



JULY 2019

PIRATE EQUITY

How Wall Street Firms are
Pillaging American Retail



HEDGE CLIPPERS



ACKNOWLEDGMENTS

This report was researched and written by Jim Baker (Private Equity Stakeholder Project), Maggie Corser (Center for Popular Democracy), and Eli Vitulli (Center for Popular Democracy). It was edited by Vasudha Desikan and Lily Wang (United for Respect); Marcus Stanley, Heather Slavkin, and Patrick Woodall (Americans for Financial Reform); Michael Kink (Hedge Clippers); and Emily Gordon and Connie Razza (Center for Popular Democracy).

EXECUTIVE SUMMARY

For decades, Wall Street firms have been driving economic inequality in our country, threatening working people's livelihoods, and destabilizing local economies. Today, private equity firms own companies that employ more than 5.8 million Americans.

In the last decade alone, private equity firms and hedge funds have made substantial controlling investments in over 80 major retail companies, which has drastically impacted the sector. Given that private equity-owned companies are twice as likely to go bankrupt as public companies, it is unsurprising that 10 out of the 14 largest retail chain bankruptcies since 2012 were at private equity-acquired chains.

This original analysis reveals that in the last 10 years, a staggering 597,000 people working at retail companies owned by private equity firms and hedge funds have lost their jobs. An estimated additional 728,000 indirect jobs have been lost at suppliers and local businesses, meaning Wall Street's gamble on retail has led to more than 1.3 million job losses in total.

Wall Street firms are poised to impact an additional one million people working in retail in the coming years.

Risky private equity deals have far-ranging impacts on working families and local economies: working people face sudden unemployment and protracted financial hardship; private equity owners often use the bankruptcy process to dump their obligations to current and future retirees; pension funds, which make up the largest investor group for private equity deals, see poor investment returns after private equity-owned retailers go bankrupt; and retail bankruptcies directly reduce the tax bases of states and localities.

Wall Street executives exploit gaps in laws and regulations, and lucrative loopholes, to amass huge profits at the expense of working people and local communities. These massive profits pay for luxurious lifestyles for fund managers and their families, while workers and their families and communities face real hardship.



KEY FINDINGS

1 WALL STREET'S GAMBLE ON RETAIL HAS LED TO MORE THAN 1.3 MILLION JOB LOSSES: Original analysis reveals that in the last 10 years, 597,000 people working at retail companies owned by private equity firms and hedge funds have lost their jobs. These retail layoffs occurred while the total retail industry *added* over one million additional retail jobs during the same period.¹

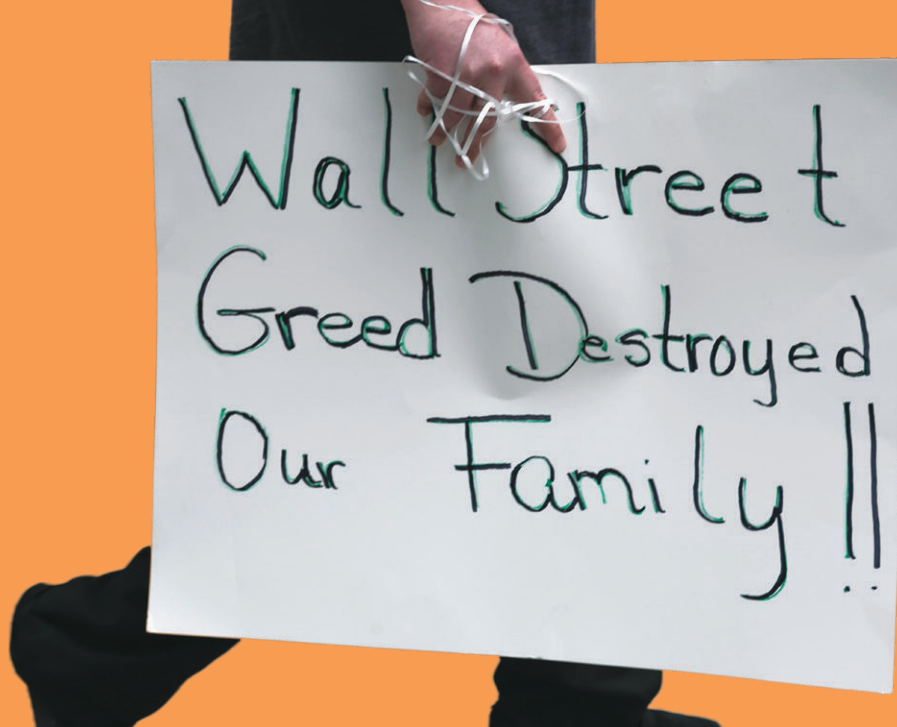
- Wall Street firms have destroyed eight times as many retail jobs as they have created in the past decade.²
- This has ripple effects felt far beyond those retailers and their employees. Bankruptcies and store closures at retailers have also spurred layoffs at suppliers, multiplying job losses. When 100 direct jobs are lost at retailers, 122 additional indirect jobs are lost.³ So beyond the 597,000 people who directly lost their jobs, an estimated additional 728,000 indirect jobs have been lost.
- That means Wall Street's gamble on retail has led to more than 1.3 million total job losses.

2 WALL STREET IS POISED TO IMPACT EVEN MORE WORKING PEOPLE IN THE COMING YEARS:

- Our analysis shows that over one million retail workers are at risk of losing their jobs in the future. These individuals currently working at 80 private equity and hedge fund-owned retailers face an uncertain future if current trends continue.

3 WALL STREET'S RISKY DEALS HAVE FAR RANGING IMPACTS ON WORKING FAMILIES AND LOCAL ECONOMIES:

- Beyond the direct and indirect impact on jobs of retail closures, Wall Street owners have been quick to use the bankruptcy process to dump their obligations to current and future retirees.
- In addition, since pension funds make up the largest investor group for private equity, retail bankruptcies have negatively impacted pension funds' investment returns, harming retirees.
- Failures at private equity and hedge fund-owned retailers have also directly reduced the tax bases of states and localities.



4

WALL STREET EXPLOITS A RANGE OF LUCRATIVE TAX LOOPHOLES AND BANKRUPTCY CODE MANIPULATIONS TO BOOST PROFITS AND AVOID REGULATIONS:

- Despite being some of the wealthiest people in the country, private equity and hedge fund managers use a number of tax giveaways, including the carried interest loophole, which allow them to pay taxes at a lower rate than many working Americans.
- Wall Street firms also benefit from a revolving door between the financial sector and the government agencies tasked with regulating it.

5

WALL STREET FIRMS HAVE BEEN KEY DRIVERS OF ECONOMIC INEQUALITY:

- Private equity and hedge fund managers insulate themselves from loss, enjoy lucrative fee structures, and pursue an aggressive tax avoidance strategy which enables them to reap massive profits.
 - Dozens of private equity executives have become billionaires and thousands more have become extremely wealthy.⁴ The top 25 hedge fund managers make an average of \$850 million per year, and several fund managers are profiled in this report.⁵
- These same Wall Street actors enrich themselves while lowering workers' wages and benefits. Given one in four retail workers live in or near the poverty threshold — a proportion that is even higher for Black or Latinx retail workers at 4 in 10⁶ because of discriminatory practices and occupational segregation — Wall Street-driven wage cuts and job losses have devastating impacts on families.

RECOMMENDATIONS

The report findings highlight the urgent need to advance federal policy solutions in 2019 that:

- 1 **REGULATE** private equity firms and hedge funds in order to curb the high-risk financial practices that extract wealth from our economy and destabilize employers.

- 2 **PROTECT** communities and pension funds that provide tax incentives for or invest in private equity and hedge funds with transparency and accountability regulations and the resources needed for active enforcement of existing policies.

- 3 **STRENGTHEN** the rights of employees when their companies file for bankruptcy, including making it more difficult for creditors to push companies into liquidation instead of reorganization, strengthening the position of employees as stakeholders in the bankruptcy process, and guaranteeing severance pay and other benefits.

- 4 **PREVENT** private equity and hedge funds from draining value from companies they own through stock buy backs, capital distributions, and fees that divert resources away from the business and jobs.

- 5 **BUILD** public momentum for employee representation at private equity and hedge fund-owned companies for more robust and accountable corporate governance.

- 6 **MAKE** private equity and hedge fund managers pay a higher share in corporate taxes for reinvestment in communities and the social safety net.

TABLE OF CONTENTS

8	<u>Introduction</u>
10	<u>Part I:</u> Private Equity: Wall Street's Shadow Banking System
15	<u>Part II:</u> Wall Street's Role in Retail Bankruptcy and Job Loss
21	<u>Part III:</u> Why Has Wall Street Acquired So Many Retailers?
26	<u>Part IV:</u> Ripple Effects: The Impact of Private Equity on Local Economies, Cities, and States
35	<u>Part V:</u> How Did We Get Here? Private Equity Firms and Hedge Funds Are Unaccountable to Regulators
38	<u>A Path Forward</u>
39	<u>Appendix I:</u> Methodology
40	<u>Appendix II:</u> Job Loss Data by Retailer

INTRODUCTION

Pivate equity has long been under fire for exacerbating growing economic inequality at the expense of working people as they reap massive profits for executives.⁷ With big pockets and outsized political influence, private equity firms have forced a seismic shift in how American businesses are run as they reshape companies and industries to fit their need to extract large profits quickly. From retail to healthcare to manufacturing, private equity firms own, control, and manage an increasingly large number of companies. Prior to the global financial crisis, private equity firms managed around \$1 trillion in assets, with investors ranging from public pension funds to university endowments.⁸ Today, these firms manage more than \$5 trillion in assets and own almost 8,000 U.S. companies.⁹ Moreover, today, private equity firms own companies that employ more than 5.8 million Americans.¹⁰

In the last decade, both private equity firms and hedge funds have rapidly expanded into retail, acquiring over 80 major retailers.¹¹ These risky deals have led to bankruptcies and significant job losses which have had far-ranging impacts on working families and local economies. In the last decade, Wall Street's gamble on retail has led to more than 1.3 million job losses. The stakes are high for the additional one million people currently working at private equity and hedge

fund-owned retailers. This report underscores the need to regulate private equity firms and hedge funds to prevent risky financial practices while strengthening the rights of working families and protecting local communities.

Part I of this report explains how private equity firms and debt financing deals work, including perverse incentives that encourage excessive risk-taking by Wall Street executives at the expense of working people. Part II unveils new, original data on the number of retail jobs destroyed at Wall Street-owned retailers over the last ten years, as well as estimates of the number of additional workers at risk of losing their jobs to Wall Street-driven bankruptcies in the future. Part III traces the financial sector's damaging expansion into retail that resulted in these job losses, as well as the ways in which private equity and hedge fund managers have exacerbated inequality in the retail sector and beyond. Part IV moves beyond job losses to explore the damaging ripple effects the wave of retail bankruptcies is having on state and local economies. The final section of the report explores how we got here — including the tax loopholes and regulatory weaknesses that have enabled private equity to explosively expand in recent years — while underscoring the urgent need for strengthened regulations.

“After devoting 31 years to a company, I have lost not just my job but my financial stability. My only option is to work very physically demanding jobs earning far less than what I worked so hard to achieve.

I deserve better, and so do my coworkers, many of whom are still unemployed, or were forced onto social security at an early age, as a result of having their jobs ruined by the greed of Wall Street hedge funds and private equity firms.”

– DEBBIE MIZEN, FORMER TOYS “R” US WORKER, YOUNGSTOWN, OHIO

PART 1

While Wall Street private equity firms wield enormous power and influence over our economy, their business practices are not widely understood. Part I will provide an overview of private equity firms, including how they are structured and how they use debt financing and leveraged buyouts to amass enormous profits. This section also highlights the perverse incentives shaping their business decisions which create a high risk/low reward situation for working people.

While the report primarily refers to private equity, the data analysis also includes hedge funds that own US retailers. There is a more of a grey area than a clear divide between private equity and hedge funds. For the purposes of this report, the critical distinction is not the name of the fund but the investment strategy that is used. This report examines funds that take control of companies and use their control rights to drain value from the companies in ways that negatively affect the sustainability of the firm and its relationship to workers and communities. Taking control of companies is an investment strategy typically associated with private equity firms, but nothing stops hedge funds from owning companies and many have pursued this strategy. However, this report does not address investment strategies that involve short-term market speculation that do not involve control of companies, which is a strategy more typically associated with hedge funds.

PRIVATE EQUITY: WALL STREET'S SHADOW BANKING SYSTEM

Private equity firms are Wall Street investment companies that raise money from pension funds, endowments, hedge funds, and wealthy

individuals in order to acquire companies. Private equity managers often claim they will quickly fix these companies and make them more profitable. Then, the private equity firms will sell the newly profitable company or take it public on the stock exchange. They typically plan to resell a company within five years and promise high returns to investors in the process.¹²

In practice, these Wall Street firms make sweeping changes to cut costs and boost profits, including pay freezes, layoffs, and store closures.¹³ Private equity firms often take control of boards and appoint new leadership at companies. One study found that nearly 70 percent of CEOs are replaced at some point during private equity ownership (typically a 3 to 5 year ownership window);¹⁴ whereas average CEO tenure in the US is seven years.¹⁵

In the retail industry, both private equity firms and hedge funds have made substantial controlling investments in major companies over the last several years. Private equity and hedge fund-owned retailers employ more than 1 million of the 15.8 million retail workers nationwide.¹⁶ A wave of high-profile retail bankruptcies in the last few years — including household names like RadioShack, Toys “R” Us, Sports Authority, Payless ShoeSource, Sears, and Kmart — have impacted retailers owned by Wall Street.¹⁷

THE RISE OF “DEBT FINANCING” AND LEVERAGED BUYOUTS

Private equity has seized retail targets through risky investment deals called leveraged buyouts (LBOs) that saddle retailers with high debt and can instigate sweeping changes, including pay cuts and store closures.¹⁸ The first part of a



DEBBIE MIZEN

YOUNGSTOWN, OHIO

DEBBIE MIZEN lives in Youngstown, Ohio, and began working at Toys “R” Us in 1987. She was a single mother when she started working and was able to care for her three children on her modest salary. Debbie was an assistant manager for the last 12 years of her career, although she knew she was earning less than male supervisors in the same position. In June 2018, she lost a job she loved when Toys “R” Us liquidated and closed over 800 stores across the country. Debbie found out that her store was closing on same day as her mother’s funeral and was devastated. Since her store closed, she has faced unemployment. When her unemployment checks ran out, she had to take a job in a grocery store collecting grocery deliveries for customers while earning half of what she did at Toys “R” Us. She is turning 67 this year.

leveraged buyout (LBO) is not unlike the process of buying a home. When a family buys a house they make a downpayment and use mortgage financing to pay back the home loan over time. However, the critical LBO difference is that when a private equity firm acquires a company, it makes a downpayment with money from investors and then requires the target company to take out the loans needed to finance the deal. That means the companies, not the private equity firms, are responsible for repaying the debt. The only money that private equity firms have at stake is their initial down payment equity investment (this is often only a third or less of the total cost to acquire the company).¹⁹ Most of this investment comes from limited partners who are the outside investors to the private equity fund. It is frequently the case that the general partners who actually control the private equity firm only contribute 1 to 2 percent of the equity that’s required for the leveraged buyout.²⁰

HIGH RISK/LOW REWARD FOR WORKING PEOPLE

Leveraged buyouts are structured so that private equity firms can reap the biggest benefits with limited personal risk. This deal structure offers private equity managers perverse incentives that

encourage short-termism and excessive risk taking, generally at the expense of the employees of acquired portfolio companies.²¹ While public companies usually get about 30% of their capital from debt, private equity-owned businesses operate with about 70% debt.²² The use of large amounts of debt in private equity acquisitions has been a major driver of the growth in excessive corporate debt, which regulators have cited as a dangerous amplifier of the next recession.²³ The International Monetary Fund (IMF) recently found that over half of leveraged lending in 2018 was acquisition-related.²⁴

Private equity firms contend that these unusually high debts will impose discipline on managers and force accountability on companies that will benefit from private equity managers’ close monitoring and oversight.²⁵ However, this debt arrangement is actually a low-risk and high-reward setup for these Wall Street firms. It incentivizes excessive risk-taking by private equity managers at the expense of the acquired company. If the private equity firm drives a company into bankruptcy, the loss for the private equity firm is limited; it is the company and its workers who pay the price.²⁶ Because the company – rather than the private equity firm – is actually on the hook for the debt, workers, vendors, and institutional investors are left trying

to negotiate over whatever remains after the company covers its debt payments.²⁷

Despite these serious risks, private equity has thrived for decades thanks to lax regulation and tax loopholes that favor its business model.²⁸ Private equity managers have deployed their massive wealth to exert considerable political influence to maintain these unfair advantages.²⁹ They benefit from a lack of transparency around their business operations and fee structures, as well as a revolving door between the government and private equity firms. Private equity managers have secured powerful regulatory roles within the government and later left those roles to return to the financial sector. (For instance, immediately before becoming Commerce Secretary, Wilbur Ross previously spent 17 years at WL Ross & Co, a private equity fund he founded.)³⁰ Without sufficient regulation and government oversight, private equity firms have been emboldened to take excessive risks. These risky deals threaten the stability of our economy, compound inequality, and gamble with the livelihoods of millions of working people.

WALL STREET IS DRIVING THE RECENT WAVE OF RETAIL BANKRUPTCIES

Private equity's expansion into retail has been followed by wide scale job losses that have devastated working families and destabilized our economy.³¹ There have been a growing number of high-profile retail bankruptcies and store closures. In the past five years, dozens of major retailers have gone bankrupt.³² While many point

to the rise of e-commerce and competition from Amazon hurting the retail industry, this simplistic analysis overlooks the destabilizing impact of Wall Street takeovers of retail brands. Eileen Appelbaum, from the Center for Economic and Policy Research, and Rosemary Batt, a professor at Cornell University who studies management and employment relations, cite findings that the high amounts of debt in a typical private equity deal lead to higher rates of bankruptcy.³³ Across all sectors, private equity-owned companies are twice as likely to go bankrupt as public companies.³⁴

Private equity firms owned a considerable majority of retailers that have gone into bankruptcy. Ten out of the 14 (or 71 percent) of the largest retail chain bankruptcies since 2012 were at private equity-acquired chains. Among the retailers that filed for Chapter 11 bankruptcy in 2016 and 2017, two-thirds were backed by private equity.³⁵

2019 STORE CLOSURES

In just the first three months of 2019, **33 retailers have announced 6,683 store closures.**³⁶

The vast majority — **70%** — of these 2019 store closures are by retailers owned by private equity firms.³⁷

In total, private equity-owned retailers are set to shutter **4,680 stores** at name brands like **Payless Shoes, Sears, K-Mart, J. Crew, Shopko, and Charlotte Russe.**





MARY OSMAN

BOARDMAN, OH

“I don’t know what my future will be like. I can’t find another job at my age – no one will hire me. I dedicated my life to Toys ‘R’ Us and today I’m left with nothing. This is why I’m fighting to make things right, by changing the laws that allow private equity companies to get rich by destroying the livelihoods of hardworking people like me and my Toys ‘R’ Us family.”

MARY OSMAN worked at Toys “R” Us in Boardman, Ohio, for 24 years where she was a cashier. In 2016 she lost her benefits and continued working part-time at Toys “R” Us, relying on her husband for health insurance. She lost her job at Toys “R” Us when the company liquidated in 2018 and closed all of its stores – over 800 – across the country. Mary had planned to work at Toys “R” Us for three years before retiring with her husband. Since her store closed, Mary has been unemployed. Her husband has continued working to support both of them. Mary is also relying on social security to make ends meet. Prior to the Toys “R” Us bankruptcy Mary was looking forward to retirement in a few years. She instead finds herself at the bottom of the career ladder, competing with much younger applicants for incredibly labor-intensive positions.

PART II

WALL STREET IS A JOB KILLER

P rivate equity firms have a demonstrated record of destroying jobs while claiming to create economic growth.³⁸ Private equity-owned companies cut jobs and lay off employees in order to increase cash flow or shut down entirely due to crushing debt loads. A National Bureau of Economic Research analysis of over 3,000 private equity acquisitions found that retail companies acquired by private equity experienced a 12 percent drop in employment over the subsequent five years.³⁹

WALL STREET'S ROLE IN RETAIL BANKRUPTCY AND JOB LOSS

Our original analysis to measure the impact of Wall Street on retail bankruptcy and job loss finds that a staggering 597,000 people working at private equity and hedge fund-owned retailers have lost their jobs in the last 10 years after their Wall Street-managed retailers went bankrupt or liquidated.⁴⁰ These retail layoffs are especially troubling because they occurred while the retail industry added over one million additional jobs during the same period.⁴¹ Over the same period, private equity and hedge fund-owned retailers added only around 76,000 jobs—creating only one job for every eight jobs that were eliminated — meaning that Wall Street cost the retail sector over half a million (521,000) in net job losses. These job losses spanned over 25 retailers, including household names like Sears, Toys “R” Us, Payless, Sports Authority, Claire’s, and RadioShack.

INDIRECT JOB LOSS: EFFECTS OF RETAIL BANKRUPTCIES FELT BEYOND RETAILERS

These job losses devastate local economies and ultimately ripple throughout the national economy as suppliers and local small businesses feel the downstream effects. Not only have private equity and hedge fund-owned retailers laid off hundreds of thousands of workers, the Wall Street-driven retail bankruptcies also have effects that are felt far beyond those retailers and their former employees. Businesses and their workers, including in the retail sector, not only provide direct jobs but also have multiplier effects on indirect jobs; in other words, their economic activity supports workers in other industries, such as those who manufacture and deliver the products sold at retailers and businesses where retail employees spend their income, like grocery stores or gas stations.

**A STAGGERING 597,000
PEOPLE WORKING AT WALL
STREET-OWNED RETAILERS
HAVE LOST THEIR JOBS IN
THE LAST 10 YEARS.**

Private equity-owned retailers' suppliers and their employees suffer when the retailers go bankrupt, close stores, or shut down completely. For example in July 2018, just months after Toys "R" Us shut down, Mattel, the maker of Barbie and Hot Wheels, announced it was laying off 2,200 workers after its sales dropped by 14 percent.⁴² Then, in October 2018, toymaker Hasbro — which produces Play Doh, Transformers, and My Little Pony toys — announced it would lay off up to 10% of its employees. Hasbro's sales fell 12% in the third quarter 2018, a drop the company attributed primarily to the loss of Toys "R" Us.⁴³

A January 2019 study by the Economic Policy Institute noted that for every 100 direct jobs lost at retailers, approximately 122 additional indirect jobs are lost.⁴⁴ Over the past decade, the

597,000 documented direct retail job losses have caused an estimated additional 728,000 indirect-job losses, meaning Wall Street's gamble in retail has likely cost more than 1.3 million total job losses.

WOMEN AND PEOPLE OF COLOR HARDEST HIT BY JOB LOSSES

Wall Street has eliminated jobs across the retail industry but layoffs were most concentrated in the clothing, general merchandise, and grocery subsectors. Given the workforce demographics of those subsectors and the dynamics of the broader economy, these job losses disproportionately impact a diverse workforce with large numbers of women and people of color. For instance, more than three-quarters



© Phillip Pessar, Flickr

TOYS "R" US BANKRUPTED BY WALL STREET

In 2005, Toys "R" Us was purchased in a \$6.6 billion leveraged buyout by private equity firms Bain Capital, KKR, and Vornado Realty Trust. Toys "R" Us sales totaled \$11.2 billion in the 12 months before the leveraged buyout. While Toys "R" Us' revenues remained steady over the next 13 years — \$11.1 billion in sales in 2017

— the retailer was saddled with debt it couldn't repay.⁴⁵ By 2007, 97% of the company's operating income was consumed by interest, which left the company unable to upgrade technology or evolve its business model.⁴⁶ The heavy debt load incurred by Toys "R" Us, combined with its inability to invest money to compete with retailers like Amazon, eventually led Toy "R" Us to file for bankruptcy in 2018. The company liquidated in June of 2018 and closed their remaining 800 stores. Over 33,000 employees of the company lost their jobs and their severance payments in bankruptcy court.⁴⁷ The PE companies controlling the Toys "R" Us bankruptcy refused buyers that would have saved thousands of jobs and instead chose liquidation to maximize the financial extraction.⁴⁸ The private equity firms that owned Toys "R" Us collected more than \$470 million in fees and interest from the retailer over the ownership period. With the support of United for Respect, Toys "R" Us employees launched a national campaign that successfully pressed KKR and Bain to create a \$20 million hardship fund for these impacted families.⁴⁹



retail workers live below or near
the poverty threshold⁵⁶



**Black (43%) and Latinx (42%) retail
workers live in or near poverty**

(76%) of workers in the retail clothing sector are women, and 43% are Black, Asian, or Latinx.⁵⁰ In the general merchandise sector, nearly half of workers (46%) are Black, Asian, or Latinx, and 60% are women.⁵¹


These job losses are especially devastating for people working in retail because they already face high rates of poverty and income volatility. Retail employers often provide poor quality jobs with low pay and no benefits, stagnant wages, high rates of underemployment (despite many workers wanting full-time hours), and unstable schedules that fluctuate week to week.⁵² As a result, one out of four retail workers live below or near the poverty level.⁵³ Retail workers of color face high rates of occupational segregation and are concentrated in the retail jobs and sub sectors with the lowest pay and limited mobility (such as cashier positions in apparel).⁵⁴ Faced with poor job quality and widespread racial discrimination, very high numbers of retail



SAD'E DAVIS

VAN NUYS, CA

SAD'E DAVIS lived across the street from her Toys “R” Us in Van Nuys, California, and was a loyal customer for many years before getting hired as an associate. As a single mother of two daughters who had to work multiple jobs to get by, Sad’e felt like Toys “R” Us was a home away from home. Her coworkers were like a second family. However, after four years with the company, Sad’e was laid off during liquidation. She was forced to survive with the income from her remaining job at Burlington Coat Factory, while supporting her two daughters and taking care of her grandmother and disabled mother. She now lives in uncertainty — knowing her job could be stolen by Wall Street greed at any moment.



“It’s definitely hard to work in retail and raise a family on minimum wage. It’s even harder to wake up one day without a job. My girls have had to sit back and endure watching me juggling 5 to 6 jobs at a time. So I’m fighting for them. From the bottom of my heart I pray this cycle of failing retail jobs comes to an end.”

– SAD’E DAVIS, FORMER TOYS “R” US WORKER, VAN NUYS, CA

workers of color — two out of five of Black (43%) and Latinx (42%) — live in or near poverty.⁵⁵

Half of retail workers experience income volatility from week to week due to unpredictable schedules.⁵⁷ This income volatility makes saving difficult and decreases the likelihood that people will have a cushion to weather sudden unemployment. Since 40% of Americans cannot cover a \$400 emergency expense, private-equity-driven job losses add significant financial precariousness for impacted workers.⁵⁸ Finally, 65% of people working in retail have a child in their home, which brings added urgency to securing reliable income.⁵⁹

The effects of unemployment can be significant and long-lasting, especially for Black and Latinx workers who have a harder time rebounding and face employment discrimination in the job search process.⁶⁰ People who lose their jobs after private equity and hedge fund acquisitions must navigate a labor market rife with racial disparities. Black unemployment is consistently twice the rate of white unemployment due to a host of discriminatory systems and practices by hiring managers. Biased decisions and systemic barriers negatively impact the job prospects of applicants of color.⁶¹ Black workers are disproportionately represented in the share of long-term unemployed and discouraged workers, despite having looked for work.⁶²

WALL STREET IS POISED TO FURTHER HURT RETAIL WORKERS IN THE FUTURE

In light of Wall Street’s track record of destroying retail jobs, how many working people will be impacted moving forward? Private equity firms and hedge funds have already cost over half a million net retail jobs over the past decade, but over a million additional retail workers remain at risk of losing their jobs as a result of Wall Street in the coming years based on our analysis.

OVER ONE MILLION RETAIL WORKERS ARE AT RISK OF LOSING THEIR JOBS IN THE FUTURE.

These potentially vulnerable workers currently are employed at nearly 50 retail companies owned by private equity firms and hedge funds. The record of Wall Street-driven waves of store closures, layoffs, and bankruptcies combined with the high levels of debt suggests that the odds are not in these workers’ favor.

Working people must navigate an increasingly uncertain retail industry over the coming years. The prices of companies are soaring and many deals being made today are bigger and involve

more debt than before the financial crisis, despite warnings from regulators on the dangers of excess leverage.⁶³ Although private equity firms are raising more money than they can spend — a record \$1.1 trillion in cash from investors in 2017 — these firms still heavily rely on debt financing. In fact, leveraged buyouts were up 27 percent that year.⁶⁴ This echoes the private equity takeover boom before the 2008 financial crisis, with industry analysts increasingly seeing private equity as the next risky debt bubble.⁶⁵ Moody's Analytics predicted a wave of new retail bankruptcies when a large number of debts come due in 2019 and 2020.⁶⁶ While \$1.9 billion

of retail debt matured in 2018, from 2019 to 2025 that will rise to an annual average of nearly \$5 billion.⁶⁷ In May 2019, the Federal Reserve called for continued vigilance “as the share of new leveraged loans going to the riskiest firms reached its highest level in the first quarter since bank regulators cracked down on such lending in 2013.”⁶⁸ A recent Federal Reserve report on financial stability found that 40 percent of new loans to companies with high debts went to companies whose debt is more than six times their earnings.⁶⁹

WALL STREET'S GROWING DOMINANCE IN RETAIL

The retail industry is undergoing a rapid transformation. With the rise of behemoths like Amazon and the collapse of well-known brands like Toys “R” Us, retail is being shaped by several major forces:

- 1 A SHARP INCREASE IN CORPORATE CONCENTRATION.** Each passing year, retailers like Amazon, Walmart, and Target grow bigger, more profitable, and more powerful in the market. What used to be a sector filled with many small to mid-sized businesses is now dominated by large firms. As of 2016, the four largest U.S. retailers earned 90% of total profits.⁷⁰
- 2 THE EMERGENCE OF NEW TECHNOLOGY.** Advanced technologies and strategies are supercharging e-commerce, which is having dramatic impacts on retail business models. Increasingly, technology is also reconfiguring the roles of frontline retail workers and, in some cases, replacing workers (i.e. self-checkout cashiers).⁷¹
- 3 THE GROWING DOMINANCE OF WALL STREET AND THE FINANCIAL SECTOR OVER THE REAL ECONOMY AND WORKING PEOPLE'S LIVES.** In the wake of the Great Recession, Wall Street firms began acquiring struggling retailers in deals that forced those companies to take on large amounts of debt. The spike in retail bankruptcies because of these deals has hurt working people while providing profitable payouts for Wall Street executives.⁷²



VERONICA SANCHEZ

DIXON, CA

“I put in so many long hours and missed holidays with my family, and I got no severance for what I put into the company. I don’t want to experience another company closing, especially after putting so many years in.”

VERONICA SANCHEZ worked at a Gymboree call center in Dixon, California, for 15 years. After Gymboree announced liquidation, Veronica was disappointed to be losing her job. While her former coworkers received severance pay in previous rounds of layoffs and during Gymboree’s first bankruptcy, Veronica and her coworkers received nothing. News sources later reported that Gymboree had changed their severance pay policy on the same day that the company announced bankruptcy. Since losing her job, Veronica has had to cash out her 401k because she can’t survive solely on her unemployment check. She’s started studying to be a Medical Assistant because she doesn’t want to work in retail again.

PART III

WHY HAS WALL STREET ACQUIRED SO MANY RETAILERS?

Retail is a highly variable industry that rises and falls with changing consumer demand. The industry often operates at low profit margins with little room for error. Retailers traditionally held only small amounts of debt and owned all or most of their stores and retail floor space. This real estate asset cushion allowed retailers to survive the ups and downs of consumer demand and market volatility.⁷³

At first glance, the unpredictability of retail earnings makes the industry a puzzling target for private equity leveraged buyouts.⁷⁴ However, retail companies can be attractive to private equity because retail chains often own some or all of their store property. These retail real estate assets can better secure the debt taken on during private equity LBO deals. Private equity firms will also often sell off an acquired company's real estate assets when it's advantageous to the private equity firm. In turn, that often requires the companies to then lease back the same buildings they previously owned. In addition, retailers generate high amounts of cash which enables them to cover the payments on the debt from leveraged buyouts. This ensures private equity profits regardless of the retail chain's success, but it often puts retail companies in a financially precarious position.⁷⁵ Private equity firms have often sought to extract cash from retailers through dividend recapitalizations — where the retailer takes on more debt to pay dividends to its private equity owner.⁷⁶ For instance, the two private equity firms that acquired Payless Shoes paid their own firms \$700 million in dividends

in 2012 and 2013, but Payless later filed for bankruptcy because of its crippling debt load.⁷⁷

Wall Street firms in retail prioritize short-term financial returns. This short-termism makes them willing to extract fees and dividends from companies they acquire, with minimal regard for workers and at the expense of the long-term viability of the company.⁷⁸ Under private equity management, boards have increased CEO pay but refused to offer wage increases for workers. One study measuring the impact of over 3,000 private equity acquisitions found that in the two years after a leveraged buyout, workers' wages fell even though productivity rose.⁷⁹

DRIVER OF INEQUALITY: EARNING BILLIONS WHILE LIMITING WAGE INCREASES FOR WORKERS

Wall Street drives economic inequality in significant ways. Private equity and hedge fund managers are insulated from loss, enjoy lucrative fee structures, and pursue an aggressive tax avoidance strategy which enables them to reap massive profits. Dozens of private equity executives have become billionaires and thousands more have become extremely wealthy.⁸⁰ One analysis of the annual earnings of six private equity firm executives found that private equity firms earn almost ten times as much as banking CEOs with average earnings were over \$211,000,000 per year. Some like Stephen Schwarzman from Blackstone Group earn nearly \$800,000,000 per year.⁸¹ The top 25 hedge fund managers make an average of \$850 million per year — 100% of these hedge fund managers are men and 100% are white.⁸²

THE DEMISE OF SEARS & KMART

In 2003, Kmart was acquired by ESL Investments, a hedge fund founded by Eddie Lampert, who is also Chairman and CEO. Two years later, ESL Investments used a leveraged buyout to acquire Sears and then quickly merged the two companies. After he established Sears/Kmart, Lampert implemented dramatic cost-cutting steps, including shifting people from

hourly pay to commission-based pay, cutting benefits, and forcing people to work unstable schedules with little advance notice for changing shifts.⁸³ As Sears' sales continued to decline, Lampert sold the Land's End clothing and Craftsman

tool brands, although they were among Sears' most valuable assets. Lampert also created and chaired a real estate company, Seritage, which bought a set of Sears' stores for \$2.7 billion. Sears was then forced to pay rent on the stores it previously owned. ESL earned \$400 million in interest and fees for lending money to the cash-strapped retailer.⁸⁴ In the last five years alone, Sears lost \$5.8 billion. In the last decade Sears closed over 1,000 stores and 260,000 employees lost their jobs. In October 2018, when Sears filed for bankruptcy protection, it had \$11.3 billion in liabilities, \$5.6 billion in debt, and only \$7 billion in assets. ESL, on the other hand, made millions in interest and fees it charged on the company's debt and profits from sales of assets and payments made to ESL's other holdings like Seritage.⁸⁵

© dankeck, Flickr

These same Wall Street actors enrich themselves while lowering workers' wages and benefits. Private equity managers have an incentive to squeeze more cash flow out of firms in a relatively short period of time (within 3 to 5 years). Multiple studies have shown that private equity ownership generally depresses the wages and benefits of employees at their portfolio companies.⁸⁶ Given that employers already pay workers of color less than they pay white workers — for every dollar earned by white men, Latina women take home only 62 cents and Black women take home only 68 cents, for example — these wage decreases disproportionately harm workers of color.⁸⁷

Racial wealth disparities are even more pronounced. Average wealth of white families was \$919,336 in 2016, compared to \$191,727 for Latinx families and \$139,523 for Black families.⁸⁸ This racial wealth gap has resulted from recent and historic policies and practices that stripped wealth from Black people and gave wealth to white people.⁸⁹ And, the racial wealth divide is growing. In the ten years since the Great

Recession, average white wealth has risen by over \$116,000 since the Great Recession, while average Black wealth has fallen by \$16,762 and average Latinx wealth has fallen by \$23,807.⁹⁰ Private equity and hedge fund managers' vast accumulation of wealth, combined with decisions to limit wage increases and benefits for employees at acquired companies, makes the industry one of the most efficient private drivers of inequality in the world today.⁹¹

MULTIPLE STUDIES HAVE SHOWN THAT PRIVATE EQUITY OWNERSHIP GENERALLY DEPRESSES THE WAGES AND BENEFITS OF EMPLOYEES AT THEIR PORTFOLIO COMPANIES.



ALDEN GLOBAL CAPITAL'S **RANDALL SMITH**

SPENDS BIG WHILE SEARS PENSIONERS STRUGGLE

RANDALL SMITH is the founder, owner, and chief of investments of Alden Global Capital — the hedge fund controlling Payless Shoesource, which recently announced that it will liquidate. Smith's net worth — likely hundreds of millions of dollars — is hard to trace because he prefers to shield his assets by using limited liability companies (or LLCs) and headquartering many of his companies offshore, often in known tax havens, such as the Isle of Jersey and the Cayman Islands.⁹² Journalists and researchers nonetheless have demonstrated Smith's immense wealth that has been built off of a business model often referred to as "vulture" capitalism.⁹³ For example, from 2013 to 2014, Smith purchased sixteen mansions in Palm Beach, Florida, for approximately \$57.2 million (all through LLCs).⁹⁴ While Smith has since sold at least one of these properties, he and his wife may have owned as

many as eighteen multi-million dollar properties in Palm Beach and the Hamptons, New York, at one time.⁹⁵

Alden's president, Heath Freeman, bought a \$4.8 million waterfront mansion on two acres in East Hampton, New York.⁹⁶ After purchasing the multimillion dollar home, he built a large addition and purchased the pond next to the property.⁹⁷ In 2014, Freeman paid nearly \$120,000 for the basketball jersey worn by Christian Laettner when he made the iconic game-winning shot for Duke University against the University of Kentucky to take Duke to the Final Four in the 1992 NCAA Tournament.⁹⁸

Meanwhile, Smith and Freeman's Alden Global Capital manages approximately \$2 billion in assets.⁹⁹ Smith and Alden are considered "vultures" because of the types of predatory and

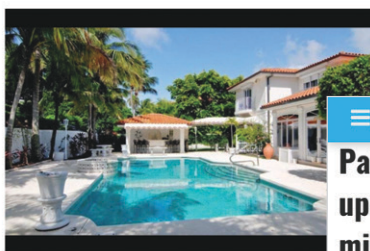
➔ **Mansions owned by Randall Smith Palm Beach, Florida:**

- | | |
|-----------------------|---------------------|
| 📍 124 Cocanut Row | 📍 249 Sandpiper Dr |
| 📍 447 Primavera Way | 📍 274 Monterey Rd |
| 📍 235 Dunbar Rd | 📍 245 Queens Ln |
| 📍 126 Casa Bendita | 📍 171 El Pueblo Way |
| 📍 286 Orange Grove Rd | 📍 341 Hibiscus Ave |
| 📍 315 Seabreeze Ave | 📍 211 Jungle Rd |
| 📍 301 Brazilian Ave | 📍 210 Onondaga Ave |
| 📍 209 List Rd | 📍 180 Canterbury Ln |
| 📍 206 Seaspray Avenue | |



© Google Maps

Beyond the Hedges: Another house snapped up in buying spree



▲ HIDE CAPTION

With an expansive pool and entertaining pavilion, 124 Coconut Row is the latest of seven Palm Beach properties to be bought by entities linked to Barbara and Randall of Palm Beach and New York. Photo Courtesy of Sotheby International Realty

Palm Beach Daily News

Palm Beach homes: Renters end up buying townhouse for \$5.5 million



▲ HIDE CAPTION

A Midtown townhouse at 341 Hibiscus Ave. has changed hands for a recorded \$5.5 million in an off-market deal. [Darrell Hofheinz/Daily News]

THE Nation.

N

SHARE

How Many Palm Beach Mansions Does a Wall Street Tycoon Need?

As many as destroying America's hometown newspapers can buy him.

By Julie Reynolds

SEPTEMBER 27, 2017

f

t

e

m

wh

sms

Illustration by Victor Juhasz.

ruthless strategies they have used in the past to dismantle retailers, including, most recently, Payless Shoes.¹⁰⁰ Alden has been accused of mismanaging its retail holdings, appointing managers who sell off assets and slash costs without concern for companies' continuing profitability, its workers, or its creditors.¹⁰¹ In 2018, Alden gave Payless a \$45 million loan which did not improve the company's financial outlook but, according to Payless creditors, allowed "the hedge fund to get ahead of other lenders seeking repayment in the new bankruptcy."¹⁰² Recently, Payless creditors flagged serious conflicts of interest between Alden and Payless, which led a bankruptcy judge to appoint a monitor to oversee the Payless board. The Payless board has three board members with direct ties to Alden, including Freeman. Payless sought \$84,000 per month to pay the Alden-controlled board during bankruptcy proceedings.¹⁰³

Alden's disruption of the media, especially the newspaper, industry is another example. As a majority owner of Digital First Media (DFM), which

is the second largest newspaper chain in the US, Alden owns hundreds of newspapers and other news outlets around the United States.¹⁰⁴ These newspapers include some larger market dailies, such as the *Denver Post*.¹⁰⁵ They often purchase the newspapers then dramatically slash costs, including laying off many of the editors, journalists, and photographers, and often selling their real estate and other assets. While job cuts are an industry-wide problem, outlets owned by DFM cut staff at twice the industry rate.¹⁰⁶ Between 2011 and 2018, DFM-owned outlets cut two out of every three staff positions, while Alden extracted at least \$241 million in cash from DFM, borrowed another \$248.5 million from newspaper workers' pension funds, and saddled the newspapers with another \$200 million in debt.¹⁰⁷ The *Denver Post*, in an unusually highly critical editorial of its owner, described this as "a cynical strategy of constantly reducing the amount and quality of its offerings," which would soon reduce the newspaper to "rotting bones."¹⁰⁸



JENNY MILLER

COLUMBUS, WI

“I feel very betrayed by the company. For the last five years we have been taken advantage of as employees in terms of workload, hours, and pressure, but we always gave it our all. We gave everything and we don’t deserve to be treated like this.”

JENNY MILLER is a single mother of three children living in Columbus, Wisconsin who worked at Payless for almost 22 years. In November 2018 Jenny was diagnosed with breast cancer. She worked hard through Thanksgiving, saving as much as she could in preparation to take a leave of absence to get treatment. In January 2019, shortly before she was scheduled to take her medical leave, Jenny’s position was terminated. While Payless told Jenny that she would receive a 12 week severance package, the payments stopped after two weeks of pay. She also lost her health insurance. Since then Jenny secured health insurance through the state and has relied on tax returns and donations from family and friends to cover monthly expenses.

PART IV

RIPPLE EFFECTS: THE IMPACT OF PRIVATE EQUITY ON LOCAL ECONOMIES, CITIES, AND STATES

Beyond the direct and indirect job losses, Wall Street's dominance in retail has caused far-ranging economic impacts on states and local communities. Private equity and hedge fund-driven bankruptcies significantly reduce the sales and real estate tax revenue that states need to fund vital public programs.¹⁰⁹ During retail bankruptcies, Wall Street firms renege on retirement and pension benefits for both current and former employees with devastating impacts on families.¹¹⁰ Public pension funds, which are major investors in private equity firms, have seen subpar returns on their investments compared to the S&P 500, which hurts the long-term financial security of an even broader swath of people.¹¹¹



CALIFORNIA STATE PROFILE

Snapshot: Estimated CA job losses at five key retailers:

Sears Holdings	-21,730
Mervyn's	-12,852
American Apparel	-5,560
Toys "R" Us	-4,181
RadioShack	-3,192

California has seen the greatest job losses from closures at private equity and hedge fund-owned retailers in recent years, **losing at least 55,000 jobs at five key retailers for the state.**

Retailer Sears Holdings, owned by hedge fund ESL investments, has shed nearly 22,000 jobs in California since the 2005 takeover. The 2008 bankruptcy of department store chain Mervyn's, owned by private equity firms Sun Capital, Cerberus Capital Management, and Lubert Adler Partners, cost nearly another 13,000 jobs.

Bloomberg Businessweek wrote of the private equity firms' actions at Mervyn's:

When Sun Capital, Cerberus Capital Management, and Lubert Adler Partners bought Mervyn's from Target (TGT) for \$1.2 billion in 2004, they promised to revive the limping

West Coast retailer. Then they stripped it of real estate assets, nearly doubled its rent, and saddled it with \$800 million in debt while sucking out more than \$400 million in cash for themselves, according to the company. The moves left Mervyns so weak it couldn't survive.

Mervyns' collapse reveals dangerous flaws in the private equity playbook. It shows how investors with risky business plans, unrealistic financial assumptions, and competing agendas can deliver a death blow to companies that otherwise could have survived. And it offers a glimpse into the human suffering wrought by

owners looking to turn a quick profit above all else.¹¹²

More recently, California was home to the largest number of Toys “R” Us employees (more than 4,000), who lost their jobs in June 2018 after KKR, Bain Capital, and Vornado took the retailer into bankruptcy. Other private equity and hedge fund-owned retailers that have closed stores in California include Payless Shoesource, Sports Authority, Charlotte Russe, Wet Seal, Coldwater Creek, Hot Topic, Aeropostale, Pacific Sunwear of California, Guitar Center, Rue21, and Shopko.



KATHY CAGLE

NEWARK, CA

“Sears was like a second home to me. I really loved that company...I feel like they really tricked me and cheated me.”

KATHY CAGLE was laid off from Sears in Newark, California, in October 2018, during the same month that Sears filed for bankruptcy. After working full-time at Sears for 29 years, Kathy was promised ten weeks of medical insurance and eight weeks of severance pay if she stayed until the last day her store was open. However, as the weeks went by after the store closed, Kathy and her coworkers didn't hear anything about their severance. During that time, Kathy went to the doctor and was told that her medical insurance had been cut off. She and her coworkers contacted Sears and eventually found out that they would not be receiving their severance as promised because of the bankruptcy. Prior to the bankruptcy, working at Sears offered a pathway to financial security for Kathy. She was able to buy a home in the Bay Area and put her daughter through college. After having her livelihood taken away, as well as the safety net of her severance, she has struggled to cover bills and her daughter's college expenses.



OHIO STATE PROFILE

Snapshot: Estimated OH job losses at five key retailers:

Sears Holdings	-13,612
Value City Department Stores	-1,496
Marsh Supermarkets	-1,495
Toys “R” Us	-1,369
Shopko	-1,368

While Ohio has been hit hard by the loss of manufacturing jobs,¹¹³ private equity firms and hedge funds have not made the situation any easier for the Midwestern state. Closures of stores by private equity and hedge fund-owned retailers have cost Ohio **at least 22,000 jobs at five key retailers over the last several years.**

While the decline of Sears under the ownership of hedge fund ESL Investments has had the greatest impact, leading to an estimated 13,600 job losses in the state, Ohio has also been hit by the closure of chains such as Toys “R” Us, Shopko, and Marsh Supermarkets.

Two retail chains owned by private equity firm Sun Capital – Marsh Supermarkets and Shopko – have each shed over 1,000 jobs in

Ohio. Indiana-based Marsh Supermarkets, founded in 1931, began to struggle; its private equity owner, Sun Capital, began selling off valuable real estate assets. In May 2017, Marsh Supermarkets announced it would close its remaining 44 stores.¹¹⁴ While thousands lost their jobs, Sun Capital recovered its initial investment and left more than \$80 million in debts to workers’ severance and pensions unpaid.¹¹⁵ *The Washington Post* reported:

“It was a long, slow decline,” said Amy Gerken, formerly an assistant office manager at one of the stores. Sun Capital Partners, the private-equity firm that owned Marsh, “didn’t really know how grocery stores work. We’d joke about them being on a yacht without even knowing what a UPC code is. But they didn’t treat employees right, and since the bankruptcy, everyone is out for their blood.”¹¹⁶

In January 2019, Shopko, owned by Sun Capital and other private equity firms, filed for bankruptcy.¹¹⁷ The company recently announced that it will close all of its stores by summer 2019.¹¹⁸ Shopko’s closure will lead to an estimated 1,370 job losses in Ohio. Prior to Wisconsin-based Shopko’s bankruptcy, Sun Capital and other owners drew \$170 million in dividend payments from the retailer.¹¹⁹

Other private equity and hedge fund-owned retailers that have closed stores in Ohio include RadioShack, Payless Shoesource, Charlotte Russe, Wet Seal, Coldwater Creek, Aeropostale, Sports Authority, American Apparel, Hot Topic, and Pacific Sunwear of California.



ESL'S EDDIE LAMPERT

SPENDS BIG WHILE SEARS PENSIONERS STRUGGLE

While Sears went bankrupt and passed on employees' pension obligations to the government, Eddie Lampert lived and worked in luxury. With a current net worth of \$1.1 billion,¹²⁰ Lampert owns at least three lavish homes: a \$38 million estate on an island in Florida known as "the billionaire bunker;" a \$26 million 10,000 square foot house on six acres of waterfront land on the Long Island Sound in Greenwich, Connecticut; and a \$14.5 million home in the wealthy ski resort town of Aspen, Colorado.¹²¹ He also owns a 288-foot yacht, worth \$130 million, named The Fountainhead.¹²² Reportedly, Lampert ran Sears while working from his \$38 million Florida island estate.¹²³

Lampert began making connections to powerful elites at Yale, where he became a member of the notorious, elite secret society Skull and Bones, whose powerful members include former president George W. Bush and billionaire private equity manager Stephen Schwarzman (who is CEO of the Blackstone Group). His roommate in college was Steve Mnuchin, who is now Trump's Secretary of the Treasury. Mnuchin served on Sears' board of directors from 2005 to 2016.¹²⁴

NET WORTH

\$1.1 BILLION

Eddie Lampert owns:

- 📍 \$38 MILLION estate in Florida
- 📍 \$26 MILLION home in Greenwich, Connecticut
- 📍 \$14.5 MILLION home in Aspen, Colorado
- 📍 \$130 MILLION Yacht



IMPACT ON EMPLOYEES' RETIREMENT

Private equity and hedge fund owners have not only laid off nearly 600,000 retail workers, but they have been quick to use the bankruptcy process to dump their obligations to current and future retirees who worked for the bankrupted companies.¹²⁵ That means the retail bankruptcies and closures will have negative effects on workers, retirees, and communities for years to come.

Most recently, ESL Investments used bankruptcy to pass on responsibility for Sears employees' pensions

Hedge fund ESL Investments, controlled by billionaire Eddie Lampert, had been the majority owner of Sears for more than a dozen years prior to the retailer's October 2018 bankruptcy filing.¹²⁶ ESL oversaw the dismantling of the 125-year-old retailer — the company has dropped more than 260,000 jobs during ESL's tenure.¹²⁷

Continued on page 32



SUN CAPITAL'S PARTY BOY

MARC LEDER

While Sun Capital has reneged on Marsh Supermarkets workers' pension obligations and cut benefits, Sun Capital co-founder and co-CEO Marc Leder has become wealthier and earned a reputation for throwing raucous, extravagant parties.¹²⁸ Leder made enough money to buy numerous multimillion-dollar properties, including a \$22 million home in the Hamptons; two apartments in the NoHo neighborhood of Manhattan, reportedly paying \$30 million for both of them; a \$4.45 million house in a golf course community in Boca Raton, Florida; and a \$15 million penthouse apartment in South Beach in Miami.¹²⁹ He is also co-owner of the NBA's Philadelphia 76ers and the NHL's New Jersey Devils.¹³⁰ While his precise net worth is unknown, his former wife estimated it was over \$400 million in a 2009 divorce filing.¹³¹

He hosted the infamous 2012 Mitt Romney \$50,000 per plate fundraiser at his Boca Raton house where Romney made his "takers" comments about supporters of President Barack Obama: "All right, there are 47 percent who are with him, who are dependent upon government, who believe that they are victims, who believe the government has a responsibility to care for them, who believe that they are entitled to health care, to food, to housing, to you-name-it."¹³²

Earning the nickname "the Hugh Hefner of the Hamptons," Leder has hosted numerous unique and expensive parties over the years.¹³³ For example, in 2015, he chartered a 290-foot cruise ship, taking 100 guests, who created the hashtag #ssleder for the event, on an all-expenses-paid 7-day cruise to the Galapagos Islands in Ecuador.¹³⁴ His elaborate Hamptons blowout bashes became infamous. For example, in 2013, following numerous complaints from neighbors and noise violations from the town where his \$900,000 summer rental was located, he struck a deal with the town to be permitted to host a July 4th party by donating \$10,000 to the Southampton Youth Services and putting \$50,000 in escrow in case of damages.¹³⁵

"The Hugh Hefner of the Hamptons"

ESTIMATED NET WORTH

\$400+
MILLION

He took **100 guests** on an
ALL expense-paid 7-day cruise to the Galapagos





NEW JERSEY STATE PROFILE

Snapshot: Estimated NJ job losses at five key retailers:

A&P	-12,147
Sears Holdings	-5,576
Toys “R” Us	-2,865
RadioShack	-912
Payless Shoesource	-720

New Jersey has seen a number of private equity and hedge fund-owned retailers shutter in recent years, resulting in **more than 25,000 lost jobs at five key retailers.**

The Great Atlantic & Pacific Tea Co. (A&P) — which operated grocery stores including A&P, Food Emporium, Pathmark, Superfresh, and Waldbaum’s — emerged from bankruptcy in 2011 after investments by private equity firms Yucaipa Cos, Mount Kellett Capital Management, and Goldman Sachs Asset Management.¹³⁶

Yet just a few years later, in 2015, the Montvale, New Jersey-based retailer filed for bankruptcy again.¹³⁷ While some A&P stores were sold to other grocery chains, thousands of A&P employees in New Jersey lost their jobs.¹³⁸

When retailer Toys “R” Us shut its doors in June 2018, New Jersey lost thousands of jobs at the stores and its Wayne, New Jersey, corporate headquarters. In addition to being a major employer in the state, Toys “R” Us’ Wayne headquarters was the third-largest taxpayer in the township, paying \$2.7 million in 2017. Following the bankruptcy announcement, rating agency Moody’s noted that the Toys “R” Us bankruptcy could negatively affect the township’s economy and its triple-A credit rating.¹³⁹ The negative fiscal impact of Toys “R” Us’ bankruptcy was not limited to Wayne Township.

Other private equity and hedge fund-owned retailers that have closed stores in New Jersey include Sports Authority, Value City Department Stores, Aeropostale, Charlotte Russe, Wet Seal, Coldwater Creek, American Apparel, Pacific Sunwear of California, Hot Topic, and Rue21.

Earlier this year, a bankruptcy court approved the sale of hundreds of Sears stores, as well as the Sears brand and its intellectual property, to a new ESL-owned vehicle, Transform Holdco. But Sears' pension obligations to 90,000 Sears employees were left in limbo.¹⁴⁰ The U.S. government will end up taking over much of those obligations. The Pension Benefit Guaranty Corporation (PBGC), a federal government agency set up to protect pensioners, will assume responsibility for Sears employees' pensions.¹⁴¹ The PBGC sued Sears in February 2019, alleging two Sears Holdings' pension plans were underfunded by \$1.4 billion.¹⁴² While the PBGC will insure all Sears employees are paid the pensions they are due,

Sears liquidation means retirees will lose health insurance.¹⁴³

"ESL's current bid to 'save the company' is nothing but the final fulfillment of a years-long scheme to deprive Sears and its creditors of assets and its employees of jobs while lining Lampert's and ESL's own pockets," according to a January 2019 filing in Sears' bankruptcy case by attorneys for Sears' unsecured creditors (which include the PBGC).¹⁴⁴

According to Lampert, if Sears could have taken billions in hard earned workers' retirement and instead "employed those billions of dollars in



FLORIDA STATE PROFILE

Snapshot: Estimated FL job losses at five key retailers:

Sears Holdings	-13,120
Toys "R" Us	-2,220
RadioShack	-1,698
Payless Shoesource	-1,476
Sports Authority	-1,452

Despite Florida's fast population growth, the state has been hit by closures at private equity and hedge fund-owned retailers in recent years, leading to **at least 21,000 job losses among five key retailers.**

More than 13,000 Sears and Kmart employees in Florida have lost their jobs since hedge fund ESL Investments merged the retailers in 2005. Last

year's liquidation of Toys "R" Us led to more than 2,200 layoffs in Florida.

More recently, the announcement by Payless Shoesource that it is liquidating will lead to nearly 1,500 job losses in Florida. Payless is controlled by hedge fund Alden Global Capital, which took over ownership when Payless emerged from bankruptcy in 2017.¹⁴⁵ Payless' creditors have alleged that the retailer "was the victim of a series of insider transactions designed to benefit the hedge fund at their expense," according to the *Wall Street Journal*.¹⁴⁶ Payless originally went bankrupt in part because of the \$840 million in debt piled on by its former private equity owners, Blum Capital and Golden Gate Capital, following their 2012 buyout of the company.¹⁴⁷ In February 2019, Payless announced its plans to liquidate its 2,500 North American locations, which would cause 16,000 people to lose their jobs.¹⁴⁸

Other private equity and hedge fund-owned retailers that have closed stores in Florida include Charlotte Russe, Wet Seal, Coldwater Creek, Aeropostale, Pacific Sunwear of California, American Apparel, Hot Topic, Guitar Center and Rue21.

its operations, we would have been in a better position to compete with other large retail companies, many of which don't have large pension plans, and thus have not been required to allocate billions of dollars to these liabilities."¹⁴⁹

SUN CAPITAL HAS LEFT BEHIND \$280 MILLION IN DEBTS TO WORKERS' SEVERANCE AND PENSIONS

Sears is by no means the only example of private equity firms dropping pension obligations during the bankruptcy process. Twenty-five of Sun Capital's companies have filed for bankruptcy since 2008, which is one of every five companies it owns.¹⁵⁰ Over the past 10 years, five of those bankrupt companies owned by Sun Capital left behind \$280 million in debts to employee pensions.¹⁵¹

When Marsh Supermarkets filed for bankruptcy in 2017, its owner, Sun Capital, recovered its investment but left more than \$80 million in debts to workers' severance and pensions unpaid.¹⁵² As *The Washington Post* reported, "They did everyone dirty," said Kilby Baker, 70, a retired warehouse worker whose pension check was cut by about 25 percent after Marsh Supermarkets withdrew from the pension. "We all gave up wage increases so we could have a better pension. Then they just took it away from us."¹⁵³

FAILURES OF WALL STREET-OWNED RETAILERS ALSO HIT PENSION FUNDS' INVESTMENT RETURNS

The collapse of private equity and hedge fund-owned retailers not only hit the retirement savings of their employees but also damages the economic security of millions of other employees and retirees who participate in pension funds that are invested with those private equity firms. Employee pension funds make up the largest group of investors in private equity and they depend on investment returns to pay benefits for millions of retirees.¹⁵⁴ Retail bankruptcies often mean losses for pension investors.

For example when Toys "R" Us went bankrupt, the pension funds that were invested in the KKR and Bain Capital (which owned Toys "R" Us), reportedly lost several million dollars.¹⁵⁵ While these losses were spread out across hundreds of investors and represented a small amount relative to those pension funds' overall assets, the loss affected pension funds including the Washington State Investment Board, the Oregon Investment Council, the New York State Common Retirement Fund, the California Public Employees' Retirement System, the Minnesota State Board of Investment, the Michigan Department of Treasury, and the State Teachers Retirement System of Ohio.¹⁵⁶

IMPACT ON STATE AND LOCAL TAX REVENUE

Failures at Wall Street-owned retailers also directly reduced the tax bases of states and localities.¹⁵⁷ Most U.S. states and many municipalities and localities collect sales tax.¹⁵⁸ When retailers shut their doors, those sales and sales tax revenues to states and municipalities disappear. For example, Toys "R" Us' 2016 net sales totaled \$7.131 billion.¹⁵⁹ Toys "R" Us' 2018 closure resulted in clear reductions in sales tax revenue.

Beyond sales taxes, many municipalities rely heavily on local real estate taxes for revenue. Retail closures mean vacant stores, reducing the value of real estate and thus property tax receipts.¹⁶⁰ And, that decline in value is not confined to shuttered retail stores themselves. Vacancies can lead to more vacancies, as customers may avoid malls that have lost an "anchor tenant" or have many empty storefronts.¹⁶¹ According to *Bloomberg*, the U.S. store closures announced in 2017 represented a record 105 million square feet of real estate. By April 2018, additional closures accounted for another 77 million square feet, according to data on retail chains compiled by the CoStar Group Inc.¹⁶²



MADELYN GARCIA

WEST PALM BEACH, FL

“I’ve been working all my life, and helped build the foundation at Toys “R” Us. When I lost my job, I didn’t know how I would pay my bills or what I’d do without my medical benefits. When I found out the same Wall Street firms were destroying Puerto Rico where my family was struggling, it was a slap in the face. But we’re now standing up against Wall Street greed, and it feels amazing. We will change the laws and keep these companies from ruining more jobs and more lives.”

MADELYN GARCIA is from Boynton Beach and worked at Toys “R” Us for 30 years, where she was a store manager until her store closed in June 2018. Madelyn lost her mother and her job in the same week. Madelyn has family in Puerto Rico who were impacted by the devastation of Hurricane Maria in 2017. She visited the island often with her mother and in recent years saw prices skyrocketing and her family facing financial struggles. Madelyn was shocked to learn that the hedge funds involved in the liquidation of Toys “R” Us were also involved in the crushing debt crisis on the island. Wall Street greed was impacting her life in more ways than one, and, until then, it wasn’t an issue her coworkers or family were following closely.

PART V

HOW DID WE GET HERE? PRIVATE EQUITY FIRMS AND HEDGE FUNDS ARE UNACCOUNTABLE TO REGULATORS

Despite the enormous risks posed to workers, creditors, and the economy, private equity and hedge funds historically have been exempt from many key regulations governing mutual funds, investment banks, and commercial banks.¹⁶³ While public companies are required to disclose detailed information about their income, expenses, and overall performance, private equity-owned companies are not. In addition, private equity funds have minimal disclosure requirements. Consequently, investors and the public often have limited or no meaningful transparency into private equity investments.¹⁶⁴

The limited existing disclosure requirements only highlight the urgent need for more accountability. The 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act added some reporting requirements for private equity and hedge funds with more than \$150 million in assets.¹⁶⁵ It also required the Securities and Exchange Commission (SEC) to begin conducting examinations of private equity firms' practices. In 2014, after its first round of examinations, Andrew Bowden, then Director of the SEC's Office of Compliance Inspections and Examinations, reported, "When we have examined how fees and expenses are handled by advisers to private equity funds, we have identified what we believe are violations of law or material weaknesses in controls over 50% of the time."¹⁶⁶ In the two years following, several major private equity firms paid hundreds of millions of dollars to settle SEC charges that they misled investors about the fees.¹⁶⁷

Unfortunately, Dodd-Frank did not institute regulation of leveraged buyouts or other key aspects of private equity's business ventures.¹⁶⁸ The existing regulations fail to require the SEC to monitor many of the private equity industry's core business activities.

WALL STREET FIRMS USE TAX LOOPHOLES AND THE BANKRUPTCY CODE TO THEIR ADVANTAGE

Private equity firms use a host of strategies in their business dealings to boost profits and avoid paying their fair share.

Tax Loopholes

Exploiting tax loopholes is central to private equity's business model. Despite being some of the wealthiest people in the country — many earning hundreds of millions of dollars a year¹⁶⁹ — private equity managers pay taxes at a lower rate than teachers, firefighters, and nurses.¹⁷⁰ While a few, like John Grayken of Lone Star Funds, have gone so far as to renounce their U.S. citizenship to avoid paying taxes,¹⁷¹ most private equity managers use some of the following tax loopholes to avoid paying their fair share:

- **Carried Interest Loophole:** Private equity managers structure their giant pay packages as investments, in order to have their compensation taxed at a far lower rate than ordinary income. They are often taxed at the 20% long-term capital gains tax rate, instead of being taxed in the 37% income tax bracket.¹⁷² Despite not actually putting their own capital at risk, private equity managers are able to pay taxes at this lower capital gains rate.¹⁷³



LONE STAR'S JOHN GRAYKEN TAX EXILE

JOHN GRAYKEN, founder and sole owner of Lone Star Funds, has a net worth of \$6.9 billion, putting him second only to Blackstone Group chairman Stephen Schwarzman in net worth among private equity managers in the world.¹⁷⁴ Despite this massive wealth, Grayken took extreme steps to avoid paying U.S. taxes. In 1999, he renounced his U.S. citizenship and became a citizen of Ireland.¹⁷⁵ Nevertheless, Grayken continues to work and live part time in the United States, although he cannot spend more than 120 days in the United States annually without having to pay U.S. taxes.¹⁷⁶ Dallas-based Lone Star is a U.S. company, and Grayken owns opulent domestic properties, including a 13,000 square foot, ten and a half bathroom Boston penthouse apartment.¹⁷⁷ He bought the luxury apartment for \$33 million in 2016, then the most expensive condominium sale in Boston history.¹⁷⁸ He also owns one of the UK's most expensive homes — \$70 million, 17,500 square foot London mansion — as well

NET WORTH

\$6.9 BILLION

He purchased:

- 📍 The most expensive condominium in Boston history for **\$33 MILLION**
- 📍 One of UK's most expensive homes at **\$70 MILLION**

as a 15-bedroom house on twenty acres outside London, which was previously featured in the movie *The Omen*, and a large house overlooking Lake Geneva in Switzerland.¹⁷⁹ Meanwhile, Lone Star has made money buying distressed and delinquent home mortgages, a strategy that became particularly lucrative in the wake of the financial crisis. Its mortgage company, Caliber Home Loans, is “infamous for its tactics as a servicer of subprime loans.”¹⁸⁰ One study found that Caliber was among those doing “the worst job of complying with the servicing rules” and had a high number of foreclosures.¹⁸¹ In 2015, the New York Attorney General opened an investigation into Lone Star’s “heavy-handed mortgage-servicing tactics, including aggressive foreclosures.”¹⁸²

- **Misclassification of monitoring fees:** Private equity firms often push an acquired company to sign a management agreement, obligating it to pay “monitoring fees” to the private equity firm for periods of ten years or longer. The fees, which can exceed hundreds of millions of dollars, are supposedly paid in exchange for vaguely described monitoring, financial, and consulting services.¹⁸³ If the management agreement is terminated, the private equity firm is often entitled to receive the full value of the contract even though its obligation to perform any services ceases.¹⁸⁴ Portfolio companies typically deduct these fees as ordinary

business expenses, a move that reduces their taxes.¹⁸⁵

- **Deducting Interest Payments:** Until quite recently, tax law enabled private equity firms to deduct the interest on leveraged buyouts from pre-tax income. On the other hand, dividend payments in equity financing were not tax deductible and therefore less attractive. That meant the tax code incentivized large amounts of debt.¹⁸⁶ The 2017 tax bill put caps on how much interest can be deducted, which should reduce but not eliminate incentives to impose excessive leverage on acquired

“I’ve gone from 40 hours a week to 12 hours. They don’t understand that this is our livelihoods, it’s not something we do for fun. This is what pays the bills. I’m going to keep fighting for what’s right for me and my coworkers.”

– TAMIKA, FORMER CHARLOTTE RUSSE WORKER, MISSISSIPPI

companies. Significant interest deductions are still permitted, and in addition real estate companies are exempt from the deduction cap. In practice, private equity firms that split companies into operating and real estate firms may be able to transfer all the debt to the real estate side of the business and continue reaping benefits of the tax loophole.¹⁸⁷

Overall, Trump’s Tax Cuts and Jobs Act of 2017 was a significant boon to private equity. It reduced the corporate income tax rate to 21% (a significant drop in taxes for many private equity-owned companies) while preserving the carried interest loophole, in most circumstances, and publicly-traded partnerships loophole. Changes in the interest deductions are unlikely to fundamentally change the structure of private equity deals. Private equity firms utilize debt not just because of the tax benefit it provides, but also because it magnifies returns (assuming the portfolio company’s returns are positive) and allows them to spread capital across a greater number of companies.¹⁸⁸

MANIPULATION OF THE BANKRUPTCY CODE

Private equity firms are masters at manipulating the bankruptcy code to ensure that they are rewarded over workers, pension funds, and other

TAMIKA

MISSISSIPPI

TAMIKA has worked at a mall in Mississippi for 16 years where she worked her way up into management. She was most recently an Assistant Manager at Charlotte Russe for 5 years. In January, Tamika started reading news articles about Charlotte Russe’s rumored bankruptcy. She spoke with higher ups about it but was repeatedly told not to worry because the company was doing fine. Shortly after the company announced that all the stores would be closing — Tamika would be out of a job within one month. As the first stores started closing, corporate promised employees severance. However, when Tamika’s store closed in March, she inquired about severance pay and instead was told to file a claim with the bankruptcy court. The company claimed it would offer a bonus, but only if she stayed until the store’s last day and beat her sales from last year. After five years of full-time service, Tamika received a bonus of a couple hundred dollars which was only enough to cover one bill. As a mother of two teenagers, Tamika was worried about how to keep making rent.

creditors even if a firm does go into bankruptcy. Since the private equity firm can control the firm's debt structure and management before the bankruptcy and has access to highly paid lawyers during the procedure, they can manipulate the process to their own advantage.¹⁸⁹ Pension funds are frequently among the largest unsecured creditors of businesses in bankruptcy.¹⁹⁰

According to Pension Benefit Guaranty Corporation data, "at least 51 companies have abandoned pension plans in bankruptcy at the behest of private equity firms" from 2001 to 2014, dumping \$1.6 billion in obligations onto the PBGC and costing over 100,000 affected workers and retirees at least \$128 million.¹⁹¹

A PATH FORWARD

Wall Street's expansion into retail has threatened the stability of our economy, compounded income and wealth inequality, and gambled with the livelihoods of millions of working people. As private equity and hedge fund managers preserve and exploit lax regulations and lucrative tax loopholes to the detriment of working families, there are growing calls for reform from policymakers, local communities, and impacted workers.

Reform will not be simple because private equity funds use many methods to extract value from acquired firms and their workers. An effective approach must address all the key elements of the private equity business model.

- **The first is the private equity firm's lack of accountability for decisions it makes that affect their portfolio firms.** A prime example is the leveraged buyout, which private equity firms use to impose the costs of acquisition and financial risks on the firm being acquired and indirectly on its workers and their community, while avoiding any liability for LBO debt. Policymakers need to fundamentally re-examine the lack of accountability for debt in the leveraged buyout model and, more broadly, the lack of accountability of private equity general partners for decisions made at the firms they control.

- **Another related area of reform includes bankruptcy laws, which must give greater priority to the interests of working people.** Empowering workers in the bankruptcy process can prevent legal gamesmanship. Bankruptcy law currently allows too much leeway for private equity general partners to hold onto cash they drained from portfolio companies that could have helped keep the company afloat. In practice, this limits the funds available to support workers and communities impacted by the bankruptcy. This can have devastating results for people faced with sudden unemployment.
- **Finally, the regulatory oversight of private funds needs to be improved,** especially regarding disclosure of information and duties of fair play to outside investors in these funds.

Wall Street's expansion into retail and risky deals have led to more than a half a million retail job losses in the last decade. The stakes are high for the one million additional people working in retail who could lose their jobs and livelihoods in the coming years. This report has highlighted the urgent need to regulate private equity firms and hedge funds in order to curb the high-risk financial practices that extract wealth, destabilize employers, and negatively impact working people.

APPENDIX I: METHODOLOGY

This report analyzes data on the total number of employees working at retailers acquired by private equity firms and hedge funds in the last ten years. We used publicly available company data and Securities and Exchange Commission (SEC) 10-k filings to identify the total number of employees at each company before and after private equity acquisition based on the year the company was acquired. Those numbers were then used to calculate total jobs lost or gained at each company. The total job loss figure includes companies that filed for bankruptcy or liquidated, where we factored in whether all jobs were lost in the process.

APPENDIX II: JOB LOSS DATA BY RETAILER

COMPANY	PRIVATE EQUITY FIRM(S)	ACQUIRED	ESTIMATED EMPLOYEES	GAIN/LOSS UNDER PE	BANKRUPTCY DATE
Sears Holdings	ESL Investments	2005	45,000	-258,300	Oct 2018
Toys “R” Us	Bain Capital, KKR, Vornado	Jul 2005	0	-64,000	May 2017
Mervyn’s	Sun Capital Partners, Cerberus Capital Management, Lubert Adler Partners	Sep 2004	0	-30,000	Jul 2008
The Great Atlantic & Pacific Tea Company (A&P)	Yucaipa Companies, Mount Kellett Capital	Mar 2012	0	-26,500	Jul 2015
RadioShack	Standard General	Apr 2015	4,050	-23,450	Mar 2017
Payless Shoesource	Golden Gate Capital, Wolverine Worldwide, Blum Capital Partners	Jul 2017	0	-23,000	Apr 2017
Shopko	Elliott Associates, Lubert Adler Partners, Sun Capital Partners	Dec 2005	0	-22,800	Jan 2019
Southeastern Grocers (SEG)	Lone Star Funds	May 2010	50,000	-16,000	Mar 2018
Sports Authority	Leonard Green & Partners, Crescent Capital Group, Alpinvest Partners	May 2006	0	-15,000	Mar 2016
Marsh Supermarkets	Sun Capital Partners	Sep 2006	0	-14,900	May 2017
The Gymboree	Bain Capital	Nov 2010	0	-12,400	Jun 2017
Charlotte Russe	Advent International, Advent-Morro Equity Partners	Oct 2009	0	-10,454	Feb 2019
American Apparel	Standard General	Jul 2014	0	-10,000	Oct 2015
Value City Department Stores	Crystal Capital Partners, Emerald Capital Group	Jan 2008	0	-8,600	Oct 2008

COMPANY	PRIVATE EQUITY FIRM(S)	ACQUIRED	ESTIMATED EMPLOYEES	GAIN/LOSS UNDER PE	BANKRUPTCY DATE
Wet Seal	Versa Capital Management	Apr 2015	0	-7,413	Feb 2017
Bruno's Supermarkets	Lone Star Funds	Jan 2005	4,200	-7,300	Feb 2009
Coldwater Creek	Sycamore Partners	Jun 2014	100	-6,500	
Aeropostale	Sycamore Partners	Sep 2013	20,330	-5,949	May 2016
DeMoulas Super Markets (Market Basket)	Blackstone Group (minority stake)	Dec 2014	20,000	-5,000	
Nine West	Sycamore Partners	Apr 2014	1,500	-4,470	Apr 2018
Gordmans Stores	Sun Capital Partners	Nov 2008	0	-4,000	Mar 2017
The Limited	Sun Capital Partners	Aug 2007	0	-4,000	Jan 2017
Things Remembered	Madison Dearborn Partners, Ares Capital, KKR	Madison Dearborn-2012, Ares, KKR-2016	1,400	-3,200	Feb 2019
HH Gregg	Freeman Spogli & Co, A.S.F. Co-Investment Partners, CalSTRS	Feb 2005	0	-2,800	Mar 2017
Neiman Marcus Group	Ares Management, Canada Pension Plan	Oct 2013	13,500	-2,300	
Staples	Sycamore Partners	Sep 2017	75,192	-2,248	
David's Bridal	Clayton, Dubilier & Rice, Leonard Green & Partners	Oct 2012	10,000	-2,000	Nov 2018
Top's Markets	Morgan Stanley Investment Management	Dec 2007	14,000	-1,700	Feb 2018
Charming Charlie	TSG Consumer Partners	Dec 2013	4,100	-1,500	Dec 2017
Claire's Stores	Apollo Global Management	Jan 2007	17,300	-700	Mar 2018
The Talbots, Inc.	Sycamore Partners	Aug 2012	8,737	-359	
J. Crew	TPG Capital, Leonard Green & Partners	Mar 2011	12,400	-300	
BJ's Wholesale Club	Leonard Green & Partners, CVC Capital Partners	Sep 2011	23,500	0	

COMPANY	PRIVATE EQUITY FIRM(S)	ACQUIRED	ESTIMATED EMPLOYEES	GAIN/LOSS UNDER PE	BANKRUPTCY DATE
PetCo	CVC Capital Partners, Canada Pension Plan	Jan 2016	25,000	0	
The Fresh Market	Apollo Global Management	Apr 2016	12,600	200	
Bass Pro Shops/ Cabela's	Goldman Sachs Group, Pamplona Capital Management	Oct 2016	40,000	300	
Belk	Sycamore Partners, Apollo Investment	Dec 2015	25,000	650	
Guitar Center	Ares Management, Bain Capital	2007, 2014	11,000	812	
The Container Store	Leonard Green & Partners	Jul 2007	4,950	950	
Jo-Ann Stores	Leonard Green & Partners	Mar 2011	23,000	1,547	
PetSmart	BC Partners, Caisse de dépôt, ACE & Company, Korea Investment Corporation, StepStone Group, GIC, Ardian Holding, Longview Asset Management	Mar 2015	55,000	2,000	
National Vision	KKR	Feb 2014	10,668	3,668	
Smart and Final (SFS)	Ares Management	Dec 2012	12,232	4,068	
Savers	TPG Capital, The Carlyle Group, GoldPoint Partners, Leonard Green	Jul 2012	22,000	5,000	
99 Cents Only Stores	Ares Management, Canada Pension Plan	Jan 2012	17,200	5,200	
Party City	TH Lee Partners, Advent International	Oct 2012	19,900	5,273	
Michaels	Bain Capital, Blackstone Group	Oct 2006	49,000	5,300	
Academy Sports + Outdoors	KKR	Aug 2011	23,000	7,000	
Albertsons	Cerberus, Lubert-Adler, Kimco Realty	2006, 2013	275,000	34,000	

COMPANY	PRIVATE EQUITY FIRM(S)	ACQUIRED	ESTIMATED EMPLOYEES	GAIN/LOSS UNDER PE	BANKRUPTCY DATE
BCBG Max Azria	Guggenheim Partners	Feb 2015	n/a	n/a	Feb 2017
Aerosoles	Palladin Consumer Retail Partners, THL Credit	Jun 2014	1,500	n/a	Sep 2017
Anchor Blue	Sun Capital Partners	Jan 2003	0	n/a	May 2009; Jan 2011
Art Van Furniture	TH Lee Partners	Jan 2017	3,700	n/a	
Ashley Stewart	Gordon Brothers	Jan 2010	1,750	n/a	Sep 2010; Mar 2014
At Home Group	AEA Investors LP, Starr Investments	Oct 2011	4,400	n/a	
Avenue Stores	Versa Capital Management	Apr 2012	4,400	n/a	
Bachrach	Sun Capital Partners	Jun 2005	n/a	n/a	Apr 2017; Feb 2018
Bargain Hunt	TH Lee Partners	Dec 2015	1,500	n/a	
Barneys New York	Perry Capital, Yucaipa Cos	May 2012	1,400	n/a	
Beverages & More (BevMo)	TowerBrook Capital Partners	Feb 2007	1,100	n/a	
Bob's Discount Furniture	Bain Capital	Feb 2014	1,100	n/a	
Bristol Farms	Endeavour Capital	Oct 2010	1,500	n/a	
Cardenas Markets	KKR, Victory Park Capital	Nov 2016	3,000	n/a	
Earth Fare	Oak Hill Capital Partners	Apr 2012	2,500	n/a	
Fairway	Blackstone (GSO Capital)	Jul 2016	4,300	n/a	
Fiesta Mart	ACON Investments	Apr 2015	8,200	n/a	
Floor & Decor Outlets of America	Ares Management, Freeman Spogli Management	Oct 2010	4,400	n/a	
Forman Mills	Cohesive Capital Partners, Goode Partners	Oct 2016	3,000	n/a	

COMPANY	PRIVATE EQUITY FIRM(S)	ACQUIRED	ESTIMATED EMPLOYEES	GAIN/LOSS UNDER PE	BANKRUPTCY DATE
Gelson's Markets	TPG Capital	Feb 2014	1,500	n/a	
GPM Investments	Harvest Partners	Jan 2017	7,500	n/a	
Hot Topic	Sycamore Partners	Jun 2013	8,600	n/a	
Jetro Cash & Carry/ Restaurant Depot	Leonard Green & Partners, SVG Capital, CCMP Capital Advisors	Jan 2014	5,000	n/a	
Kriser's Natural Pet	TPG Capital	Jun 2017	800	n/a	
Mills Fleet Farm	KKR, Ardian Holding, Investar Financial	Feb 2016	6,000	n/a	
New Seasons Market	Endeavour Capital	Dec 2009	3,250	n/a	
PSEB Group (Pacific Sunwear of California/ Eddie Bauer)	Golden Gate Capital	Sep 2016 (PacSun), Aug 2009 (Eddie Bauer)	8,800	n/a	
rue21	Altamir, Apax Partners	Oct 2013	11,100	n/a	May 2017
Save-A-Lot	CoreCo Private Equity, Onex	Dec 2016	2,070	n/a	
True Religion Apparel	TowerBrook Capital Partners	May 2013	3,000	n/a	Jul 2017
Value City Furniture	SB Capital Group	Date Unknown	4,000	n/a	
Vestis Retail Group LLC (Bob's Stores, Eastern Mountain Sports)	Versa Capital Management	Nov 2012	4,200	n/a	Apr 2016
Vitamin World	Centre Lane Partners	Feb 2016	1,500	n/a	Sep 2017
West Marine	Monomoy Capital Partners	Sep 2017	4,000	n/a	
Current Employees			1,069,929		
Loss				-597,143	
Gain				75,968	
Net				-521,175	

END NOTES

- ¹ U.S. Bureau of Labor Statistics, "Employment, Hours, and Earnings from the Current Employment Statistics survey," Accessed May 1, 2019 https://data.bls.gov/timeseries/CES420000001?amp%253bdata_tool=XGtable&output_view=data&include_graphs=true.
- ² See the appendix for more information on methodology and sources.
- ³ Josh Bivens, "Updated employment multipliers for the U.S. economy," Economic Policy Institute, January 23, 2019, <https://www.epi.org/publication/updated-employment-multipliers-for-the-u-s-economy/>.
- ⁴ Protia Crowe, "The 25 richest people in private equity," *Business Insider*, March 2, 2016, <https://www.businessinsider.com/the-richest-people-in-private-equity-2016-3>.
- ⁵ Paul Krugman, "Bernie Sanders and the Myth of the 1 Percent," *New York Times*, April 18, 2019, <https://www.nytimes.com/2019/04/18/opinion/bernie-sanders-tax.html>.
- ⁶ Catherine Ruetschlin and Dedrick Asante-Muhammad, "The Retail Race Divide: How the Retail Industry Is Perpetuating Racial Inequality in the 21st Century," Demos, June 2, 2015, <https://www.demos.org/publication/retail-race-divide-how-retail-industry-perpetuating-racial-inequality-21st-century>.
- ⁷ Wallace Turbeville, "Financialization & Equal Opportunity," Demos, February 10, 2015, <https://www.demos.org/research/financialization-equal-opportunity>; Mike Konczal and Eric Harris Bernstein, "Trump's Tax Plan Isn't Tough on Wall Street or Carried Interest After All," Roosevelt Institute, June 22, 2016, <http://rooseveltinstitute.org/trumps-tax-plan-not-tough-wall-street/>; Jim Lardner, "The Engine of American Inequality," *US News & World Reports*, October 11, 2013, <https://www.usnews.com/opinion/blogs/economic-intelligence/2013/10/11/the-financial-sector-is-the-engine-of-american-inequality>.
- ⁸ Danielle Ivory, Ben Protess and Kitty Bennett, "When you dial 911 and Wall Street answers," *New York Times*, June 25, 2016, <https://www.nytimes.com/2016/06/26/business/dealbook/when-you-dial-911-and-wall-street-answers.html>.
- ⁹ "The rise and rise of private markets," McKinsey & Company, February 2018, <https://www.mckinsey.com/~/media/McKinsey/Industries/Private%20Equity%20and%20Principal%20Investors/Our%20Insights/The%20rise%20and%20rise%20of%20private%20equity/The-rise-and-rise-of-private-markets-McKinsey-Global-Private-Markets-Review-2018.ashx>; "PwC Deals: US Private Equity Deals insights Q2 2018" 2018, PwC, <https://www.pwc.com/us/en/private-equity/publications-overview/assets/pwc-private-equity-q2-2018-deals-insights.pdf>, 1.
- ¹⁰ American Investment Council, "2018 Top States and Districts," webpage, April 29, 2019, Accessed July 23, 2019, <https://www.investmentcouncil.org/2018-top-states-and-districts/>.
- ¹¹ Private Equity Stakeholder Project analysis of PitchBook data related to private equity acquisitions.
- ¹² Eileen Appelbaum and Rosemary Batt, "A Primer on Private Equity at Work Management, Employment, and Sustainability," Center for Economic and Policy Research, February 2012, <http://cepr.net/documents/publications/private-equity-2012-02.pdf>, 1-3; Ben Protess and Ari Isaacman Bevacqua, "A Primer on Private Equity," *New York Times*, June 25, 2016, <https://www.nytimes.com/2016/06/26/business/dealbook/what-is-private-equity.html>.
- ¹³ Cale Guthrie Weissman, "Why work has failed us: Because companies aren't sharing the profits," *Fast Company*, September 4, 2018, <https://www.fastcompany.com/90227917/toys-r-us-private-equity-and-stagnant-salaries>.
- ¹⁴ Lauren Weber, "Fact Check: Does Private Equity Kill Jobs?" *Wall Street Journal*, April 25, 2014, <https://blogs.wsj.com/atwork/2014/04/25/fact-check-does-private-equity-kill-jobs/>.
- ¹⁵ Dan Marcec, "CEO Tenure Rates," Harvard Law School Forum on Corporate Governance and Financial Regulation, February 12, 2018, <https://corpgov.law.harvard.edu/2018/02/12/ceo-tenure-rates/>.
- ¹⁶ U.S. Bureau of Labor Statistics, "All Employees: Retail Trade USTRADE," retrieved from FRED, Federal Reserve Bank of St. Louis, <https://fred.stlouisfed.org/series/USTRADE>, May 13, 2019; Private Equity Stakeholder Project analysis of PitchBook data related to total employees at private equity acquired companies.
- ¹⁷ Aisha Al-Muslim, "Analysis: Private Equity Common in Retail Bankruptcies," *Newsday*, April 21, 2017, <https://www.newsday.com/business/analysis-private-equity-ownership-common-in-retail-bankruptcies-1.13503349>; Bryce Covert, "The Demise of Toys 'R' Us Is a Warning," *The Atlantic*, July/August 2018 Issue, <https://www.theatlantic.com/magazine/archive/2018/07/toys-r-us-bankruptcy-private-equity/561758/>; Alex Shephard, "The Real Retail Killer," *The New Republic*, March 28, 2018, <https://newrepublic.com/article/147669/real-retail-killer>.
- ¹⁸ Cale Guthrie Weissman, "Why work has failed us: Because companies aren't sharing the profits," *Fast Company*, September 4, 2018, <https://www.fastcompany.com/90227917/toys-r-us-private-equity-and-stagnant-salaries>.
- ¹⁹ Eileen Appelbaum and Rosemary Batt, "A Primer on Private Equity at Work Management, Employment, and Sustainability," Center for Economic and Policy Research, February 2012, <http://cepr.net/documents/publications/private-equity-2012-02.pdf>, 1-2.
- ²⁰ Bryce Covert, "The Demise of Toys 'R' Us Is a Warning," *The Atlantic*, July/August 2018 Issue, <https://www.theatlantic.com/magazine/archive/2018/07/toys-r-us-bankruptcy-private-equity/561758/>.
- ²¹ Eileen Appelbaum and Rosemary Batt, "A Primer on Private Equity at Work Management, Employment, and Sustainability," Center for Economic and Policy Research, February 2012, <http://cepr.net/documents/publications/private-equity-2012-02.pdf>, 2-3.
- ²² Lauren Weber, "Fact Check: Does Private Equity Kill Jobs?" *Wall Street Journal*, April 25, 2014, <https://blogs.wsj.com/atwork/2014/04/25/fact-check-does-private-equity-kill-jobs/>.
- ²³ Robert S. Kaplan, "Corporate Debt as a Potential Amplifier in a Slowdown," Dallas Federal Reserve Bank, March 05, 2019, <https://www.dallasfed.org/research/economics/2019/0305.aspx>.
- ²⁴ Tobias Adrian, Fabio Natalucci, and Thomas Piontek, "Sounding The Alarm On Leveraged Lending," International Monetary Fund Blog (Blog), International Monetary Fund, November 15, 2018, <https://blogs.imf.org/2018/11/15/sounding-the-alarm-on-leveraged-lending/>.
- ²⁵ Bryce Covert, "The Demise of Toys 'R' Us Is a Warning," *The Atlantic*, July/August 2018 Issue, <https://www.theatlantic.com/magazine/archive/2018/07/toys-r-us-bankruptcy-private-equity/561758/>.

- ²⁶ Eileen Appelbaum and Rosemary Batt, "A Primer on Private Equity at Work Management, Employment, and Sustainability," Center for Economic and Policy Research, February 2012, <http://cepr.net/documents/publications/private-equity-2012-02.pdf>, 2.
- ²⁷ Wolf Richter, "The retail apocalypse is being fueled by private equity firms adding to debt loads," *Business Insider*, August 2, 2017, <https://www.businessinsider.com/brick-and-mortar-retail-private-equity-debt-financing-lbo-2017-8>.
- ²⁸ Eileen Appelbaum and Rosemary Batt, "A Primer on Private Equity at Work Management, Employment, and Sustainability," Center for Economic and Policy Research, February 2012, <http://cepr.net/documents/publications/private-equity-2012-02.pdf>, 5–7.
- ²⁹ "Private Equity & Investment Firms," Open Secrets.org, Center for Responsive Politics, Accessed May 3, 2019, <https://www.opensecrets.org/industries/indus.php?ind=F2600>; Ben Protess, Jessica Silver-Greenberg and Rachel Abrams, "How Private Equity Found Power and Profit in State Capitols," *New York Times*, July 14, 2016, <https://www.nytimes.com/2016/07/15/business/dealbook/private-equity-influence-fortress-investment-group.html>.
- ³⁰ "Ross, Wilbur: Dept of Commerce Secretary of Commerce, Dept of Commerce," Open Secrets, Center for Responsive Politics, Accessed May 9, 2019, https://www.opensecrets.org/revolving/rev_summary.php?id=79239.
- ³¹ See chart in appendix total job losses to date. David Dayen, "Private Equity: Looting 'R' Us," *The American Prospect*, March 20, 2018, <https://prospect.org/article/private-equity-looting-r-us>.
- ³² Alex Shephard, "The Real Retail Killer," *The New Republic*, March 28, 2018, <https://newrepublic.com/article/147669/real-retail-killer>.
- ³³ Eileen Appelbaum and Rosemary Batt, "A Primer on Private Equity at Work Management, Employment, and Sustainability," Center for Economic and Policy Research, February 2012, <http://cepr.net/documents/publications/private-equity-2012-02.pdf>, 2.
- ³⁴ Lauren Weber, "Fact Check: Does Private Equity Kill Jobs?" *Wall Street Journal*, April 25, 2014, <https://blogs.wsj.com/atwork/2014/04/25/fact-check-does-private-equity-kill-jobs/>.
- ³⁵ Bryce Covert, "The Demise of Toys 'R' Us Is a Warning," *The Atlantic*, July/August 2018 Issue, <https://www.theatlantic.com/magazine/archive/2018/07/toys-r-us-bankruptcy-private-equity/561758/>.
- ³⁶ Kelly Tyko, "Payless, Gymboree and Victoria's Secret are just some of the brands closing stores in 2019," *USA Today*, March 5, 2019, <https://www.usatoday.com/story/money/business/2019/03/05/store-closings-2019-payless-gymboree-foot-locker-shuttering-stores/3056923002/>.
- ³⁷ Analysis based on Private Equity Stakeholder Project data on private equity acquisitions and ownership stakes.
- ³⁸ Eileen Appelbaum, and Rosemary Batt, *Private Equity at Work: When Wall Street Manages Main Street* (New York: Russell Sage Foundation Press, 2014), 193.
- ³⁹ Steven J. Davis, John C. Haltiwanger, Ron S. Jarmin, Josh Lerner, and Javier Miranda, "Private Equity and Employment," National Bureau of Economic Research Working Paper Series, Paper #17399, 2011, <https://www.nber.org/papers/w17399.pdf>, 29.
- ⁴⁰ For more information see methodology appendix at the end of the report.
- ⁴¹ U.S. Bureau of Labor Statistics, "Employment, Hours, and Earnings from the Current Employment Statistics survey," Accessed May 1, 2019 https://data.bls.gov/timeseries/CES4200000001?amp%253bdata_tool=XGtable&output_view=data&include_graphs=true.
- ⁴² Abha Bhattarai, "A Toys 'R' Us death blow: Mattel to lay off 2,200 workers," *Washington Post*, July 25, 2018, https://www.washingtonpost.com/business/2018/07/25/toys-r-us-death-blow-mattel-lay-off-workers/?utm_term=.01ceef24104a.
- ⁴³ Chris Isidore, "Hasbro will lay off hundreds after Toys 'R' Us' closure," *CNN Business*, October 22, 2018, <https://www.cnn.com/2018/10/22/business/hasbro-job-cuts-toys-r-us/index.html>.
- ⁴⁴ Josh Bivens, "Updated employment multipliers for the U.S. economy," Economic Policy Institute, January 23, 2019, <https://www.epi.org/publication/updated-employment-multipliers-for-the-u-s-economy/>.
- ⁴⁵ Bryce Covert, "The Demise of Toys 'R' Us Is a Warning," *The Atlantic*, July/August 2018 Issue, <https://www.theatlantic.com/magazine/archive/2018/07/toys-r-us-bankruptcy-private-equity/561758/>.
- ⁴⁶ Bryce Covert, "The Demise of Toys 'R' Us Is a Warning," *The Atlantic*, July/August 2018 Issue, <https://www.theatlantic.com/magazine/archive/2018/07/toys-r-us-bankruptcy-private-equity/561758/>.
- ⁴⁷ Aaron Elstein, "KKR and Bain Capital contribute \$20M to help Toys R Us workers," *Crain's New York*, November 28, 2018, <https://www.craigslist.com/markets/kkr-and-bain-capital-contribute-20m-help-toys-r-us-workers>.
- ⁴⁸ Anthony Noto, "Toys 'R' Us rejects \$890 million offer from MGA Entertainment chief," *New York Business Journal*, April 17, 2018, <https://www.bizjournals.com/newyork/news/2018/04/17/toys-r-us-rejects-890-million-offer-from-mga.html>; Lillian Rizzo and Paul Ziobro, "Toys 'R' Us Rules Out Billionaire Bratz Maker's Offer," *Wall Street Journal*, April 17, 2018, <https://www.wsj.com/articles/toys-r-us-rules-out-billionaire-bratz-makers-offer-1523986175>.
- ⁴⁹ David Carey, "Bain, KKR, Vornado Suffer Wipeout in Toys 'R' Us Bankruptcy," *Bloomberg*, September 19, 2017, <https://www.bloomberg.com/news/articles/2017-09-19/bain-kkr-vornado-suffer-wipeout-in-toys-r-us-bankruptcy>; Aaron Elstein, "KKR and Bain Capital contribute \$20M to help Toys R Us workers," *Crain's New York*, November 28, 2018, <https://www.craigslist.com/markets/kkr-and-bain-capital-contribute-20m-help-toys-r-us-workers>.
- ⁵⁰ U.S. Bureau of Labor Statistics, "Household Data Annual Averages 18. Employed persons by detailed industry, sex, race, and Hispanic or Latino ethnicity," Current Population Survey, January 18, 2019, <https://www.bls.gov/cps/cpsaat18.htm>.
- ⁵¹ U.S. Bureau of Labor Statistics, "Household Data Annual Averages 18. Employed persons by detailed industry, sex, race, and Hispanic or Latino ethnicity," Current Population Survey, January 18, 2019, <https://www.bls.gov/cps/cpsaat18.htm>.
- ⁵² "Job Quality and Economic Opportunity in Retail Key Findings from a National Survey of the Retail Workforce," Center for Popular Democracy, Fair Workweek Initiative, November 2017, <https://populardemocracy.org/sites/default/files/DataReport-WebVersion-01-03-18.pdf>.
- ⁵³ Catherine Ruetschlin and Dedrick Asante-Muhammad, "The Retail Race Divide How the Retail Industry Is Perpetuating Racial Inequality in the 21st Century," *Demos*, June 2, 2015, <https://www.demos.org/publication/retail-race-divide-how-retail-industry-perpetuating-racial-inequality-21st-century>.
- ⁵⁴ "Data Brief: Retail Jobs Today," Center for Popular Democracy, Fair Workweek Initiative, January 2016, <https://populardemocracy.org/sites/default/files/RetailJobsToday1.pdf>, 1–2.
- ⁵⁵ Catherine Ruetschlin and Dedrick Asante-Muhammad, "The Retail Race Divide How the Retail Industry Is Perpetuating Racial Inequality in the 21st Century," *Demos*, June 2, 2015, <https://www.demos.org/publication/retail-race-divide-how-retail-industry-perpetuating-racial-inequality-21st-century>.

- ⁵⁶ Catherine Ruetschlin and Dedrick Asante-Muhammad, "The Retail Race Divide How the Retail Industry Is Perpetuating Racial Inequality in the 21st Century," Demos, June 2, 2015, <https://www.demos.org/publication/retail-race-divide-how-retail-industry-perpetuating-racial-inequality-21st-century>.
- ⁵⁷ Daniel Schneider and Kristen Harknett, UC Berkeley, "Income Volatility in the Service Sector: Contours, Causes, and Consequences," the Aspen Institute, July 2017, <http://www.aspenepic.org/epic-issues/income-volatility/issue-briefs-what-we-know/issue-brief-income-volatility-service-sector/>.
- ⁵⁸ U.S. Federal Reserve, "Report on the Economic Well-Being of U.S. Households in 2017 - May 2018," <https://www.federalreserve.gov/publications/2018-economic-well-being-of-us-households-in-2017-dealing-with-unexpected-expenses.htm>.
- ⁵⁹ Catherine Ruetschlin and Dedrick Asante-Muhammad, "The Retail Race Divide How the Retail Industry Is Perpetuating Racial Inequality in the 21st Century," Demos, June 2, 2015, <https://www.demos.org/publication/retail-race-divide-how-retail-industry-perpetuating-racial-inequality-21st-century>.
- ⁶⁰ Valerie Wilson and William M. Rodgers III, "Black-white wage gaps expand with rising wage inequality," Economic Policy Institute, September 19, 2016, <https://www.epi.org/files/pdf/101972.pdf>.
- ⁶¹ Valerie Wilson, "Before the State of the Union, a fact check on black unemployment," Economic Policy Institute, February 1, 2019, <https://www.epi.org/blog/before-the-state-of-the-union-a-fact-check-on-black-unemployment/>.
- ⁶² Josh Mitchell, "Who Are the Long-Term Unemployed?" Urban Institute, July 2013, <https://www.urban.org/sites/default/files/publication/23911/412885-Who-Are-the-Long-Term-Unemployed-.PDF>, 4.
- ⁶³ Callum Burroughs and Jim Edwards, "US officials say they will investigate the risky \$1.6 trillion 'leveraged loan' market," *Business Insider*, March 7, 2019, <https://www.businessinsider.com/leveraged-loans-fsb-inquiry-into-16-trillion-market-2019-3>; "The rise and rise of private markets," McKinsey & Company, February 2018, <https://www.mckinsey.com/~media/McKinsey/Industries/Private%20Equity%20and%20Principal%20Investors/Our%20Insights/The%20rise%20and%20of%20private%20equity/The-rise-and-rise-of-private-markets-McKinsey-Global-Private-Markets-Review-2018.ashx>; "PwC Deals: US Private Equity Deals insights Q2 2018," PwC, 2018, <https://www.pwc.com/us/en/private-equity/publications-overview/assets/pwc-private-equity-q2-2018-deals-insights.pdf>, 1.
- ⁶⁴ Javier Espinoza, "Private equity: flood of cash triggers buyout bubble fears," *Financial Times*, January 23, 2018, <https://www.ft.com/content/3d13da34-f6bb-11e7-8715-e94187b3017e>.
- ⁶⁵ Max Bower, "Private equity firms brace for downturn," *Reuters*, March 12, 2018, <https://www.reuters.com/article/us-private-equity-loans/private-equity-firms-brace-for-downturn-idUSKCN1GO1IO>.
- ⁶⁶ Phil Wahba, "Retail Reckoning: How Private Equity Is Boosting Some Brands and Crushing Others," *Fortune*, April 24, 2018, <http://fortune.com/2018/04/24/retail-private-equity-investors-mall-shopping/>.
- ⁶⁷ Matt Townsend, Jenny Surane, Emma Orr, and Christopher Cannon, "America's 'Retail Apocalypse' Is Really Just Beginning," *Bloomberg*, November 8, 2017, <https://www.bloomberg.com/graphics/2017-retail-debt/>.
- ⁶⁸ Victoria Guida, "Fed: More leveraged loans going to riskiest companies," *PoliticoPro*, May 6, 2019.
- ⁶⁹ Victoria Guida, "Fed: More leveraged loans going to riskiest companies," *PoliticoPro*, May 6, 2019.
- ⁷⁰ "Corporate Concentration," *The Economist*, March 24, 2016, <https://www.economist.com/blogs/graphicdetail/2016/03/daily-chart-13>.
- ⁷¹ "Technology and Disruption: Workers' Predictions on the Future of Retail," Center for Popular Democracy, Fair Workweek Initiative, and United for Respect, March 2019, <https://populardemocracy.org/technology-and-disruption>.
- ⁷² Mike Konczal and Nell Abernathy, "Defining Financialization," Roosevelt Institute, July 25, 2015, <http://rooseveltinstitute.org/defining-financialization/>; Matt Townsend, Jenny Surane, Emma Orr and Christopher Cannon, "America's 'Retail Apocalypse' Is Really Just Beginning," *Bloomberg*, November 8, 2017, <https://www.bloomberg.com/graphics/2017-retail-debt/>; David Dayen, "The Cause and Consequences of the Retail Apocalypse," November 14, 2017, *The New Republic*, <https://newrepublic.com/article/145813/cause-consequences-retail-apocalypse>.
- ⁷³ Eileen Appelbaum and Rosemary Batt, "A Primer on Private Equity at Work Management, Employment, and Sustainability," Center for Economic and Policy Research, February 2012, <http://cepr.net/documents/publications/private-equity-2012-02.pdf>, 15.
- ⁷⁴ Chuck Carroll and John Yozzo, "Private Equity Has a Retail Problem," *American Bankruptcy Institute Journal*, ABI Journal, Vol. XXXVII, No. 1, January 2018, <https://www.fticonsulting.com/~media/Files/us-files/insights/articles/private-equity-has-retail-problem.pdf>.
- ⁷⁵ Eileen Appelbaum and Rosemary Batt, "A Primer on Private Equity at Work Management, Employment, and Sustainability," Center for Economic and Policy Research, February 2012, <http://cepr.net/documents/publications/private-equity-2012-02.pdf>, 15.
- ⁷⁶ Wolf Richter, "The retail apocalypse is being fueled by private equity firms adding to debt loads," *Business Insider*, August 2, 2017, <https://www.businessinsider.com/brick-and-mortar-retail-private-equity-debt-financing-lbo-2017-8>.
- ⁷⁷ David Dayen, "The Cause and Consequences of the Retail Apocalypse," *The New Republic*, November 14, 2017, <https://newrepublic.com/article/145813/cause-consequences-retail-apocalypse>; Krystina Gustafson, "Payless ShoeSource files for Chapter 11 bankruptcy," April 4, 2017, CNBC, <https://www.cnbc.com/2017/04/04/payless-shoesource-files-for-chapter-11-bankruptcy.html>.
- ⁷⁸ Wolf Richter, "The retail apocalypse is being fueled by private equity firms adding to debt loads," *Business Insider*, August 2, 2017, <https://www.businessinsider.com/brick-and-mortar-retail-private-equity-debt-financing-lbo-2017-8>.
- ⁷⁹ Steven J. Davis, John Haltiwanger, Kyle Handley, Ron Jarmin, Josh Lerner, and Javier Miranda, "Private Equity, Jobs, and Productivity," NBER Working Paper No. 19458, September 2013, <https://www.nber.org/papers/w19458>. Roben Farzad, "Private-equity buyouts: Job killers or productivity boosters?" *Chicago Booth Review*, December 10, 2013, <http://review.chicagobooth.edu/magazine/winter-2013/private-equity-buyouts-job-killers-or-productivity-boosters>.
- ⁸⁰ Portia Crowe, "The 25 richest people in private equity," *Business Insider*, March 2, 2016, <https://www.businessinsider.com/the-richest-people-in-private-equity-2016-3>.
- ⁸¹ "Just How Much Do the Top Private Equity Earners Make?" *New York Times*, December 10, 2016, <https://www.nytimes.com/2016/12/10/business/dealbook/just-how-much-do-the-top-private-equity-earners-make.html>.
- ⁸² Paul Krugman, "Bernie Sanders and the Myth of the 1 Percent," *New York Times*, April 18, 2019, <https://www.nytimes.com/2019/04/18/opinion/bernie-sanders-tax.html>. Based on publicly available demographic information: <https://www.forbes.com/sites/nathanvardi/2018/04/17/the-25-highest-earning-hedge-fund-managers-and-traders-3/#3d370fb03596>.

- ⁸³ Bryce Covert, "Hedge-Fund Ownership Cost Sears Workers Their Jobs. Now They're Fighting Back," *The Nation*, April 23, 2019, <https://www.thenation.com/article/sears-toys-r-us-hedge-funds-bankruptcy-retail-workers/>.
- ⁸⁴ Michelle Celarier, "Eddie Lampert Shattered Sear, Sullied His Reputation, and Lost Billions of Dollars. Or Did He?" *Institutional Investor*, December 3, 2018, <https://www.institutionalinvestor.com/article/b1c33fqdnhf21s/Eddie-Lampert-Shattered-Sears-Sullied-His-Reputation-and-Lost-Billions-of-Dollars-Or-Did-He>.
- ⁸⁵ Bryce Covert, "Hedge-Fund Ownership Cost Sears Workers Their Jobs. Now They're Fighting Back," *The Nation*, April 23, 2019, <https://www.thenation.com/article/sears-toys-r-us-hedge-funds-bankruptcy-retail-workers/>.
- ⁸⁶ Eileen Appelbaum, and Rosemary Batt, *Private Equity at Work: When Wall Street Manages Main Street* (New York: Russell Sage Foundation Press, 2014), 193.
- ⁸⁷ Ariane Hegewisch, and Emma Williams-Baron, "The Gender Wage Gap: 2017 Earnings Differences by Race and Ethnicity," Institute for Women's Policy Research, March 7, 2018, <https://iwpr.org/publications/gender-wage-gap-2017-race-ethnicity/>.
- ⁸⁸ Urban Institute calculations from Survey of Financial Characteristics of Consumers 1962 (December 31), Survey of Changes in Family Finances 1963, and Survey of Consumer Finances 1983–2016. <https://apps.urban.org/features/wealth-inequality-charts/>.
- ⁸⁹ Dedrick Asante-Muhammed, Chuck Collins, Josh Hoxie, and Emanuel Nieves, *The Ever-Growing Gap: Without Change, African-American and Latino Families Won't Match White Wealth for Centuries* (Expanding Economic Opportunities and Institute for Policy Studies, August 2016), 16–17, https://ips-dc.org/wp-content/uploads/2016/08/The-Ever-Growing-Gap-CFED_IPS-Final-1.pdf.
- ⁹⁰ Urban Institute calculations from Survey of Financial Characteristics of Consumers 1962 (December 31), Survey of Changes in Family Finances 1963, and Survey of Consumer Finances 1983–2016. <https://apps.urban.org/features/wealth-inequality-charts/>.
- ⁹¹ Eileen Appelbaum, and Rosemary Batt, *Private Equity at Work: When Wall Street Manages Main Street* (New York: Russell Sage Foundation Press, 2014), 193.
- ⁹² Julie Reynolds, "Randy Smith and the destruction of the American newspaper," *News Matters*, <https://dfmworkers.org/the-man-behind-the-curtain/>.
- ⁹³ Julie Reynolds, "Meet the Vulture Capitalists Who Savaged 'The Denver Post'," *The Nation*, April 13, 2018, <https://www.thenation.com/article/meet-the-vulture-capitalists-who-savaged-the-denver-post/>.
- ⁹⁴ Julie Reynolds, "How Many Palm Beach Mansions Does a Wall Street Tycoon Need?," *The Nation*, October 16, 2017, <https://www.thenation.com/article/how-many-palm-beach-mansions-does-a-wall-street-tycoon-need/>.
- ⁹⁵ Darnell Hofheinz, "Award-winning House Sells for \$10.4M: Records Show Sellers Bought Home in String of Island Purchases," *Palm Beach Daily News*, June 21, 2018, <https://www.palmbeachdailynews.com/business/real-estate/award-winning-palm-beach-house-sells-for-million-deed-shows/xSHvaLNvQspxlm4Skdt32L/>; Julie Reynolds, "Randy Smith and the destruction of the American newspaper," *News Matters*, ND, <https://dfmworkers.org/the-man-behind-the-curtain/>.
- ⁹⁶ Julie Reynolds, "Meet the Vulture Capitalists Who Savaged 'The Denver Post'," *The Nation*, April 13, 2018, <https://www.thenation.com/article/meet-the-vulture-capitalists-who-savaged-the-denver-post/>.
- ⁹⁷ Julie Reynolds, "Meet the Vulture Capitalists Who Savaged 'The Denver Post'," *The Nation*, April 13, 2018, <https://www.thenation.com/article/meet-the-vulture-capitalists-who-savaged-the-denver-post/>.
- ⁹⁸ Julie Reynolds, "The brash young executive behind the thousand cuts at your local newspaper," *News Matters*, ND, <https://dfmworkers.org/the-most-hated-dude-in-the-news-industry/>.
- ⁹⁹ Julie Reynolds, "How Many Palm Beach Mansions Does a Wall Street Tycoon Need?," *The Nation*, October 16, 2017, <https://www.thenation.com/article/how-many-palm-beach-mansions-does-a-wall-street-tycoon-need/>.
- ¹⁰⁰ Julie Reynolds, "Meet the Vulture Capitalists Who Savaged 'The Denver Post'," *The Nation*, April 13, 2018, <https://www.thenation.com/article/meet-the-vulture-capitalists-who-savaged-the-denver-post/>; Joe Nocera, "Alden Global is Building a Tower of Companies It Can Cut Down," *Bloomberg*, November 6, 2018, <https://www.bloomberg.com/opinion/articles/2018-11-06/dallas-move-by-fred-s-drugs-and-payless-has-hedge-fund-behind-it>; The Denver Post Editorial Board, "Editorial: As vultures circle, The Denver Post must be saved," *The Denver Post*, April 6, 2018, <https://www.denverpost.com/2018/04/06/as-vultures-circle-the-denver-post-must-be-saved/>.
- ¹⁰¹ See for example, Joe Nocera, "Alden Global is Building a Tower of Companies It Can Cut Down," *Bloomberg*, November 6, 2018, <https://www.bloomberg.com/opinion/articles/2018-11-06/dallas-move-by-fred-s-drugs-and-payless-has-hedge-fund-behind-it>.
- ¹⁰² Kevin McCoy and Nathan Bomey, "As Payless wades through bankruptcy again, creditors say hedge fund may be to blame," *USA Today*, April 29, 2019, <https://www.usatoday.com/story/money/2019/04/29/payless-shoesource-bankruptcy-creditors-lenders-question-alden-global-capital-hedge-fund/3340048002/>.
- ¹⁰³ Kevin McCoy and Nathan Bomey, "As Payless wades through bankruptcy again, creditors say hedge fund may be to blame," *USA Today*, April 29, 2019, <https://www.usatoday.com/story/money/2019/04/29/payless-shoesource-bankruptcy-creditors-lenders-question-alden-global-capital-hedge-fund/3340048002/>.
- ¹⁰⁴ Julie Reynolds, "Meet the Vulture Capitalists Who Savaged 'The Denver Post'," *The Nation*, April 13, 2018, <https://www.thenation.com/article/meet-the-vulture-capitalists-who-savaged-the-denver-post/>.
- ¹⁰⁵ Julie Reynolds, "How Many Palm Beach Mansions Does a Wall Street Tycoon Need?," *The Nation*, October 16, 2017, <https://www.thenation.com/article/how-many-palm-beach-mansions-does-a-wall-street-tycoon-need/>.
- ¹⁰⁶ Jonathan O'Connell and Emma Brown, "A hedge fund's 'mercenary' strategy: Buy newspapers, slash jobs, sell the buildings," *Washington Post*, February 11, 2019, https://www.washingtonpost.com/business/economy/a-hedge-funds-mercenary-strategy-buy-newspapers-slash-jobs-sell-the-buildings/2019/02/11/f2c0c78a-1f59-11e9-8e21-59a09ff1e2a1_story.html?noredirect=on&utm_term=.7925b709cd03.
- ¹⁰⁷ Julie Reynolds, "Meet the Vulture Capitalists Who Savaged 'The Denver Post'," *The Nation*, April 13, 2018, <https://www.thenation.com/article/meet-the-vulture-capitalists-who-savaged-the-denver-post/>.
- ¹⁰⁸ The Denver Post Editorial Board, "Editorial: As vultures circle, The Denver Post must be saved," *The Denver Post*, April 6, 2018, <https://www.denverpost.com/2018/04/06/as-vultures-circle-the-denver-post-must-be-saved/>.
- ¹⁰⁹ Kate Meis, "The Decline of Retail: What Local Governments Can Do," Local Government Commission, June 26, 2017, <https://www.lgc.org/newsletter/decline-of-retail/>.

- ¹¹⁰ Peter Whoriskey, "As a grocery chain is dismantled, investors recover their money. Worker pensions are short millions," *Washington Post*, December 28, 2018, https://www.washingtonpost.com/business/economy/as-a-grocery-chain-is-dismantled-investors-recover-their-money-worker-pensions-are-short-millions/2018/12/28/ea22e398-0a0e-11e9-85b6-41c0fe0c5b8f_story.html?utm_term=.d695bd9716de.
- ¹¹¹ Arleen Jacobius, "Bankruptcies reinforce LBO fears of managers," *Pensions & Investments*, April 16, 2018, <https://www.pionline.com/article/20180416/PRINT/180419891/bankruptcies-reinforce-lbo-fears-of-managers>.
- ¹¹² Emily Thornton, "How Private Equity Strangled Mervyns," *Bloomberg Businessweek*, November 25, 2008, <https://archive.li/s5fj#selection-2625.0-2639.1>.
- ¹¹³ Meghna Chakrabarti, "1,700 More GM Employees Face Job Loss As Ohio Plant Production Grinds To Halt," *WBUR*, March 7, 2017, <https://www.wbur.org/onpoint/2017/03/07/lordstown-ohio-gm-car-production>.
- ¹¹⁴ Peter Whoriskey, "As a grocery chain is dismantled, investors recover their money. Worker pensions are short millions," *Washington Post*, December 28, 2018, https://www.washingtonpost.com/business/economy/as-a-grocery-chain-is-dismantled-investors-recover-their-money-worker-pensions-are-short-millions/2018/12/28/ea22e398-0a0e-11e9-85b6-41c0fe0c5b8f_story.html?utm_term=.d695bd9716de.
- ¹¹⁵ Peter Whoriskey, "As a grocery chain is dismantled, investors recover their money. Worker pensions are short millions," *Washington Post*, December 28, 2018, https://www.washingtonpost.com/business/economy/as-a-grocery-chain-is-dismantled-investors-recover-their-money-worker-pensions-are-short-millions/2018/12/28/ea22e398-0a0e-11e9-85b6-41c0fe0c5b8f_story.html?utm_term=.d695bd9716de.
- ¹¹⁶ Peter Whoriskey, "As a grocery chain is dismantled, investors recover their money. Worker pensions are short millions," *Washington Post*, December 28, 2018, https://www.washingtonpost.com/business/economy/as-a-grocery-chain-is-dismantled-investors-recover-their-money-worker-pensions-are-short-millions/2018/12/28/ea22e398-0a0e-11e9-85b6-41c0fe0c5b8f_story.html?utm_term=.d695bd9716de. US Securities and Exchange Commission, Exhibit 99.1, September 30, 2005, <https://www.sec.gov/Archives/edgar/data/878314/000089271205000968/exhibit99-1.htm>.
- ¹¹⁷ Sarah Min, "Shopko closing all remaining stores after failing to find a buyer," *CBS News*, March 18, 2019, <https://www.cbsnews.com/news/shopko-bankruptcy-filing-shopko-stores-is-closing-all-remaining-stores-after-failing-to-find-buyer/>.
- ¹¹⁸ Jeff Bollier, "Shopko bankruptcy plan now calls for all stores to close by summer," *Green Bay Press Gazette*, March 18, 2019, <https://www.greenbaypressgazette.com/story/money/2019/03/18/shopko-store-closings-bankruptcy-plan-now-calls-all-stores-close/3203147002/>.
- ¹¹⁹ Becky Yerak, "ShopKo Dividends Paid Out Before Bankruptcy Are Under Investigation," *Wall Street Journal*, February 28, 2019, <https://www.wsj.com/articles/shopko-dividends-paid-out-before-bankruptcy-are-under-investigation-11551389073>.
- ¹²⁰ Forbes Billionaires List 2019, "#2057 Edward Lampert" Accessed May 3, 2019, <https://www.forbes.com/profile/edward-lampert/#7bdb0668546d>.
- ¹²¹ Hayley Peterson, "Sears' reclusive CEO explains why he rarely visits the office — and instead lives at his sprawling \$38 million estate that's 1,400 miles away," *Business Insider*, March 27, 2018, <https://www.businessinsider.com/sears-ceo-eddie-lampert-responds-to-critics-of-his-management-style-2018-3>; Mark Abadi, "Sears chairman Eddie Lampert has a net worth of \$1 billion — from a \$130 million yacht to a home on 'billionaire bunker' island, here's how he spends his fortune," *Business Insider*, January 12, 2019, <https://www.businessinsider.com/sears-chairman-eddie-lampert-net-worth-lifestyle-yacht-home-2019-1>; William D. Cohan, "'They Could Have Made a Different Decision': Inside the Strange Odyssey of Hedge-Fund King Eddie Lampert," *Vanity Fair*, April 2018, <https://www.vanityfair.com/news/2018/03/the-strange-odyssey-of-hedge-fund-king-eddie-lampert-sears-kmart>.
- ¹²² "Sears chairman Eddie Lampert has a net worth of \$1 billion — from a \$130 million yacht to a home on 'billionaire bunker' island, here's how he spends his fortune," *Business Insider*, January 12, 2019, <https://www.businessinsider.com/sears-chairman-eddie-lampert-net-worth-lifestyle-yacht-home-2019-1>.
- ¹²³ Chris Isidore, "Why Eddie Lampert stuck with Sears," *CNN Business*, October 18, 2018, <https://www.cnn.com/2018/10/18/business/eddie-lampert-sears/index.html>.
- ¹²⁴ William D. Cohan, "'They Could Have Made a Different Decision': Inside the Strange Odyssey of Hedge-Fund King Eddie Lampert," *Vanity Fair*, April 2018, <https://www.vanityfair.com/news/2018/03/the-strange-odyssey-of-hedge-fund-king-eddie-lampert-sears-kmart>; Alex Wayne and Saleha Mohsin, "Trump Says Sears Was Mismanaged. Mnuchin Was on Its Board for Years," *Bloomberg*, October 15, 2018, <https://www.bloomberg.com/news/articles/2018-10-15/trump-says-sears-was-mismanaged-steven-mnuchin-was-on-its-board>.
- ¹²⁵ Peter Whoriskey, "As a grocery chain is dismantled, investors recover their money. Worker pensions are short millions," *Washington Post*, December 28, 2018, https://www.washingtonpost.com/business/economy/as-a-grocery-chain-is-dismantled-investors-recover-their-money-worker-pensions-are-short-millions/2018/12/28/ea22e398-0a0e-11e9-85b6-41c0fe0c5b8f_story.html?utm_term=.d695bd9716de.
- ¹²⁶ Rachel Siegel, "Sears files for bankruptcy after years of turmoil," *Washington Post*, October 15, 2018, https://www.washingtonpost.com/business/2018/10/15/sears-nears-bankruptcy-after-years-turmoil/?utm_term=.aa043c4653bc.
- ¹²⁷ United States Securities And Exchange Commission, "Sears Holdings 2006 Form 10K," <https://www.sec.gov/Archives/edgar/data/1310067/000104746906003414/a2168332z10-k.htm>; Adam Lewis, "Retail roundup: Gymboree, Shopko file for bankruptcy, Sears gets saved," *Pitchbook*, January 17, 2019, <https://pitchbook.com/news/articles/retail-roundup-gymboree-shopko-file-for-bankruptcy-sears-gets-saved>.
- ¹²⁸ Peter Whoriskey, "As a grocery chain is dismantled, investors recover their money. Worker pensions are short millions," *Washington Post*, December 28, 2018, https://www.washingtonpost.com/business/economy/as-a-grocery-chain-is-dismantled-investors-recover-their-money-worker-pensions-are-short-millions/2018/12/28/ea22e398-0a0e-11e9-85b6-41c0fe0c5b8f_story.html?utm_term=.d695bd9716de.
- ¹²⁹ Miriam Hall, "Financier drops \$30M on two pads at 1 Great Jones Alley," *The Real Deal: New York Real Estate News*, November 10, 2016, <https://therealdeal.com/2016/11/10/private-equity-heavyweight-drops-30m-on-two-pads-at-1-great-jones-alley/>; Mark David, "Financier Marc Leder To Buy Hamptons Party Pad," *Variety*, October 4, 2014, <https://variety.com/2014/dirt/real-estalker/financier-marc-leder-to-buy-hamptons-party-pad-1201321422/>; Julie Creswell, "In a Romney Believer, Private Equity's Risks and Rewards," *New York Times*, January 21, 2012, <https://www.nytimes.com/2012/01/22/business/in-a-romney-believer-private-equitys-risks-and-rewards.html>.
- ¹³⁰ Peter Whoriskey, "As a grocery chain is dismantled, investors recover their money. Worker pensions are short millions," *Washington Post*, December 28, 2018, https://www.washingtonpost.com/business/economy/as-a-grocery-chain-is-dismantled-investors-recover-their-money-worker-pensions-are-short-millions/2018/12/28/ea22e398-0a0e-11e9-85b6-41c0fe0c5b8f_story.html?utm_term=.d695bd9716de.

- ¹³¹ Jeff Ostrowski, "Sun Capital co-founder worth more than \$400 million, wife says," *Palm Beach Post*, July 10, 2009, <http://realtime.blog.palmbeachpost.com/2009/07/10/sun-capital-co-founder-worth-more-than-400-million-wife-says/>.
- ¹³² Peter Whoriskey, "As a grocery chain is dismantled, investors recover their money. Worker pensions are short millions," *Washington Post*, December 28, 2018, https://www.washingtonpost.com/business/economy/as-a-grocery-chain-is-dismantled-investors-recover-their-money-worker-pensions-are-short-millions/2018/12/28/ea22e398-0a0e-11e9-85b6-41c0fe0c5b8f_story.html?utm_term=.d695bd9716de; David Corn, "Romney Tells Millionaire Donors What He REALLY Thinks of Obama Voters," *Mother Jones*, September 17, 2012, <https://www.motherjones.com/politics/2012/09/secret-video-romney-private-fundraiser/>.
- ¹³³ Peter Whoriskey, "As a grocery chain is dismantled, investors recover their money. Worker pensions are short millions," *Washington Post*, December 28, 2018, https://www.washingtonpost.com/business/economy/as-a-grocery-chain-is-dismantled-investors-recover-their-money-worker-pensions-are-short-millions/2018/12/28/ea22e398-0a0e-11e9-85b6-41c0fe0c5b8f_story.html?utm_term=.d695bd9716de; Flora Drury, "Hugh Hefner of the Hamptons is Back and Ready to Party! Multi-millionaire Private Equity Titan Marc Leder is Preparing to Summer in Exclusive Enclave," *Daily Mail*, July 2, 2015, <https://www.dailymail.co.uk/news/article-3147147/Hugh-Hefner-Hamptons-ready-party-Multi-millionaire-private-equity-titan-Marc-Leder-preparing-summer-exclusive-enclave.html>.
- ¹³⁴ Dana Schuster, "This party-boy investor throws the grossest ragers in the Hamptons," *New York Post*, July 2, 2015, <https://nypost.com/2015/07/02/the-hugh-hefner-of-the-hamptons-is-back-with-naked-ladies-lasers-and-booze-galore/>.
- ¹³⁵ Dana Schuster, "This party-boy investor throws the grossest ragers in the Hamptons," *New York Post*, July 2, 2015, <https://nypost.com/2015/07/02/the-hugh-hefner-of-the-hamptons-is-back-with-naked-ladies-lasers-and-booze-galore/>; Brendan J. O'Reilly, "Marc Leder Told 'No More Parties'," *Patch South Hampton*, July 9, 2013, <https://patch.com/new-york/southampton/marc-leder-told-no-more-parties>.
- ¹³⁶ "A&P sees Goldman, Yucaipa funded bankruptcy exit," *Reuters*, November 3, 2011, <https://www.reuters.com/article/ap-bankruptcy/update-1-ap-sees-goldman-yucaipa-funded-bankruptcy-exit-idUKN1E7A22EB20111103>.
- ¹³⁷ "A&P files for bankruptcy again after suppliers threaten cutoff," *Bloomberg*, July 20, 2015, <https://www.newsday.com/business/a-p-files-for-bankruptcy-for-the-second-time-in-five-years-1.10659185>.
- ¹³⁸ Matt Dowling, "A&P notifies 3,781 N.J. workers of layoffs effective Thanksgiving Day," *Northjersey.com*, August 21, 2015, https://www.nj.com/news/2015/08/ap-supermarkets_issue_3700_layoff_notices_in_nj_as.html.
- ¹³⁹ Philip DeVencentis, "Toys 'R' Us bankruptcy may hurt Wayne's credit rating, Moody's says," *Northjersey.com*, April 25, 2018, <https://www.northjersey.com/story/news/passaic/wayne/2018/04/25/toys-r-us-bankruptcy-may-impact-waynes-credit-rating/549978002/>.
- ¹⁴⁰ Corinne Ruff, "Federal pension agency sues Sears to take over pensions," *Retail Dive*, February 4, 2019, <https://www.retaildive.com/news/federal-pension-agency-sues-sears-to-take-over-pensions/547546/>.
- ¹⁴¹ Lauren Zumbach, "Feds move to take over Sears pension plans, will cover 'vast majority' of benefits for retailer's 90,000 retirees," *Chicago Tribune*, January 18, 2019, <https://webcache.googleusercontent.com/search?q=cache:As1LSuqhoXUJ:https://www.chicagotribune.com/business/ct-biz-sears-bankruptcy-pension-plans-pbcg-takes-control-20190118-story.html+&cd=1&hl=en&ct=clnk&gl=us&client=firefox-b-1-ab>.
- ¹⁴² Corinne Ruff, "Federal pension agency sues Sears to take over pensions," *Retail Dive*, February 4, 2019, <https://www.retaildive.com/news/federal-pension-agency-sues-sears-to-take-over-pensions/547546/>.
- ¹⁴³ Lauren Zumbach, "Feds move to take over Sears pension plans, will cover 'vast majority' of benefits for retailer's 90,000 retirees," *Chicago Tribune*, January 18, 2019, <https://webcache.googleusercontent.com/search?q=cache:As1LSuqhoXUJ:https://www.chicagotribune.com/business/ct-biz-sears-bankruptcy-pension-plans-pbcg-takes-control-20190118-story.html+&cd=1&hl=en&ct=clnk&gl=us&client=firefox-b-1-ab>.
- ¹⁴⁴ Rachel Siegel, "CEO's latest bid to save Sears would leave pensioners high and dry, government says," *Washington Post*, January 28, 2019, https://www.washingtonpost.com/business/2019/01/28/ceos-latest-bid-save-sears-would-leave-pensioners-high-dry-government-says/?utm_term=.d453b87b282c.
- ¹⁴⁵ Lillian Rizzo, "Payless Owner Alden Global Takes Heat From Other Creditors," *WSJ Pro Bankruptcy*, February 20, 2019, <https://www.wsj.com/articles/payless-owner-alden-global-takes-heat-from-other-creditors-11550700104>.
- ¹⁴⁶ Lillian Rizzo, "Payless Owner Alden Global Takes Heat From Other Creditors," *WSJ Pro Bankruptcy*, February 20, 2019, <https://www.wsj.com/articles/payless-owner-alden-global-takes-heat-from-other-creditors-11550700104>.
- ¹⁴⁷ Sheena Butler-Young, "Private Equity Pumped Billions Into Dozens of Shoe Brands – Then They Went Bankrupt," *Footwear News*, June 18, 2018, <https://webcache.googleusercontent.com/search?q=cache:4YN0GBBcXJYJ:https://footwearnews.com/2018/business/retail/private-equity-bankruptcy-retail-fashion-shoe-brands-nine-west-payless-1202575710/+&cd=1&hl=en&ct=clnk&gl=us&client=firefox-b-1-ab>.
- ¹⁴⁸ Dan Primack, "Payless was another step in private equity's retail apocalypse," *Axios*, February 2, 2019, <https://www.axios.com/payless-bankruptcy-private-equity-retail-future-3392263e-c390-45eb-a2d3-6f4b763e6fd3.html>.
- ¹⁴⁹ Eddie Lampert, "Update on Our Transformation" Sears Holdings Webpage, September 13, 2018, <https://blog.searsholdings.com/eddie-lampert/update-on-our-transformation/>.
- ¹⁵⁰ Julie Creswell, "In a Romney Believer, Private Equity's Risks and Rewards," *New York Times*, January 21, 2012, <https://www.nytimes.com/2012/01/22/business/in-a-romney-believer-private-equitys-risks-and-rewards.html>.
- ¹⁵¹ Peter Whoriskey, "As a grocery chain is dismantled, investors recover their money. Worker pensions are short millions," *Washington Post*, December 28, 2018, https://www.washingtonpost.com/business/economy/as-a-grocery-chain-is-dismantled-investors-recover-their-money-worker-pensions-are-short-millions/2018/12/28/ea22e398-0a0e-11e9-85b6-41c0fe0c5b8f_story.html?utm_term=.d695bd9716de.
- ¹⁵² Peter Whoriskey, "As a grocery chain is dismantled, investors recover their money. Worker pensions are short millions," *Washington Post*, December 28, 2018, https://www.washingtonpost.com/business/economy/as-a-grocery-chain-is-dismantled-investors-recover-their-money-worker-pensions-are-short-millions/2018/12/28/ea22e398-0a0e-11e9-85b6-41c0fe0c5b8f_story.html?utm_term=.d695bd9716de.
- ¹⁵³ Peter Whoriskey, "As a grocery chain is dismantled, investors recover their money. Worker pensions are short millions," *Washington Post*, December 28, 2018, https://www.washingtonpost.com/business/economy/as-a-grocery-chain-is-dismantled-investors-recover-their-money-worker-pensions-are-short-millions/2018/12/28/ea22e398-0a0e-11e9-85b6-41c0fe0c5b8f_story.html?utm_term=.d695bd9716de.
- ¹⁵⁴ James Comtois, "Preqin: Number of \$1 billion-plus private equity investors up 14% in 2018," *Pensions & Investments*, June 14, 2018, <https://www.pionline.com/article/20180614/ONLINE/180619905/preqin-number-of-1-billion-plus-private-equity-investors-up-14-in-2018>.

- ¹⁵⁵ KKR memo to the Washington State Investment Board, May 2018.
- ¹⁵⁶ Investors in KKR Millennium Fund and Bain Capital Fund VIII, Pitchbook.com, Accessed March 30, 2019.
- ¹⁵⁷ Kate Meis, "The Decline of Retail: What Local Governments Can Do," Local Government Commission, June 26, 2017, <https://www.lgc.org/newsletter/decline-of-retail/>.
- ¹⁵⁸ "Sales Tax Rates," Sale-Tax.com, Accessed May 3, 2019, <http://www.sale-tax.com/>.
- ¹⁵⁹ U.S. Securities and Exchange Commission, Toys "R" US 2017 Form 10-K, <https://www.sec.gov/Archives/edgar/data/1005414/000100541417000011/tru201610k.htm>.
- ¹⁶⁰ Patricia Cohen, "As Big Retailers Seek to Cut Their Tax Bills, Towns Bear the Brunt," *New York Times*, January 6, 2019, <https://www.nytimes.com/2019/01/06/business/economy/retailers-property-tax-dark-stores.html>. Kate Meis, "The Decline of Retail: What Local Governments Can Do," Local Government Commission, June 26, 2017, <https://www.lgc.org/newsletter/decline-of-retail/>.
- ¹⁶¹ Noah Buhayar and Lauren Coleman-Lochner, "The Retail Real Estate Glut Is Getting Worse," *Bloomberg Businessweek*, April 17, 2018, <https://webcache.googleusercontent.com/search?q=cache:qpcenHiKsegJ:https://www.bloomberg.com/news/articles/2018-04-17/as-toys-r-us-fails-the-retail-real-estate-glut-is-getting-worse+&cd=25&hl=en&ct=clnk&gl=us&client=firefox-b-1-ab>.
- ¹⁶² Noah Buhayar and Lauren Coleman-Lochner, "The Retail Real Estate Glut Is Getting Worse," *Bloomberg Businessweek*, April 17, 2018, <https://webcache.googleusercontent.com/search?q=cache:qpcenHiKsegJ:https://www.bloomberg.com/news/articles/2018-04-17/as-toys-r-us-fails-the-retail-real-estate-glut-is-getting-worse+&cd=25&hl=en&ct=clnk&gl=us&client=firefox-b-1-ab>.
- ¹⁶³ Eileen Appelbaum and Rosemary Batt, "A Primer on Private Equity at Work Management, Employment, and Sustainability," Center for Economic and Policy Research, February 2012, <http://cepr.net/documents/publications/private-equity-2012-02.pdf>, 5.
- ¹⁶⁴ Eileen Appelbaum and Rosemary Batt, "A Primer on Private Equity at Work Management, Employment, and Sustainability," Center for Economic and Policy Research, February 2012, <http://cepr.net/documents/publications/private-equity-2012-02.pdf>, 5.
- ¹⁶⁵ US Securities and Exchange Commission, "SEC Adopts Dodd-Frank Act Amendments to Investment Advisers Act," Press Release, 2011, <https://www.sec.gov/news/press/2011/2011-133.htm>.
- ¹⁶⁶ "Spreading Sunshine in Private Equity," Andrew J. Bowden, Director, Office of Compliance Inspections and Examinations, US Securities and Exchange Commission, May 6, 2014, <https://www.sec.gov/news/speech/2014--spch05062014ab.html>.
- ¹⁶⁷ Jonathan N. Eisenberg, "The Year in Review: SEC Enforcement Actions Against Investment Advisers," Harvard Law School Forum on Corporate Governance and Financial Regulation, December 19, 2016, <https://corpgov.law.harvard.edu/2016/12/19/the-year-in-review-sec-enforcement-actions-against-investment-advisers/>.
- ¹⁶⁸ Eileen Appelbaum and Rosemary Batt, "A Primer on Private Equity at Work Management, Employment, and Sustainability," Center for Economic and Policy Research, February 2012, <http://cepr.net/documents/publications/private-equity-2012-02.pdf>, 5.
- ¹⁶⁹ "Just How Much Do the Top Private Equity Earners Make?" *New York Times*, December 10, 2016, <https://www.nytimes.com/2016/12/10/business/dealbook/just-how-much-do-the-top-private-equity-earners-make.html>.
- ¹⁷⁰ "The Buffett Rule: A Basic Principle of Tax Fairness," The National Economic Council, April 2012, https://obamawhitehouse.archives.gov/sites/default/files/Bufett_Rule_Report_Final.pdf, 6. US Bureau of Labor Statistics, "Occupational Employment and Wages, 29-1141 Registered Nurses," May 2017, <https://www.bls.gov/oes/2017/may/oes291141.htm>; US Bureau of Labor Statistics, "Occupational Outlook Handbook: Firefighters," April 12, 2019, <https://www.bls.gov/ooh/protective-service/firefighters.htm>; US Bureau of Labor Statistics, "Occupational Outlook Handbook, High School Teachers," April 23, 2019, <https://www.bls.gov/ooh/education-training-and-library/high-school-teachers.htm>.
- ¹⁷¹ Nathan Vardi, "The Billionaire Banker In The Shadows," *Forbes*, March 1, 2016, <https://www.forbes.com/sites/nathanvardi/2016/03/01/the-billionaire-banker-in-the-shadows/#74a759054a84>.
- ¹⁷² Eileen Appelbaum and Rosemary Batt, "Private Equity Partners Get Rich at Taxpayer Expense," Center for Economic and Policy Research, July 2017, <http://cepr.net/images/stories/reports/private-equity-partners-2017-07.pdf>; Hazel Bradford, "Congress revives carried interest debate," *Pensions & Investments*, March 14, 2019, <https://www.pionline.com/article/20190314/ONLINE/190319916/congress-revives-carried-interest-debate>.
- ¹⁷³ "Tax Cuts & Jobs Act: Considerations for Funds," Cleary Gottlieb, January 2, 2018, <https://www.clearygottlieb.com/~media/organize-archive/cgsh/files/2017/publications/tax-cuts-and-jobs-act-2017/updates-1-2-18/tcja-summary-private-equity-jan-2.pdf>, 8.
- Note: The 2017 Tax Cuts and Jobs Act largely preserved the loophole. It is now limited only for "capital" that is invested for less than three years. However, private equity funds often hold investments for more than three years, so this is unlikely to affect many private equity firms.
- ¹⁷⁴ Forbes 2019 Billionaires List, "#215 John Grayken," Accessed May 3, 2019, <https://www.forbes.com/profile/john-grayken/#7841cf3810a0>; Nathan Vardi, "The Billionaire Banker In The Shadows," *Forbes*, March 1, 2016, <https://www.forbes.com/sites/nathanvardi/2016/03/01/the-billionaire-banker-in-the-shadows/#2b0b71f4a84e>.
- ¹⁷⁵ Nathan Vardi, "The Billionaire Banker In The Shadows," *Forbes*, March 1, 2016, <https://www.forbes.com/sites/nathanvardi/2016/03/01/the-billionaire-banker-in-the-shadows/#2b0b71f4a84e>.
- ¹⁷⁶ Nathan Vardi, "The Billionaire Banker In The Shadows," *Forbes*, March 1, 2016, <https://www.forbes.com/sites/nathanvardi/2016/03/01/the-billionaire-banker-in-the-shadows/#2b0b71f4a84e>.
- ¹⁷⁷ Tim Logan, "For priciest condo, a billionaire buyer," *Boston Globe*, June 16, 2016, http://paper.bostonglobe.com/BostonGlobe/article_popover.aspx?guid=8b2e146a-148d-4101-bf04-a09815f1c715&source=next; Tom Acitelli, "Millennium Tower 'Grand Penthouse' on sale for \$45 million," *Curbed Boston*, November 2, 2018, <https://boston.curbed.com/2018/11/2/18055994/millennium-tower-grand-penthouse>.
- ¹⁷⁸ Tom Acitelli, "\$37.5M Millennium Tower Penthouse Buyer Won't Live There Full-Time," *Curbed Boston*, June 16, 2016, <https://boston.curbed.com/2016/6/16/11952374/grayken-millennium-tower-boston>.
- ¹⁷⁹ Nathan Vardi, "The Billionaire Banker In The Shadows," *Forbes*, March 1, 2016, <https://www.forbes.com/sites/nathanvardi/2016/03/01/the-billionaire-banker-in-the-shadows/#2b0b71f4a84e>.
- ¹⁸⁰ Nathan Vardi, "The Billionaire Banker In The Shadows," *Forbes*, March 1, 2016, <https://www.forbes.com/sites/nathanvardi/2016/03/01/the-billionaire-banker-in-the-shadows/#2b0b71f4a84e>.
- ¹⁸¹ Nathan Vardi, "The Billionaire Banker In The Shadows," *Forbes*, March 1, 2016, <https://www.forbes.com/sites/nathanvardi/2016/03/01/the-billionaire-banker-in-the-shadows/#2b0b71f4a84e>.

¹⁸² Nathan Vardi, "The Billionaire Banker In The Shadows," *Forbes*, March 1, 2016, <https://www.forbes.com/sites/nathanvardi/2016/03/01/the-billionaire-banker-in-the-shadows/#2b0b71f4a84e>.

¹⁸³ Eileen Appelbaum and Rosemary Batt, "Fees, Fees and More Fees: How Private Equity Abuses Its Limited Partners and U.S. Taxpayers," Center for Economic and Policy Research, May 2016, cepr.net/images/stories/reports/private-equity-fees-2016-05.pdf.

¹⁸⁴ Value of all future monitoring fees under the remaining term of the contract, discounted using the U.S. treasury rate.

¹⁸⁵ Eileen Appelbaum and Rosemary Batt, "Fees, Fees and More Fees: How Private Equity Abuses Its Limited Partners and U.S. Taxpayers," Center for Economic and Policy Research, May 2016, cepr.net/images/stories/reports/private-equity-fees-2016-05.pdf.

¹⁸⁶ William D. Cohan, "Why Private Equity Isn't Cheering the Tax Overhaul," *New York Times*, January 19, 2018, <https://www.nytimes.com/2018/01/19/business/dealbook/private-equity-tax-overhaul.html>.

¹⁸⁷ David Dayen, "Will the Tax Act Set Back Private Equity?" *The American Prospect*, July 2, 2018, <https://prospect.org/article/will-tax-act-set-back-private-equity>;

¹⁸⁸ Jonathan Collett and Robert Richardt, "Impact of the Tax Cuts and Jobs Act on the Private Equity Industry," CohnReznick, February 28, 2018, <https://www.cohnreznick.com/insights-and-events/insights/impact-of-tax-cuts-jobs-act-on-private-equity-industry>.

¹⁸⁹ Jonathan C. Lipson, "The Shadow Bankruptcy System," *Boston University Law Review*, Vol. 89: 1609, May 3, 2009, <https://www.bu.edu/law/journals-archive/bulr/volume89n5/documents/LIPSON.pdf>, 1615-1618; Robert J. Rosenberg & Michael J. Riela, "Hedge Funds: the New Masters of the Bankruptcy Universe," International Insolvency Institute Eighth Annual International Insolvency Conference June 9-10, 2008, <https://www.iiiglobal.org/sites/default/files/rosenbergandriela.pdf>;

¹⁹⁰ Josh Gotbaum, "Statement Before the ABI Commission to Study Reform of Chapter 11," Washington, D.C., March 14, 2013, <http://commission.abi.org/14mar2013>; Jonathan Lewis and Vivek Melwani, "Treatment of Pension Plans When an Employer Is in Bankruptcy," *Bender's Labor & Employment Bulletin*, April 2006, https://www.friedfrank.com/siteFiles/ffFiles/060503_bleb_lewis.pdf, 164.

¹⁹¹ Elizabeth Lewis, "A Bad Man's Guide to Private Equity and Pensions." Edmond J. Safra Research Lab Working Papers, No. 68, June 19, 2015, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2620320. Eileen Appelbaum, and Rosemary Batt, *Private Equity at Work: When Wall Street Manages Main Street* (New York: Russell Sage Foundation Press, 2014), 299.