



THE NEWSGUILD – CWA

501 3rd Street, NW, 6th floor, Washington, DC 20001
(202) 434-7177 Fax (202) 434-1472 newsguild.org

March 29, 2022

Ms. Marcie Frost
Chief Executive Officer
California Public Employees' Retirement System (CalPERS)
400 Q Street
Sacramento, CA 95811

Dear Ms. Frost:

I wrote to you in September 2021 about Cerberus Capital Management and its funding of Alden Global Capital, the hedge fund that has decimated local news. I encouraged your fund to engage with Cerberus to help save local news.

Recently, the investigative news team at “60 Minutes” profiled the disastrous effects of Alden’s ownership of local news.¹ Cerberus underwrote Alden’s moves in 2021 to buy Tribune Publishing, which owns the Chicago Tribune, Baltimore Sun and many other award-winning local newsrooms. Such high-profile reporting of Alden’s destructive role in the news industry underscores the reputational risk that Cerberus investors may bear.

Today I write to you about Cerberus’ risky behavior investing in firms that advertise military-grade weaponry that has been used to kill civilians. Cerberus no longer owns those firearms holdings, but recent news suggests that its aggressive marketing that occurred while it owned those companies not only showed an immoral disregard for human life but raised investment and reputational risk for Cerberus investors. This is a reason to consider divesting from Cerberus since it is likely to repeat such actions.

On February 25, 2022, Remington Outdoor Company (at the time of the shooting known as Freedom Group) and nine victims’ families from Newtown, Connecticut, reached a \$73 million settlement plus the disclosure of thousands of pages of internal documents.² In the coming period as those documents are released by the families, we will get a true sense of the ways Remington, while funded by Cerberus, disregarded public safety guard rails.

On December 14, 2012, 20-year-old Adam Lanza entered the Sandy Hook Elementary School and used a Bushmaster XM15-E2S rifle to fire off 154 bullets in 264 seconds.³ (This was the same gun used by the “Beltway Snipers” in 2002 in the Washington, DC area as well as in countless other killings.) Lanza killed 20 6- and 7-year-olds and six educators. That Bushmaster automatic rifle was manufactured by

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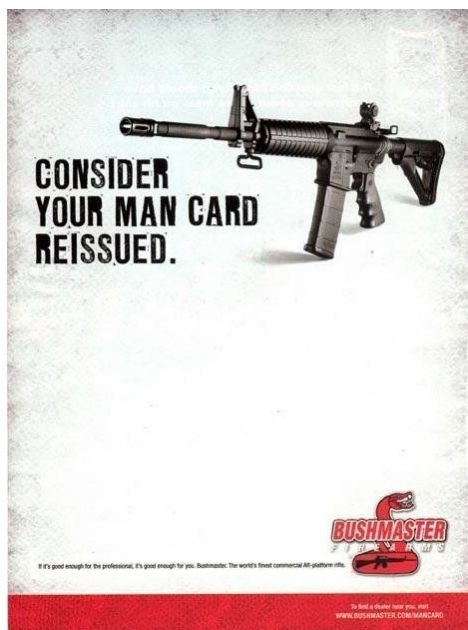
CWA|SCA Canada President: Martin O’Hanlon

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Cerberus' then-portfolio company, Remington (whose name was changed in 2015 from Freedom Group).

Cerberus' investment risk did not lie in Remington/Freedom's manufacturing of the assault rifle – gun manufacturers have been protected from legal liability by the 2006 Protection of Lawful Commerce in Arms Act. However, the PLCAA did not protect manufacturers from wrongful advertising that results in injury or death. And the State of Connecticut had strict consumer protection legislation on deceptive trade practices – the Connecticut Unfair Trade Practices Act – that Cerberus-owned Remington/Freedom Group violated, according to the plaintiffs.⁴

In an attempt to boost sales, Cerberus-funded Remington/Freedom preyed on insecure young men to market the assault rifle by boosting a toxic masculinity.⁵ In 2010, Freedom's ad campaign showed a picture of a Bushmaster XM15 with the headline "Consider Your Man Card Reissued" (see the image below).



Its 2011 product catalogue described the rifle with the slogan "military-proven performance." In the 2012 product catalogue featuring the silhouette of a soldier against the American flag as background, the text read "When you need to perform under pressure, Bushmaster delivers."⁶ Freedom placed its product in the video game "Call of Duty," which rewarded players for "head shots" and "kill streaks," among other violent achievements.

After the tragedy of Sandy Hook, Cerberus promised to sell Freedom/Remington. But it did not do so, losing it only when the costs of litigation overwhelmed Freedom/Remington and it filed for Chapter 11 relief in 2018. Meanwhile, Cerberus-owned Freedom Group continued its risky marketing. Its 2013 product catalogue promised "justice for all" under a picture of a man firing the XMK-15. Remington's 2016 product catalogue urges the reader to "react with proven confidence" with the XM-15. Its 2018 product catalogue marketed the Bushmaster as a weapon "for the free."

Until its divestment from Remington/Freedom in 2018, Cerberus funded gun violence and death. The Bushmaster XM-15 rifle is an AR-15-style rifle which has been described as the "perfect killing machine" because of the way its bullets destroy human tissue.

In January 2022, you were sent "Cerberus Capital Management – Risk Assessment," authored by Jim Baker of the Private Equity Stakeholder Project.⁷ That report cautioned institutional investors about Cerberus' risk with inferior performance relative to its peers. It pointed to the debacle of Cerberus' investments in two German banks as examples of execution risks. It described the type of headline risks associated with Cerberus' funding of Alden Global Capital as well as its portfolio company Tier One Group which trained some of the assassins of Washington Post columnist Jamal Khashoggi and its

eviction of tenants during the pandemic via its real estate holdings. It shows the regulatory risks Cerberus it flouted when its then-portfolio company defrauded the Pentagon.⁸

Cerberus has shown itself willing to make problematic investments. In the case of the gun industry, it accepted greater investment risk and failed. That Cerberus was able to exit through Remington/Freedom's bankruptcy should not give comfort to investors.

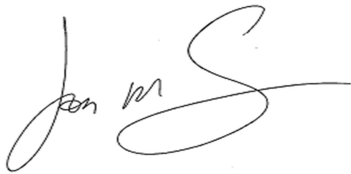
As the tenth anniversary of Sandy Hook arrives later this year, remember that Cerberus' investment in Freedom Group funded the tragedy. One of Cerberus' companies trained the assassins of a news columnist. And its loans to Alden have helped the latter decimate local news and undermine U.S. democracy.

We strongly encourage you to divest from Cerberus Capital Management.

If you have any questions or would like further information, please contact Tony Daley at tdaley@cwa-union.org.

Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Jon Schleuss". The signature is stylized with a large, sweeping "S" at the end.

Jon Schleuss
President
NewsGuild-CWA

CC: Theresa Taylor, President, Board of Administration
James Andrus, Interim Managing Investment Director, Board Governance & Sustainability

¹ Jon Wertheim, "Local newsrooms strained by budget-slashing financial firms," CBS News "60 Minutes," February 27, 2022: <https://www.cbsnews.com/news/local-news-financial-firms-60-minutes-video-2022-02-27/>

² Rick Rojas, Karen Zraick and Troy Closson, "Sandy Hook Families Settle With Gunmaker for \$73 Million Over Massacre," *The New York Times*, February 15, 2022: <https://www.nytimes.com/2022/02/15/nyregion/sandy-hook-families-settlement.html>

³ Donna L. Soto, adm. of the estate of Victoria L. Soto et al. v. Bushmaster Firearms International, LLC et al., "Complaint," Connecticut Superior Court, December 13, 2015: <https://civilinquiry.jud.ct.gov/DocumentInquiry/DocumentInquiry.aspx?DocumentNo=8533854>

⁴ Office of the Attorney General, State of Connecticut, "Attorney General Tong Statement on SCOTUS Decision not to Take Appeal of Sandy Hook Remington Case," November 12, 2019: <https://portal.ct.gov/AG/Press-Releases/2019-Press-Releases/ATTORNEY-GENERAL-TONG-STATEMENT-ON-SCOTUS-DECISION-NOT-TO-TAKE-APPEAL-OF-SANDY-HOOK-REMINGTON-CASE>; Mary Harris, "How Sandy Hook Families took on a Gun Manufacturer – and Won," *Slate*, February 22, 2022: <https://slate.com/news-and-politics/2022/02/sandy-hook-newtown-remington-guns-lawsuit-settlement.html>

⁵ Elaine Ayala, "Toxic Masculinity was at the Root of Sandy Hook School Massacre," *San Antonio Express-News*, February 16, 2022: https://www.expressnews.com/news/news_columnists/elaine_ayala/article/Ayala-Toxic-masculinity-was-at-the-root-of-Sandy-16924975.php

⁶ Violence Policy Center, "The Militarized Marketing of Bushmaster Assault Rifles," April 2018: <https://vpc.org/wp-content/uploads/2018/04/Bushmaster2018.pdf>

⁷ Jim Baker, "Cerberus Capital Management – Risk Assessment," Private Equity Stakeholder Project, January 2022: <https://pestakeholder.org/wp-content/uploads/2022/01/Cerberus-Capital-Management-Risk-Assessment-PESP-January-2022.pdf>

⁸ See also Department of Justice, "Dyncorp International LLC and the Sandi Group Pay U.S. More Than \$8.7 Million to Resolve False Claims Allegations," April 22, 2011: <https://www.justice.gov/opa/pr/dyncorp-international-llc-and-sandi-group-pay-us-more-87-million-resolve-false-claims>