

U.S. Sen. Baldwin: Reintroduces bold legislation to fundamentally reform the private equity industry

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Comprehensive Bill Would Hold Wall Street Accountable, Empower Workers, Safeguard the Financial System, and Protect Investors

Washington, D.C. - United States Senators Tammy Baldwin (D-Wisc.), Elizabeth Warren (D-Mass.) and Sherrod Brown (D-Ohio), along with Representatives Mark Pocan (D-Wisc.) and Pramila Jayapal (D-Wash.), today reintroduced the *Stop Wall Street Looting Act*, a comprehensive bill to fundamentally reform the private equity industry and level the playing field by forcing private investment firms to take responsibility for the outcomes of companies they take over, empowering workers, and protecting investors. Joining the lawmakers in introducing the legislation are Senators Bernie Sanders (I-Vt.) and Jeff Merkley (D-Ore.) along with Representatives Eleanor Holmes Norton (D-D.C.) and Jesús “Chuy” García (D-Ill.).

“Out of state, private equity firms have shut down Wisconsin manufacturing plants and stores and laid off our workers in Janesville, Waukesha and Green Bay. We need to rip up the predatory playbook that these private equity firms are using to leave workers with nothing but pink slips,” **said Senator Baldwin.** “Our legislation takes on private equity abuse and closes loopholes that these firms are using to make a quick buck while they shut down businesses and lay off workers. This bold reform will help rewrite the rules of our economy and protect workers from predatory practices that are resulting in devastating job loss for working families.”

“Private equity firms were already gutting companies and killing jobs before COVID-19, now they’re drooling over companies to exploit during this crisis. Private equity firms get rich off of stripping assets from companies, loading them up with a

bunch of debt, and then leaving workers, consumers, and whole communities in the dust,” **said Senator Warren.** “The *Stop Wall Street Looting Act* ends these abusive practices by putting private investment fund managers on the hook for the companies they control, ending looting, empowering workers and investors, and safeguarding the markets from risky corporate debt.”

“When private equity firms buy up homes and companies, they put profits over everything and everyone else,” **said Senator Brown.** “I’m proud to cosponsor the *Stop Wall Street Looting Act* to hold private equity accountable and put workers, families, and communities first.”

“It’s long past time for billionaires and big corporations to stop gambling with hardworking Americans’ and their communities’ assets in service of corporate greed. Too often private equity leaves workers and communities out in the cold,” **Representative Pocan said.** “When the private equity firm Sun Capital bought Shopko – a Wisconsin-based retail chain that’s been in business for over 50 years – they loaded it up with debt, sending it into bankruptcy and leaving their workers with no severance and few options. This bill will finally hold predatory private equity firms, like Sun Capital accountable and protect workers from the consequences of firms’ greed.”

“The devastating COVID-19 pandemic has only made it more clear that we must finally put working people over Wall Street and our communities over corporate profits,” **said Congresswoman Jayapal.** “As we fight for an equitable and transformative recovery that makes long-overdue investments in families across America, the *Stop Wall Street Looting Act* will hold Wall Street accountable while putting power back where it belongs — in the hands of working people.”

“Congress must ensure that the greed and recklessness of Wall Street can never destroy the livelihoods of everyday Americans ever again,” **said Senator Sanders.** “Now is the time to end Wall Street’s greed, protect workers, and create an economy that works for everyone, not just the 1%.”

Over the last two decades, private equity activity in the economy has [exploded](#), and its presence in the economy has only been magnified by the COVID-19 pandemic. A recent [report](#) found that private equity firms’ portfolio companies received over \$5 billion in taxpayer money from the CARES Act, despite private equity firms sitting on record-high amounts of cash. Private equity-owned nursing homes had devastatingly [high](#) mortality rates during the pandemic, consistent with

academic [research](#) showing that private equity ownership increases nursing home deaths. Private equity-owned [retailers](#) shut their doors for good, too loaded up with debt to make it through. Meanwhile, private equity [landlords](#) laid in wait for the eviction moratorium to end so they could make more money, even if it meant kicking families out of their homes.

The private equity industry continues to grow and is on pace to set dealmaking and deal value records this year. Over the last five years, private equity fund assets have more than [doubled](#), reaching nearly \$5 trillion this year, and the number of private equity funds has increased by nearly 60%. The industry claims that it earns high returns for investors by leveraging their capital to buy companies, using funds' management expertise to make the companies' operations more efficient, and then selling the companies at a profit. In reality, the industry relies on a business model in which managers are incentivized to pursue short-term profits and pocket huge fees as they load up companies they buy with debt, strip them of their assets, and extract exorbitant fees; often walking away from workers, communities, and investors if the bets go bad.

The *Stop Wall Street Looting Act* would fundamentally reform private equity by closing the legal, tax, and regulatory loopholes that allow private equity firms to capture all the rewards of their investments while insulating themselves from risk. Firms that take appropriate steps in the interest of the company, the fund, and workers, will continue to make investments. The bill would:

- **Require Private Investment Funds to Have Skin in the Game:** Firms, the firm's general partners, and their insiders will share responsibility for the liabilities of companies under their control – including debt, legal judgments and pension-related obligations – to better align the incentives of private equity firms and the companies they own. Liability would not extend to the fund's limited partners, ensuring that only those that control portfolio firms are on the hook. In order to encourage more responsible use of debt, the bill ends the tax subsidy for excessive leverage and closes the carried interest loophole.
- **End Looting of Portfolio Companies:** To give portfolio companies a shot at success, the proposal bans dividends to investors and the outsourcing of jobs for two years after a firm is acquired – ending the extraction of resources from acquired companies.
- **Protect Workers, Customers, and Communities:** This proposal prevents private equity firms from walking away when a company fails and protects stakeholders by:

- Prioritizing worker pay in the bankruptcy process, and improving rules so workers are more likely to receive severance, pensions, and other payments they earned.
- Creating incentives for job retention so that workers can benefit from a company's second chance.
- Ending the immunity of private equity firms from legal liability when their portfolio companies break the law, including the WARN Act. When workers at a plant are shortchanged or residents at a nursing home are hurt because private equity firms force portfolio companies to cut corners, the firm should be liable.
- Clarifying that gift cards are consumer deposits, ensuring their priority in bankruptcy.
- **Empower Investors by Increasing Transparency:** Private equity managers will be required to disclose fees, returns, and other information about their funds so that investors can monitor their investments and shop around.
- **Require Regulators to Address Risky Leverage:** The Dodd-Frank provisions that require arrangers of corporate debt securitization to retain some risk will be reinstated.

The legislation is supported by Action Center on Race and the Economy (ACRE), AFL-CIO, American Economic Liberties Project, American Federation of Teachers, Americans for Financial Reform, Center for Popular Democracy, Communication Workers of America (CWA), Data for Progress, Economic Policy Institute (EPI), Indivisible, National Employment Law Project (NELP), People's Action, PE Stakeholder Project, Student Borrower Protection Center, Take Medicine Back, Take on Wall Street, UNITE HERE, United for Respect, Working Families Party, and Worth Rises.

“The current system of special privileges and loopholes for private equity encourages abuses that help super-rich Wall Street executives get even richer at the expense of workers, communities, patients, racial equity and our climate, and enables them to take control of ever-larger pieces of our world, from retail, to technology, to housing, to healthcare and more,” **said Lisa Donner, Executive Director, Americans for Financial Reform.** “The *Stop Wall Street Looting Act* would be a powerful step toward creating rules of the road that promote a more just and sustainable economy”

“I was a Sales Manager at Art Van Furniture and absolutely loved my job until private equity firm T.H. Lee (THL) acquired the company and ran it into the ground.

In the blink of an eye — and at the beginning of the pandemic — I found myself with no job, no severance pay after 23 years of loyal service, and no health care during the biggest public health crisis of our lifetimes....It's way past time to protect essential workers over wealthy corporate executives — Congress must pass the *Stop Wall Street Looting Act* and finally put working people first," **said Shirley Smith, former Sales Manager at Art Van Furniture and Leader with United for Respect.**

"The private equity industry has for too long been shrouded in secrecy and lacking real accountability and transparency which has enabled a massive and unfair wealth transfer from workers to Wall Street. Private equity managers have played fast and loose with public employees' retirement savings, minting a new class of billionaires at the expense of workers' retirement security. The *Stop Wall Street Looting Act* would reverse this trend by closing the carried interest tax loophole, exposing predatory fees, and preventing private equity from taking excessive risks to enrich themselves while harming investors, portfolio companies, and working people. This legislation puts a stop to private equity's most abusive practices, protecting workers and communities across the globe," **said Randi Weingarten, President, American Federation of Teachers.**

"We applaud Senator Warren for introducing this bill to protect American workers from the excesses of private equity. In the hospitality industry, we have seen companies all but decimated by private equity. And right now, the labor movement's attention is turned to Brookwood, Alabama where 1,100 miners have been on strike for seven months, fighting for a fair return on the sweat equity they have made to save their company after its 2016 bankruptcy. A consortium of private equity companies, led by Apollo, purchased the distressed bonds of the mining company's predecessor and gained control over the company's primary assets . Ultimately, workers agreed to more than a billion dollars in concessions in order to save the company, including wage cuts of up to \$6 an hour. Instead of restoring those cuts when the company regained profitability, the company sent hundreds of millions of dollars in dividends to shareholders, the largest of whom were Apollo and other private equity firms. Opportunistic investors shouldn't be allowed to use the bankruptcy process to extract cash from ailing companies and leave workers and communities high and dry," **said D. Taylor, President, UNITE HERE.**

"The Warrior Met Coal strike is the poster child for why we need the *Stop Wall Street Looting Act*," **added Liz Schuler, President, AFL-CIO.** "For nearly seven

months, coal miners in Alabama have been on strike to recover wages and benefits that were stripped away from them through bankruptcy. In contrast, private equity firms reaped millions in special cash dividends after acquiring the assets of Warrior Met's predecessor company through bankruptcy."

"For too long, private equity firms have held outsized power in our workplaces and communities. COVID-19 created an even bigger opportunity for these Wall Street firms to scale up their predatory practices that directly loot from Black, brown, and Indigenous people," **said Maurice BP-Weeks, Co-Executive Director, Action Center on Race & the Economy (ACRE)**. "If we're committed to protecting workers and ending the racial wealth gap, we need to end private equity extraction from our communities by passing the *Stop Wall Street Looting Act*."

"Private equity firms' heavy use of debt at companies at companies they acquire, growing extraction of cash from companies through debt-funded dividends, and limitation on their own liability increasingly set up a 'heads I win, tails you lose' structure where private equity firms can make substantial profits for themselves regardless of the consequences for workers, consumers, communities in which their companies operate, tenants, government payors, and others," **said Jim Baker, Executive Director, PE Stakeholder Project**.

"The growth of the private equity industry has highlighted gaps in the laws that govern our economy. Private equity firms' relentless pursuit of profit imposes side-effects on millions of citizens: some positive, some negative," **said Ludovic Phalippou, Professor of Financial Economics, Saïd Business School, University of Oxford**. "It is imperative to take a hard look at the bankruptcy code, the tax code, and investor protection. Private equity plays a valuable role in the economy, but any decision maker should be liable for the negative side-effects they impose on others. This proposal and the debates it will spark are important milestones on the way to a more sustainable and stable society."

"Every day, working people see more evidence of the harms caused by predatory private equity fund managers," **said Chris Shelton, President, Communication Workers of America (CWA)**. "These funds load up companies with debt, strip them of their assets, outsource and eliminate jobs, and, in doing all of this, risk the futures of workers, retirees and entire communities. CWA is proud to endorse the *Stop Wall Street Looting Act*, which will fix that by shining a light on these predatory practices and ensuring that private equity funds will be held accountable for the results of their risky bets."

“If pirates had public relations teams, they would claim that their pillaging results in better use of the resources of the ships they attack, **said Heidi Shierholz, President, Economic Policy Institute (EPI)**. “That’s the spin used by private equity, whose actions—looting productive resources, not salvaging unproductive ones as claimed—often leave a trail of destruction. This bill addresses serious problems with the private equity business model, without getting in the way of firms that actually do produce allocative or operational efficiencies that strengthen the U.S. economy.”

“In the prison industry, private equity firms like Platinum Equity, American Securities, and HIG Capital prey on a captive market. These three firms, in particular, have significantly consolidated the \$1.4 billion prison telecom space and together own an astounding 90% of the market. Their portfolio companies rake in millions charging families as much as a \$1 per minute to make a simple call and \$0.35 to send an email. These are rates that could never pass in the public market, but families supporting incarcerated loved ones don’t have a choice and the private equity executives puppeteering these companies know it,” **said Bianca Tylek, Executive Director of Worth Rises**. “With these predatory practices, Platinum Equity, American Securities, and HIG Capital have driven a third of families impacted by incarceration into debt. And telecom is only one example — private equity firms have ties to a wide range of sectors across the prison industry, from healthcare to commissary to electronic monitoring, which all exploit incarcerated people for investor profits. This is a national crisis.”

“With sky-high fees, hidden risks, opaque no-bid contracts, and too many tragic consequences for workers and communities across America, private equity is dangerously under-regulated. Managers pocket billions in fees, win or lose, often betting with public funds. But it’s taxpayers who end up footing the bill when things go wrong. Without sensible federal legislation to create an even playing field, investors — including tens of millions of retired Americans — will be at a permanent disadvantage to Wall Street. I applaud this effort to bring some much-needed accountability and oversight to private equity, give investors a fighting chance, and give working families and retirees the protection they deserve,” **said Joe Torsella, Former Treasurer, State of Pennsylvania**.

“In a world where globalization gets the blame for the loss of American jobs, wage stagnation, and inequality, Wall Street-driven financialization is too often the real culprit. Private equity firms have undermined the financial stability of Main Street companies, thrown them into bankruptcy, sent jobs overseas, and led to hundreds

of thousands of layoffs of US workers. This pattern is particularly devastating where private equity firms have bought out manufacturing firms and closed plants in towns where few other good jobs exist – such as Hufcor in Janesville, Wisconsin, or Anchor Hocking in Lancaster, Ohio. These manufacturing companies had survived globalization, and helped their communities prosper. But they didn't survive being the playthings of Wall Street," **said Dr. Rosemary Batt, Professor, and co-author of *Private Equity at Work: When Wall Street Manages Main Street.***

"For too long, private equity barons have strip-mined our society through financial engineering and predation on those of us who work for a living. The *Stop Wall Street Looting Act* is essential to protecting our wages, our dignity, our health and our liberty," **said Matt Stoller, Director of Research, American Economic Liberties Project.**

"Across the economy, private equity cheats families and extracts wealth from communities," **said Mike Pierce, Policy Director, Student Borrower Protection Center.** "These firms have been at the center of the most predatory schemes in higher education for decades. From backing dubious schools that sucker students with lofty false promises to fueling private student loan companies whose practices would make corner loan sharks blush, private equity firms have made a brisk business of turning students' pain into cash. Enough is enough. It's time for this rogue industry to be held accountable for exploiting the American Dream."

"The current system that prioritizes lining the pockets of wealthy Wall Street executives, at the expense of communities and workers, is both an injustice and an outrage," **said Leah Greenberg, Co-Executive Director of Indivisible.** "Private equity firms simply cannot be allowed to strip a company for parts while leaving employees high and dry – all while making exorbitant, tax-privileged fees. This is nothing more than a legalized scam, and Black and Brown communities have disproportionately been the target. The *Stop Wall Street Looting Act* finally takes on this greed, and would shield our communities from this predatory behavior."

"As a former Trustee on two public pension fund boards, I have witnessed the exploitative investment tactics in the private equity industry. Using workers' retirement savings, the industry has enriched itself at the expense of a generation of workers with less retirement security and a future generation with less opportunity for retirement. The rules of our economy must protect workers from this kind of exploitation by ensuring risks and rewards are shared by all. The *Stop Wall Street Looting* legislation does just that," **said Wayne Moore, Board member**

and former trustee, Los Angeles County Employee Retirement Association (LACERA).

“Private equity is entirely incompatible with quality emergency care. Physicians cannot serve two masters. Private equity ownership is a betrayal of the proud history of emergency medicine, rooted in the traditions of social justice that came out of the civil rights movement. Our largest professional organization has become compromised. Physicians risk losing their jobs if they speak out. Patients are being bankrupted. We need the *Stop Wall Street Looting Act* to reform this predatory business model so that the bedside emergency physician can advocate in their patient’s best interest once again,” **said Mitch Li, Founder, Take Medicine Back.**

“I bought my manufactured home because I needed an affordable place. My neighbors are mostly seniors and people with disabilities. Since Havenpark Capital bought our park three years ago, they’ve increased our rents and fees 50% and are pushing people out. They’ve ruined our community,” **said Holly Hook, MHAction member and resident of Swartz Creek Estates in Swartz Creek, MI.**

“This pathbreaking legislation brings needed reforms to a sector whose money manipulations have abused workers and eroded once healthy companies while lining the pockets of Wall Streeters. For too long, private equity has sapped the real economy,” **said Bartlett Naylor, Financial Policy Advocate, Congress Watch (Public Citizen).**

“Through their actions, the private equity titans have cheated state and municipal employees out of bigger pensions. They have misled people about their investment performance. They have influenced regulators in positions of authority to look the other way. And, worst of all, they can live with this conduct, as long as their personal wealth increases,” **said Jeff Hooke, Senior Finance Lecturer, and author of *The Myth of Private Equity*.**

“For too long, private equity has been allowed to generate outsize returns for its executives through layoffs or pay cuts for workers,” **said Irene Tung, Senior Policy Researcher and Policy Analyst, National Employment Law Project.** “Private equity controls ever-larger proportions of our economy; it’s time to hold the private equity managers that destroy companies and jeopardize workers’ livelihoods accountable for the human costs of their actions.”

“Predatory private equity managers attack our communities, using huge piles of borrowed money to gentrify our neighborhoods, kill our jobs, steal our pensions and snatch away our healthcare. Now we’re fighting back — Senator Warren’s bill strikes a blow against private equity greed and extraction to protect our people and stop runaway inequality,” **said Ana Maria Archila, co-Executive Director of the Center for Popular Democracy.**

“For too long, vulture capitalists have harvested companies and pension programs, extracting massive profits while crushing the working class,” **said Maurice Mitchell, national director of the Working Families Party.** “This bill brings some much-needed accountability, transparency, and reform to the shadow economy of private equity. Members of Congress need to get on board.”

“For too long, private equity barons have targeted white, Black and Brown working people for wealth extraction, only to be rewarded with a tax break for their predatory practices. It is past time we reined in these firms, and stop rewarding their behavior through the tax code,” **said Mandla Deskins, Advocacy Coordinator, Take on Wall Street.**