family man.

"For the first time in my life," he chuckles, "I'm chasing the right kinds of babes around the apartment."

He was diagnosed with prostate cancer 15 years ago, shortly after meeting his future wife.

"It's under excellent control, and my doctor advises me that it will be years before treatment stops being effective," Mr. Koch says. "When I need a new therapy, hopefully one will be ready."

In November, Mr. Koch gave \$18-million to M.D. Anderson to create a center for applied research in genitourinary cancers, including prostate cancer. The center will bring together a variety of scientists in an effort to rapidly translate research results into therapies for patients. The center will be headed by a physician who has treated Mr. Koch for the past 15 years, Christopher Logothetis.

With his academic degrees, Mr. Koch knows more than the average donor about medical research, Dr. Logothetis says.

"David's not intimidated by physicians, and he understands enough to judge whether they are good stewards of the money he's entrusted them with," Dr. Logothetis says. "Most philanthropists are well intended, but they don't have enough confidence in their knowledge, so they say, 'Take it and do your best.'"

Dr. Logothetis says Mr. Koch's hope for a cure may be realizable, though the doctor defines a "cure" for prostate cancer as simply finding better treatments, since the average age at which patients are diagnosed is 70.

"When you're talking about a 10-year-old, you want to eradicate the disease," Dr. Logothetis says. "When you're talking about a 70-year-old, you want to reset their clock for 15 years. That's a cure in my mind."

Aside from cancer, Mr. Koch has also long supported research related to human evolution. In 1982, after reading *Lucy: The Be-*

ginnings of Humankind, he requested a meeting with the book's co-author, Donald Johanson. The anthropologist's research team had discovered the 3.2-million-year-old human ancestor known as Lucy in Ethiopia in 1974.

After the two met in New York, Mr. Koch began supporting Mr. Johanson's work. Today he provides about \$125,000 per year to the Institute for Human Origins, which Mr. Johanson heads. The institute, at Arizona State University, in Tempe, uses the money to support research projects during the summer, Mr. Johanson says.

"The financial support is wonderful, but it's immensely gratifying to know that the person who has those resources also has a deep passion and interest in the subject, and David certainly does," Mr. Johanson says.

Courting Controversy

Mr. Koch also has pledged \$15-million over five years to build a new exhibit on human origins at the Smithsonian's National Museum of Natural History. A museum spokesman says the exhibit is expected to open in 2009.

The philanthropist, who grew up in Kansas, a state that has debated whether evolution should be taught in public schools, chuckles at the thought that the exhibit will rankle creationists.

"Hopefully it will be very controversial, so it will get a lot of attention and generate a lot of attendance," he says.

Mr. Koch says he admires the international focus of large grant makers like the Bill & Melinda Gates Foundation, which is spending billions to improve health and combat hunger in Africa, but he intends to continue to focus his giving on organizations in the United States.

"It's such a massive problem, if I went over there with what I'm doing, it would be like trying to empty the ocean with a tin cup," he says.

David and Charles Koch intend to keep Koch Industries a private company and pass ownership of it to their children. David Koch says his estate plan also calls for very large gifts to many of the groups he is already supporting.

He says he will also contribute "a substantial amount of money" to the David H. Koch Charitable Foundation, which he has historically used as a place to park gifts briefly before distributing them. He says the foundation now has assets of \$5-million, a minuscule amount relative to his net worth.

He is spending increasingly more hours each week on his philanthropy, he says, and it may now account for about a quarter of his time. But he doesn't expect that percentage to increase much, because he hopes to never give up his job at Koch Industries.

Says Mr. Koch, "They're going to carry both Charles and me out of our offices feet first."

