

HIGH PROFILE REPUBLICAN FIRM, CERBERUS, TO SELL FREEDOM

It has come to this. Cerberus—the private equity firm full of well-connected Republicans like John Snow and Dan Quayle—has decided it can no longer continue to invest in Freedom Group, the maker of the Bushmaster assault rifle used in Friday’s massacre at Sandy Hook.

In its statement announcing the decision, it attempts to absolve itself of responsibility for killing 20 children.

In 2006 affiliates of Cerberus Capital Management, L.P. made a financial investment in Freedom Group. Freedom Group does not sell weapons or ammunition directly to consumers, through gun shows or otherwise. Sales are made only to federally licensed firearms dealers and distributors in accordance with applicable laws and regulations. We do not believe that Freedom Group or any single company or individual can prevent senseless violence or the illegal use or procurement of firearms and ammunition.

It then couches its decision to sell Freedom in fiscal responsibility, not moral complicity.

It is apparent that the Sandy Hook tragedy was a watershed event that has raised the national debate on gun control to an unprecedented level. The debate essentially focuses on the balance between public safety and the scope of the Constitutional rights under the Second Amendment. As a Firm, we are investors, not statesmen or policy makers. Our role is to make investments

on behalf of our clients who are comprised of the pension plans of firemen, teachers, policemen and other municipal workers and unions, endowments, and other institutions and individuals. It is not our role to take positions, or attempt to shape or influence the gun control policy debate. That is the job of our federal and state legislators.

There are, however, actions that we as a firm can take. Accordingly, we have determined to immediately engage in a formal process to sell our investment in Freedom Group. [my emphasis]

But that mention of its clients, including teachers pension plans, is the real tell. As CNN suggests, it was likely pressure from the California Teacher's pension fund that prompted this decision.

Yesterday we reported that one of the largest investors in Cerberus private equity funds was the California State Teachers' Retirement System, which subsequently said it would review its indirect investment in Freedom Group (it made no such pledge following the Aurora shooting, where a Bushmaster rifle also was used).

In any case, having made the decision to sell Freedom, things will now get interesting for Cerberus, as the sharp decline in gun stocks will force Cerberus to sell Freedom at a big loss.

Often when something like that happens—most spectacularly when Cerberus decided to sell Chrysler—it asks for a bailout. Will John Snow and Dan Quayle orchestrate a federal bailout for themselves again, as they did with the auto bailout?