

Time to Rein in Predatory Hedge Funds

Written by Wisconsin Senate, Jay Wadd
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<http://newiprogressive.com/images/stories/S5/shopko-s5.jpg>



Shopko goes the way of many retailers before it, as local Senator says predatory hedge funds like Sun Capital are a threat to the retail industry and thousands of people who work.

GREEN BAY, WI - State Senator Dave Hansen (D-Green Bay) said predatory hedge funds like Shopko owners Sun Capital are a threat to the retail industry and the thousands of people who work in the retail industry and that they need to be reined in.



“It’s often reported that online companies like Amazon are the biggest threats to brick and mortar retailers like Shopko. But a bigger threat is predatory hedge funds like Sun Capital who buy a business like Shopko, leverage it to the hilt, suck the money out and then discard it and the workers once they have no more use for them,” said Hansen. “Because of Sun Capital’s greed, Wisconsin is losing an iconic retailer and over 2,500 workers are going to be out of work.”

The Shopko bankruptcy is just another in a long line of examples in which Sun Capital has purchased retailers only to strip them of most everything but their debt and then leave them behind:

- Marsh Supermarkets. Acquired in 2006, bankruptcy filing in May 2017, now liquidated.

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- Gordmans Stores. Acquired in 2008, bankruptcy filing in March 2017, now liquidated.
- Limited Stores. Acquired in 2007, filed for bankruptcy in January 2017, now liquidated.
- Garden Fresh Restaurant Corp. Acquired in 2005, filed for bankruptcy in October 2016. Most stores have closed.

In the case of Shopko, Sun Capital is accused in court filings of using Shopko to borrow \$179 million which they then used to pay dividends to partners in Sun Capital. The filings also state that while the partners of Sun Capital profited the company failed to pay \$13 million in state taxes.

Other reports showed that Shopko itself may have borrowed as much as \$1.2 billion to fund Sun Capital's buyout of the retailer.

"In a lot of cases these predatory hedge funds come in, force a business they've targeted to borrow incredible amounts of money to fund the leveraged buyout, drain as much money out of the business as possible and leave them saddled with debt and the workers, creditors, customers and taxpayers in the lurch," said the Green Bay Senator. "This isn't capitalism. It's corporate greed pure and simple. It's an epidemic in this country and it needs to be reined in."