



March 17, 2014

**HUFF  
POST** BUSINESS

## Cerberus Capital: Profiting From Guns and Gun Violence

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Many successful businesses benefit from vertical integration and supply chain management. By controlling markets and inputs of a product you can limit competition, keep costs low and profits high. But when it comes to the health industry, the idea of hospitals having an interest in deadly firearms and ammunition, a major source of injury and death, makes even the most hardened Wall Street executives feel uncomfortable.

Annually, the American gun industry has firearm and ammunition sales that total an estimated \$4 billion. While this sales number is relatively low firearm injuries and death remain very high. Every year over 30,000 Americans, including approximately 3,000 kids, are killed from firearms. In addition, thousands of Americans are injured and not killed in gun-related incidents, at a rate of about 23/100,000 individuals. Should the same group of individuals profit when a gun is sold and when a gun is used to hurt someone? That is exactly what Cerberus Capital Management is doing.

According to the Cerberus website, Stephen Feinberg founded Cerberus Capital Management in 1992 after spending several years with Gruntal & Co. Feinberg prides himself on being private and values that quality in others. At a shareholder meeting in 2007, Feinberg was quoted as saying, "If anyone at Cerberus has his picture in the paper and a picture of his apartment, we will do more than fire that person. We will kill him. The jail sentence will be worth it." Kind of frightening coming from the managing director of the largest conglomerate of firearms and ammunition in the U.S.. This value for privacy makes sense when you examine the web of companies Cerberus has created and their conflicting missions.

Cerberus entered the gun market with the purchase of Bushmaster in 2006. From there, Cerberus founded the Freedom Group and purchased Remington, at the time Remington was the largest domestic producer of shotguns and rifles. Freedom Group moved on from there, acquiring other firearm-industry companies including ammunition, silencer and body armor producers ( DPMS/Panther Arms, Marlin, H&R, The Parker Gun, Mountain Khakis, Advanced Armament Corp., Dakota Arms, Para USA and Barnes Bullets). By Freedom Group's own account, they are the largest manufacturer of commercial firearms and ammunition. In the second quarter of 2013 alone, Freedom Group and its affiliates had net sales totaling \$353 million. Some gun industry experts suggest that their domestic retail product share is around 20 percent.

Freedom Group is the owner and manufacturer of many of the guns used in recent high profile mass shootings. For example, the Washington Naval Yard shooter, Aaron Alexis, used a Remington 870 shotgun, the D.C. snipers and Newtown, Conn., Sandy Hook Elementary School shooters both used a Bushmaster AR 15 assault rifle and the Webster, New York shooter used a Bushmaster semiautomatic rifle when he killed volunteer firefighters responding to a fire.

After establishing its presence in the firearm industry, Cerberus moved on to a variety of other industries. Operating under another affiliate, AB Acquisition, Cerberus acquired the Supervalu, Inc. grocery store chains, including Shaws, Albertsons, Acme, Jewel-Oscos and Star Market. In addition, in 2010, Cerberus acquired Caritas Christi Health Care for \$830 million and reorganized under the name "Steward Health." According to Steward Health's own claims, the organization has over 17,000 employees and providing health services to over 150 communities. Each year the organization serves over one million patients in the New England area. In addition, Cerberus bought an interest in Covis Pharma, a pharmaceutical company, in 2011.

As the owner of one of the largest networks of hospitals in the New England area, Cerberus, acting through Steward Health, is treating many gunshot victims. Nationally, 16.5 percent of all spinal cord injuries are caused by gunshot injuries. Patients who are shot four or less times spend a median of 2.5-3 days in the hospital. Patients with five or more wounds, or three or more anatomic regions, have a median length of stay of 8 days. This adds up to quite a hefty hospital bill.

According to *USA Today* and a study by Ted Miller for Pacific Institute for Research and Evaluation, medical care for fatal gunshot wounds cost an average of \$28,700 per patient in 2010. When you add in non-fatal injuries, this price tag reaches an aggregate cost of \$3.2 billion annually. In 2010, \$1.4 billion of the total gunshot wound health costs were paid by taxpayers through Medicare and Medicaid programs. But society pays more for a gunshot wound than just health care costs. Miller's study estimated that in

2010 the government and, ergo, the American people lost \$5.4 billion dollars of tax revenue by gunshot victims missing work, \$4.7 billion was paid in court costs, \$180 million in mental health care costs for gunshot victims, \$224 million in insurance claim processing, and \$133 million spent in responding to shootings. However, the cost to the people and relying on government handouts seems to be of little concern to Cerberus. In 2007, the company purchased Chrysler. Shortly thereafter, Chrysler declared bankruptcy and received billions of dollars in bailout money.

Meanwhile the killing and gun sales just keep mounting. While there was talk of selling Freedom Group after the Newtown, Conn. massacre, and embarrassing news stories linking Bushmaster and Steward Health, it appears now that it was only PR talk and that Cerberus and their "family" of gun companies will stay in the highly profitable and integrated "merchant of death" and "provider of health care" businesses. Profits before people seems to be the Cerberus Capital way.

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**Bobpip** ★ 9  
 108 Fans ♥

"Every year over 30,000 Americans, including approximately 3,000 kids, are killed from firearms."

Another sensationalist. About 20,000 of those deaths are suicides. What is the author's definition of kids? If he is taking about 16 and 17 year old gang bangers than 3,000 might be right.

Pointing out the manufacturer of the weapons used in mass shootings is pointless considering that those weapons are common place and are produced by tons of different companies. Who cares whether the shotgun or AR-15 was produced by Remington or Mossburg? They aren't unusual firearms and they are no more effective in the crimes they were used than a semi-auto handgun.

10 OCT 2013 3:03 PM

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**TakebackCalifornia** ★ 5  
 182 Fans ♥

Exactly...The fact that murder, violent crime, and gun violence is actually at the lowest it's been in 50 years is beside the point..

10 OCT 2013 4:36 PM

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**TakebackCalifornia** ★ 15  
 182 Fans ♥

"Meanwhile the killing and gun sales just keep mounting"

Actually John, murder, violent crime, and gun violence is at a 50 year low....with 250 million more firearms in this country....any other B.S. you want lay on us? Even the Huff post admitted it..

[http://www.huffingtonpost.com/2013/05/08/gun-homicides-poll\\_n\\_3239391.html](http://www.huffingtonpost.com/2013/05/08/gun-homicides-poll_n_3239391.html)

10 OCT 2013 4:41 PM

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**Charles B.** (c2wookie) ★

**454 Fans** ❤️ · I'm a NRA Conservative married to a Liberal. ★ 3

F&F you, keep the faith.

11 OCT 2013 3:47 AM

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**Thirdpower** ★ 9

**170 Fans** ❤️

A company that sells off a profitable line due to pressure from small groups of advocates won't be in business long. One wouldn't expect most anti-gun groups to understand money not in the form of grants.

9 OCT 2013 8 25 PM

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**Jerry\_Belair** ★ 1

**2 Fans** ❤️

Seems to me, Thirdpower, that they understand money perfectly. The real "grants" seems to be in taxpayer subsidies to the hospitals owner by Cerberus.

10 OCT 2013 8:55 AM

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**molonlabe** ★ 9

**398 Fans** ❤️ · Gun Cabinets & Wombs should be off limits.

How does the gun industry bear responsibily in the 55% of that 30,000 figure which are suicides, and 80% of the rest which are gang related?

If the gun industry was injecting unsafe or faulty weapons into the market, I could see the argument.

But they're not.

So I don't.

11 OCT 2013 3:22 PM

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**Rodney S. (Smittyblue)** ★ 3

**6 Fans** ❤️

Thank for you this comment...

Anti 2nd amendment people always bury the fact that over half of all gun deaths are suicides. Unl ke most other countrys, Americans, even liberal Americans, have a natural aversion to the gov protecting us from ourselves. So that is one statistic they want buried. It inflates all the others they love to quote.

According to all the "common knowledge" we have about cigarettes, there are about 500k deaths a year from tobacco vs. the 30k from guns. And then we are told about 50k a year die from 2nd hand smoke. that's pushing 20 times the death rate from guns.

This puts the lie to the idea that gun control is about saving lives. It's about being PC.

If the Brady bunch and company were really interested in saving lives they would ban tobacco.

The anti 2A movement is not making our world safer.

14 OCT 2013 1:27 AM

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**Joe M.** (Joe\_Matthies)

★ 4

**SUPER USER** · 151 Fans ♥ · Call it how i see it..

Isn't this saying the same as Anheuser Busch profiting from alcohol and alcohol violence? Your complaining they make money fro gun violence, even though any violence would be secondary to the use the weapons are actually sold for. Alcohol isn't sold to kill people but it does, around 10,000 a year just by drunk driving. Why aren't you complaining about that?

10 OCT 2013 6:28 PM

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**Penny File** (Penny\_File)

★ 1

**SUPER USER** · 198 Fans ♥

Have you see the texting and driving figures? They are off the chart and what people really should be taking a look at.

11 OCT 2013 7:24 PM

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**Mark O.** (Basic\_life)

★ 5

7 Fans ♥

Never seen a gun advertisement that stated, "Buy one and get extra violence at no cost". I have seen many that advertise for Military, Police, competitive shooting, and home defense. Looking at your fatality numbers, I see that they are plucked from a source (the CDC) and reassigned to match a false narrative. The same source that earlier this year, by mandate of executive order by the earlier president, contradicts the article's claim. Another source, the DOJ, parallels the CDC. Both sources crunched numbers and came to the conclusion that owning firearms result in lives saved. Tragic events do happen but the article above failed to mention that gun violence and accidental deaths are at a 40 year low and continues to decline. Claiming that the manufacture of firearms are respons ble for these deaths is ludicrous. It's like saying manufactures of fire extinguishers discreetly support arsonists for profit. There is no correlation between gun makers and that synapse in the brain of an evil doer choosing to break the law and murder.

11 OCT 2013 11:40 AM

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**Bob S.** (shootnbull)

★ 4

21 Fans ♥

Where is the outrage? Cerberus owns several grocery chains, and yet 300,000 people die annually from obesity related conditions. Shouldn't they be held accountable for those deaths too?

12 OCT 2013 1:43 AM

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**Grumpy\_Man**

★ 1

637 Fans ♥ · Disappointed idealist

I think the more recent totals are closer to 450,000 premature, obesity related

deaths (while our government maintains policies that protect sugar growers).

12 OCT 2013 7:20 PM

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**Soviets\_Tried\_Trickle\_Up**

★ 4

94 Fans ♥ · Greece tried it too

+the idea of hospitals having an interest in deadly firearms and ammunition, a major source of injury and death...+

Never ever heard of a gun getting up and attacking someone. Perhaps there's more to it than the gun?

10 OCT 2013 7:01 PM

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**HomeGunTraining**

★ 2

70 Fans ♥

So basically only the wealthy and powerful have the right to self-defense. Got it!

11 OCT 2013 9:24 PM

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**Gerald F.** (HisXLNC)

SUPER USER · 99 Fans ♥ · No.

That's basically the law in places I ke New Jersey, New York City, Chicago, and Washington DC.

17 OCT 2013 6:42 PM

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**kwco**

★ 2

130 Fans ♥ · In God we trust, everyone else pays cash

"Profits before people seems to be the Cerberus Capital way."

That's they way of any business or corporation. They exist for only one purpose and that's making money. If you pick up a rattle snake and it bites you, you don't blame the snake.

To expect wither to act morally, or with a conciense, is pure fantasy. The people who run those organizations have a fiduciary responsibility to maximize returns to their investors. Complaining about an investment firm making money any way it can is I ke complaining about the sky because it's blue. Stop wasting your, and our, time.

12 OCT 2013 5:50 PM

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