

THE STOP WALL STREET LOOTING ACT OF 2019

Over the last two decades, private equity activity in the economy has exploded. Since 2009, investors have allocated [\\$5.8 trillion](#) globally to private equity. Private equity funds have purchased companies in many sectors of the economy — from [nursing homes](#), to [newspapers](#), to [grocery stores](#) — laying off hundreds of thousands of workers and ruining thousands of companies in the process. Today, 35,000 companies owned by private equity employ nearly [5.8 million workers](#).

The private equity industry [claims](#) that it earns high returns for investors by using their capital to buy companies, using funds' management expertise to make the companies' operations more efficient, and then selling the companies at a profit. In reality, private equity funds often load up debt on the companies they buy, strip them of their assets, and extract exorbitant fees, guaranteeing payouts for themselves regardless of how the investment performs, and walking away from workers, consumers, communities, and investors if the bets go bad.

It's time to level the playing field, protect workers, consumers and investors, and force private equity firms to take responsibility for the success of companies they control by closing the loopholes that allow them to capture all the rewards of their investments while insulating themselves from risk. The Stop Wall Street Looting Act will:

- **Require Private Investment Firms to Have Skin in the Game.** Firms will share responsibility for the liabilities of companies under their control including debt, legal judgments and pension-related obligations to better align the incentives of private equity firms and the companies they own. In order to discourage irresponsible leverage, the bill ends the tax subsidy for excessive leverage and closes the carried interest loophole.
- **End Looting of Portfolio Companies.** To give portfolio companies a shot at success, the proposal bans dividends to investors for two years after a firm is acquired and ends the extraction of wealth from acquired companies through excessive fees.
- **Protect Workers, Customers and Communities.** This proposal prevents private equity firms from walking away when a company fails and protects stakeholders by:
 - Prioritizing worker pay in the bankruptcy process and improving rules so workers are more likely to receive severance, pensions, and other payments they earned.
 - Creating incentives for job retention so that workers can benefit from a company's second chance.
 - Ending the immunity of private equity firms from legal liability when their portfolio companies break the law, including the WARN Act. When workers at a plant are shortchanged or residents at a nursing home are hurt because private equity firms force portfolio companies to cut corners, the firm should be liable.
 - Clarifying that gift cards are consumer deposits, ensuring their priority in bankruptcy.
- **Empower Investors by Increasing Transparency.** Private fund managers will be required to disclose fees and returns so that investors can monitor their investments and shop around. The bill will also prevent firms from requiring investors to waive their fiduciary duties and end secret side deals that privilege some investors over others.
- **Require Risk Retention.** Reinstates the Dodd-Frank provision that requires arrangers of corporate debt securitization to retain some of the risk.