

Real Estate

**A Fixer-Upper
With Seating
For 80,000**

p64

Energy

**BP's Next Move:
More Deepwater
Drilling**

p21

Finance

**The Sultan
Of Credit
Default Swaps**

p56

Plus

Does Pelosi Get Business? — p28

Alex Bogusky's Vanishing Act — p60

Kindle: Alive, and Killing — p38

Disney's Digital Spree — p35

Ludicrously Expensive Guns — p69

Bloomberg Businessweek

August 2 — August 8, 2010 | businessweek.com



**The New
Abnormal**
American
Consumers Are
Cutting Back.
Except When
They're Not

p50

Tired of sunning with Dan Brown?
Page 74

August 2 — August 8, 2010
Bloomberg Businessweek

Geeks & Beach Reads & Sporty CEOs

Etc.

What's fueling the growing geekonomy ...
Page 72



69

The Money Shot Investment

Is \$200,000 too much for a rifle? Apparently not for some moguls. Peter Hofer's bespoke arms business is thriving. *By Paul M. Barrett*

Photograph by Thibault Montamat

August 2 — August 8, 2010
Bloomberg Businessweek

Etc. Guns

A snarling white jaguar guards the door of the wood-paneled Austrian atelier of Peter Hofer, one of the world's last super-high-end gunmakers. Now stuffed, the cat was a casualty of the sort of exotic hunting expedition for which Hofer creates unique firearms.

You don't buy a Hofer to plink beer cans. His clients include Persian Gulf princes and Russian oligarchs for whom a couple hundred thousand dollars is a reasonable price for an exclusive toy. Many of his creations seem too exquisite for actual use. Hofer wears white gloves to reduce corrosion from perspiration when he presents the Hummingbird, a side-by-side double rifle chambered for tiny .17 caliber rounds. Forty gold-and-enamel birds flit against a lush backdrop of engraved-steel wildflowers. The gleaming walnut burl stock was sculpted from an 800-year-old Turkish tree. It's weight: 0.9 kilograms, about the heft of a ripe pineapple.

"The problem is not in bigger and bigger," Hofer explains. "The problem is in smaller and smaller." Reducing the trigger assembly and springs to Lilliputian dimensions requires metal-working dexterity approaching that of surgeons. After I mistakenly handle the Hummingbird ungloved, an assistant briskly materializes to massage it with protective oil.

Hofer, 50, enjoys demigod status among gun enthusiasts. His wild Beethoven hair complements a Mitteleuropean accent and gesticulation worthy of a symphony conductor. His outfit combines a forest-green Austrian outdoorsman's jacket with neatly pressed Polo Ralph Lauren blue jeans.

Hofer's fancy firearms begin at \$200,000. He once spent tens of thousands of hours on one rifle

Most of his sales result from individual commissions; customers hear about him by word of mouth. Some clients trek to his workshop in a converted chateau next to a church in Ferlach, a village so tiny it doesn't even have its own train station. "He is among the most elite of the elite: gunmakers whose work is really closer to art and can be afforded by only the wealthiest hunters and collectors," says Gavin Gardiner, a sporting-arms auctioneer in London.

The greater gun industry is in a period of consolidation. The largest U.S. firearm and ammunition manufacturer for the mass market, Freedom Group, is a conglomeration of companies pieced together over several years by the New York investment firm Cerberus Capital Management. The bespoke business is also following this pattern. Some craftsmen in Ferlach, London, and other centers of custom gunmaking are suffering. Yet Hofer is going strong. His products are so expensive and his customers so flush that his business enjoys the rarefied position of being immune to the economy. He also offers moguls something many seek when it comes to their gun collections: anonymity. Unlike Gulfstreams, fancy firearms are a form of conspicuous consumption that the rich paradoxically keep private, in part out of concern that some in polite society view the hobby as, well, nuts.

If attention deficit disorder is the emblematic malady of the early twenty-first century, Hofer happily suffers from something like the opposite: inordinate concentration syndrome. He designed the original version of the Hummingbird model for Robert E. Petersen, the Los Angeles specialty-magazine magnate who started *Hot Rod*, *Motor Trend*, *Guns & Ammo*, and a slew of other titles. Petersen died in 2007 at the age of 80; his family has several Hofer creations in one of the finest private firearm collections in the U.S. "He thought the world of those Hofer guns," says Ken Elliott, a friend and business associate. "Some people want to have the very best of what they love. Bob loved guns."

Hofer and his eight employees labor on only 20 firearms at a time. They once spent tens of thousands of hours over a dozen years on a double-barrel rifle, he says. "This was a fantastic rifle. It's really hard to give away, because there is so much feeling in it."

He doesn't exactly give them away. Hofer's prices begin at \$200,000 and can exceed half a million, depending on the technical complexity and delicacy of the engraving. "They're pure whimsy, so staggeringly intricate it's hard to believe," says Stephen Hornady, president of the U.S. ammunition producer Hornady Manufacturing.

Artisans have built weapons in Ferlach, just north of the Slovenian border, since the 1550s. Back then, Ferdinand I, Emperor of the Holy Roman Empire, paid Belgian craftsmen to form a guild and take advantage of Ferlach's iron deposits and water supply. Ferdinand worried about more than shooting deer; he needed to stave off

Firepower or Collector's Item?

Hofer originally designed the Hummingbird rifle (below) for Robert E. Petersen, the late Los Angeles magazine magnate

The Stock
The polished walnut burl comes from an 800-year-old tree cut on the Turkish side of the Caucasus

The Artistry
Using the Italian style Boulino, engravers make up to 8,000 dots per square millimeter on unhardened steel

The Weight
Hofer claims his double rifle is the lightest weapon of its kind—weighing a mere .9 kilograms

Trigger Assembly
The tiny size of the rifle's inner workings require that all parts are made from scratch by hand

Engraving
Forty gold-and-enamel hummingbirds flit across the weapon, set against an array of wildflowers

August 2 — August 8, 2010
Bloomberg Businessweek

Alfred Zeiner at work on a Hofer rifle; hunting trophies at a Ferlach museum.

the Ottoman Empire. The guild, whose history is chronicled in the village museum, founded its own school in Ferlach, which exists to this day. Hofer's father, a gun dealer, sent his boy to the institute, from which Peter graduated in 1979.

After laboring as an apprentice, Hofer started his own business in Ferlach in 1986, convinced there would be a market for even bolder designs than the guild traditionally attempted. In addition to his workshop aides, he employs four engravers who operate out of home studios where they can concentrate on making up to 8,000 dots per square millimeter on unhardened steel. Using 40-power binocular microscopes, the engravers follow an Italian style known as Boulino. Hofer suggests the imagery: His gun side-locks are decorated with everything from bare-breasted Dianas to scenes from a Rubens painting of a hippopotamus hunt. Warthog, bear, stag, lion, and oryx make appearances, often in mortal conflict. Sentimental clients ask Hofer for family portraits with their wives and children.

Hofer's assistants occupy a warren of work spaces behind the showroom. In one, white-haired Alfred Zeiner carves a walnut stock nestled in a wood-lined vise as Mozart plays on an old radio. In an adjacent room, Andreas Smuck, wrapped in

a green apron, consults with Hofer about a rifled third barrel they are adding to a shotgun.

"Like art, this is an investment," Hofer says. "This is not like the houses in America—what you call it, subprime? Every year the price does go higher." Because of the small supply and the cult-like devotion of collectors, the best Ferlach weapons tend to appreciate in value, making them a sound acquisition for those with the cash, confirms Gardiner, who handles the discreet resale of expensive weapons.

Still, the Ferlach guild has dwindled to only 11 independent shops. Hofer has done his part for continuity, marrying Daniela Fanzoj, whose family has made guns in Ferlach for 300 years. Lisa, Hofer's 20-year-old daughter, obtained a degree in industrial design from the Ferlach institute this June. Her father hopes she and her three siblings will one day take over the business: "I want to see this tradition survive."

During my stay, Hofer invites me to try a bolt-action rifle decorated with gold-accented antelope and zebra cavorting through an African dreamscape. Chambered for .270 Winchester Short Magnum rounds, the gun ought to have a potent kick. I squeeze the trigger. *Bam*. To my surprise, the recoil feels friendly, even gentle. Then again, for this kind of money, a firearm should be polite. **B**

Sentimental clients ask Hofer to engrave family portraits on their rifles