

Congress of the United States
Washington, DC 20510

November 2, 2021

Raymond Svider
Partner and Chairman
BC Partners
650 Madison Avenue, 23rd Floor
New York, NY 10022

Dear Mr. Svider:

We are writing regarding our concern about a recent investigation revealing that, since BC Partners acquired PetSmart in 2015, conditions for workers have deteriorated considerably, and that PetSmart “provid[ed] inadequate training, staffing and personal protective equipment, conditions that led to hospitalizations and deaths of pets and excessive Covid exposure for workers.”¹ We have long been concerned that some private equity funds implement severe cost-cutting measures after acquiring companies, aiming to boost profits for themselves at the expense of workers, consumers, and taxpayers.² Given recent reports, we are concerned that BC Partners may have followed – and may continue to be following – the same model.

BC Partners’ purchase of PetSmart for \$8.7 billion in 2015 constituted “the largest leveraged buyout of the year.”³ This debt was transferred to PetSmart, which then returned “a whopping \$800 million dividend to its new owners,” allowing BC Partners to recoup nearly 40 percent of its initial acquisition cost within 10 months of the deal.⁴ According to the new report by United

¹ Bloomberg, “PetSmart Investors Prodded by Labor Group Over Worker Safety,” Lauren Coleman-Lochner and Eliza Ronalds-Hannon, September 30, 2021, <https://www.bloomberg.com/news/articles/2021-09-30/worker-group-seeks-investor-ears-over-petsmart-safety-concerns?sref=hsVjBwkB>; United for Respect, “Greed Unleashed: PetSmart, BC Partners, and what happens when private equity preys on workers and pets,” September 2021, <https://united4respect.org/wp-content/uploads/2021/09/Greed-Unleashed-Report.pdf>.

² Senator Elizabeth Warren, “At Hearing, Warren Pushes for Reforming the Broken Private Equity Industry and Putting an End to Their Destructive Practices,” press release, October 20, 2021, <https://www.warren.senate.gov/newsroom/press-releases/at-hearing-warren-pushes-for-reforming-the-broken-private-equity-industry-and-putting-an-end-to-their-destructive-practices>.

³ Reuters, “BC Partners to acquire PetSmart for \$8.7 billion,” Greg Roumeliotis, December 14, 2014, <https://www.reuters.com/article/us-petsmart-m-a-bcpartners/bc-partners-to-acquire-petsmart-for-8-7-billion-idUSKBN0JS0UP20141214>; Business Wire, “Consortium Led by BC Partners Completes Acquisition of PetSmart, Inc.,” March 11, 2015, <https://www.businesswire.com/news/home/20150311005237/en/Consortium-Led-by-BC-Partners-Completes-Acquisition-of-PetSmart-Inc>.

⁴ Forbes, “PetSmart’s \$8.7 Billion LBO Is Already Paying Off For Consortium Led By BC Partners,” Antoine Gara, February 18, 2016, <https://www.forbes.com/sites/antoinegara/2016/02/18/petsmarts-8-7-billion-lbo-already-is-paying-off-for-consortium-led-by-bc-partners/?sh=4eae9b8e6a92>.

for Respect, PetSmart’s acquisition was also accompanied by mismanagement and cost cutting that have put both employees’ and pets’ safety at risk.⁵

In a July 2020 petition to your office, PetSmart employees noted that despite being considered essential workers during the COVID-19 pandemic, “[t]he vast majority ... are working in stores that lack basic safety precautions, like adequate masks and gloves, and have drastically cut hours,”⁶ even as customer traffic at PetSmart stores increased during the pandemic.⁷ Yet PetSmart refused to “grant[] hazard pay throughout the pandemic, cut staffing, and increased workloads for remaining employees, while planning decisions to enrich their Wall Street investors”⁸ – including arranging a deal that split PetSmart and online retailer Chewy, which allowed BC Partners to “quietly transfe[r] all of PetSmart’s shares in Chewy, valued at \$26 billion, to themselves.”⁹ Meanwhile, some laid off workers lost access to health benefits and severance pay in the middle of the crisis,¹⁰ and nearly 50 COVID-19 complaints were filed with the Office of Safety and Health Administration.¹¹

Cost-cutting pressures before the pandemic may have also resulted in lower standards of care for customers’ pets. PetSmart employees reported that reduced staffing “resulted in medicine mix-ups, including an instance where one dog mistakenly received another’s anti-seizure medication. One pup had to be sent to an emergency vet to get its stomach pumped, while the other had a seizure.”¹² In other cases, failure to increase staff amidst growing consumer demand meant “sometimes leaving a single overnight supervisor for 80 to 100 boarding dogs.”¹³

According to one investigation, between 2008 and 2018, 47 dogs had died during PetSmart grooming appointments, with “[m]ost cases – 32 in total – occur[ing] after the start of 2015, the

⁵ United for Respect, “Greed Unleashed: PetSmart, BC Partners, and what happens when private equity preys on workers and pets,” September 2021, <https://united4respect.org/wp-content/uploads/2021/09/Greed-Unleashed-Report.pdf>.

⁶ Wall Street Journal, “PetSmart Workers Ask Retailer’s Private-Equity Owner for Coronavirus Protections,” William Louch, July 8, 2020, <https://www.wsj.com/articles/petsmart-workers-ask-retailers-private-equity-owner-for-coronavirus-protections-11594235984>.

⁷ Retail Dive, “Pet retailers see a boost during the pandemic,” Caroline Jansen, April 21, 2020, <https://www.retaildive.com/news/pet-retailers-see-a-boost-during-the-pandemic/576304/>.

⁸ The Guardian, “Pet adoption booming amid pandemic – but workers accuse retailers of abuses,” Michael Sainato, November 22, 2020, <https://www.theguardian.com/business/2020/nov/19/pet-adoption-booming-pandemic-workers-accuse-petsmart-petco-abuses>.

⁹ Private Equity Stakeholder Project, “BC Partners Feasts on Chewy’s Riches, Leaves Table Scraps for PetSmart Workers,” April 15, 2021, https://pestakeholder.org/bc-partners-feasts-on-chewys-riches-leaves-table-scraps-for-petsmart-workers/#_edn8; Bloomberg, “BC Partners Faces Lender Rebuke After Burning PetSmart Creditors,” Davide Scigliuzzo, November 2, 2020, <https://www.bloomberg.com/news/articles/2020-11-02/burned-by-bc-partners-before-resentful-creditors-stage-a-revolt>.

¹⁰ Wall Street Journal, “PetSmart Workers Ask Retailer’s Private-Equity Owner for Coronavirus Protections,” William Louch, July 8, 2020, <https://www.wsj.com/articles/petsmart-workers-ask-retailers-private-equity-owner-for-coronavirus-protections-11594235984>.

¹¹ Private Equity Stakeholder Project, “BC Partners Feasts on Chewy’s Riches, Leaves Table Scraps for PetSmart Workers,” Jordan Ash, April 15, 2021, https://pestakeholder.org/bc-partners-feasts-on-chewys-riches-leaves-table-scraps-for-petsmart-workers/#_edn8.

¹² Bloomberg, “PetSmart Investors Prodded by Labor Group Over Worker Safety,” Lauren Coleman-Lochner and Eliza Ronalds-Hannon, September 30, 2021, <https://www.bloomberg.com/news/articles/2021-09-30/worker-group-seeks-investor-ears-over-petsmart-safety-concerns?sref=hsVjBwkB>.

¹³ *Id.*

same year the company was bought out by a private equity firm.”¹⁴ A more recent analysis finds that dog deaths more than doubled following PetSmart’s acquisition by BC Partners.¹⁵ Former PetSmart employees alleged that the deaths were attributable to “unprepared trainees rushed into stores because of short-staffing” and pressure to meet new sales quotas, which left the work becoming “more like an assembly line at McDonald’s.”¹⁶ One former groomer explained that “[w]hen the new owners bought [PetSmart], they demanded six to eight dogs in eight hours...There’s always pressure to do more dogs.”¹⁷

We recently reintroduced legislation, the *Stop Wall Street Looting Act*, to reform the private equity industry by holding private equity firms liable for the responsibilities and debts of companies under their control and increases transparency by requiring private equity managers to disclose fees, returns, and other details about their funds.¹⁸ To inform our approach to passing this legislation, and to better understand your firm’s decisions at PetSmart and its role in the retail industry, we ask that you provide answers to the following questions no later than November 19, 2021:

1. Please provide the disclosure documents and information enumerated in Sections 501 and 503 of the *Stop Wall Street Looting Act*.¹⁹
2. Which retail companies, including all affiliates or related entities, does BC Partner have a stake in or own? Please provide the name of and a brief description of the services each company provides.
3. What steps has BC Partners taken, and what steps does it intend to take going forward, to address the public health and operational gaps highlighted by PetSmart workers and better protect the health and safety of employees?
4. What steps has BC Partners taken, and what steps does it intend to take going forward, to address the reported rise in deaths of pets entrusted in PetSmart’s care since the company’s acquisition?
5. PetSmart reportedly cut hours and laid off staff during the pandemic despite increased foot traffic in stores.²⁰ Please provide:

¹⁴ NJ Advance Media, “Groomed, then Gone,” Sophie Nieto-Muñoz and Alex Napolliello, September 20, 2018, <https://projects.nj.com/investigations/petsmart/>.

¹⁵ United for Respect, “Greed Unleashed: PetSmart, BC Partners, and what happens when private equity preys on workers and pets,” September 2021, <https://united4respect.org/wp-content/uploads/2021/09/Greed-Unleashed-Report.pdf>.

¹⁶ NJ Advance Media, “Groomed, then Gone,” Sophie Nieto-Muñoz and Alex Napolliello, September 20, 2018, <https://projects.nj.com/investigations/petsmart/>.

¹⁷ *Id.*

¹⁸ Senator Elizabeth Warren, “Warren, Baldwin, Brown, Pocan, Jayapal, Colleagues Reintroduce Bold Legislation to Fundamentally Reform the Private Equity Industry,” press release, October 20, 2021, <https://www.warren.senate.gov/newsroom/press-releases/warren-baldwin-brown-pocan-jayapal-colleagues-reintroduce-bold-legislation-to-fundamentally-reform-the-private-equity-industry>.


¹⁹ *Id.*

²⁰ Wall Street Journal, “PetSmart Workers Ask Retailer’s Private-Equity Owner for Coronavirus Protections,” William Louch, July 8, 2020, <https://www.wsj.com/articles/petsmart-workers-ask-retailers-private-equity-owner>.

- a. The total number of PetSmart stores and retail employees as of February 29, 2020, the average hours worked by employees in February 2020, and the average and median pay of employees in February 2020;
- b. The total number of PetSmart stores and retail employees as of September 30, 2021, the average hours worked by employees in September 2021, and the average and median pay of employees in September 2021;
- c. A state-by-state breakdown of wages paid to hourly employees, including average and median hourly pay, and the highest and lowest hourly wages paid to hourly employees.

Thank you for your attention to this matter.

Sincerely,



Elizabeth Warren
Chair

Subcommittee on Economic Policy
U.S. Senate Committee on Banking,
Housing, and Urban Affairs



Mark Pocan
Member of Congress

[for-coronavirus-protections-11594235984](https://www.retaildive.com/news/pet-retailers-see-a-boost-during-the-pandemic/576304/); Retail Dive, “Pet retailers see a boost during the pandemic,” Caroline Jansen, April 21, 2020, <https://www.retaildive.com/news/pet-retailers-see-a-boost-during-the-pandemic/576304/>.