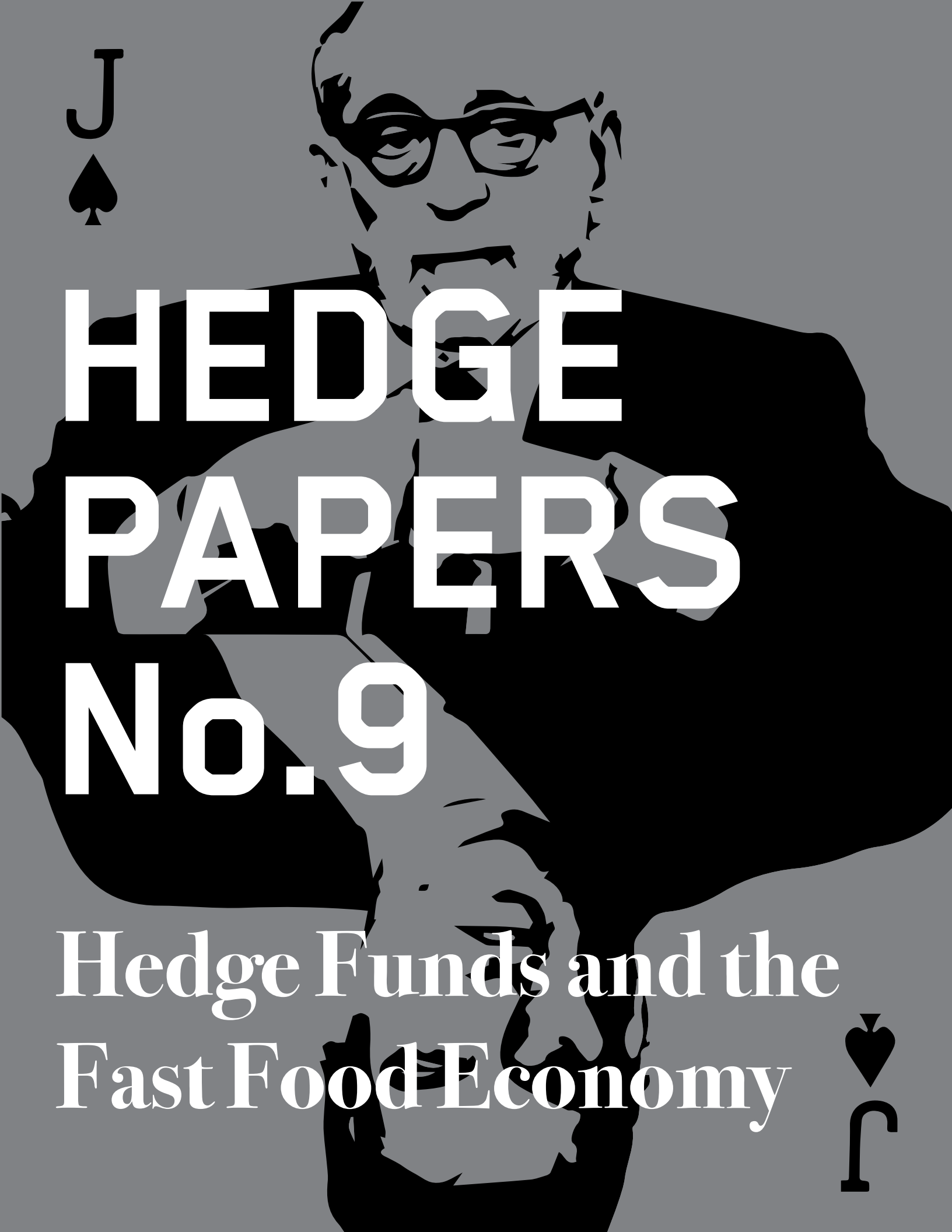

HEDGE PAPERS No. 9

Hedge Funds and the Fast Food Economy

INTRODUCTION AND KEY FINDINGS

This is the first report of its kind to show how an elite set of hedge funds are responsible for driving the supersized profits and franchising in the low-wage fast food economy

A group of activist investors are behind the big expansions in franchising at fast-food companies that have netted hundreds of millions in profits for hedge funds.

Below is a detailed examination of how a handful of hedge fund activists use franchising to extract maximum profit from fast food workers and to keep wages as low as possible.

The report focuses on Nelson Peltz, Edward Garden, Bill Ackman and Larry Robbins: the most influential activist hedge funds investors who have made massive fortunes from investing in fast food giants like McDonald's, Burger King, and Wendy's.

And it shows that investor Jeffrey Smith is trying to replicate their efforts at Darden Restaurants by cutting labor costs, even as the company is already reportedly linked to slave labor in Burma.

The report concludes with an overview of how hedge funds spend billions in political contributions to block increases in pay for fast food and other low-wage workers.

HEDGE FUNDS AND POVERTY-WAGES IN FAST FOOD

True to form, hedge fund managers have not been innocent bystanders as the fast food industry has wrung more profits out of its workforce.

So-called activist investors like those named above have played an influential role in pressuring companies to adopt cost-cutting measures that depress wages, punish workers, and fuel inequality.

Though hedge funds use a variety of approaches—with different levels of swagger and bluster, different lingo, different PowerPoint presentation templates—the game plan is basically the same: invest in companies that are already squeezing big profits out of poverty-wage workforces, and figure out how to squeeze them further.

ROCK BOTTOM WAGES AND SKY-HIGH HEDGE FUND PROFITS: TWO SIDES OF THE SAME COIN

Hedge funds are also seeking similar payouts from other segments of the food services industry.

The hedge fund Starboard Value, for instance, is seeking labor cost cuts from Darden Restaurants, the casual dining company with restaurant chains such as Olive Garden and Lone Star Steakhouse.

The low-wage, labor-intensive nature of food service work makes these companies ripe targets for this form of hedge fund activism.

WHO'S WHO AT THE BIZARRELY NAMED ACTIVE-PASSIVE INVESTOR CONFERENCE

Many notable hedge fund investors in fast food companies are gathering for the Active-Passive Investor conference on April 13, 2015, at the Crowne Plaza Times Square.[1]

At conferences like these, hedge fund managers share their latest brilliant investment schemes—many of which revolve around promoting cost-cutting initiatives that punish workers and fuel hedge fund profits.

EDWARD GARDEN, TRIAN PARTNERS. Trian is the hedge fund of billionaire Nelson Peltz, Garden's father-in-law, and a major investor in Wendy's. Both Garden and Peltz sit on Wendy's board, and have pushed cost-cutting measures that hit workers hardest.

BILL ACKMAN, PERSHING SQUARE CAPITAL MANAGEMENT. Ackman is a major Burger King investor and was an early, aggressive promoter of increased franchising in the fast food industry, which leads to low pay and abusive workplace conditions. Ackman made $1.1 billion last year.

JEFFREY SMITH, STARBOARD VALUE. Starboard is waging an aggressive campaign to cut costs at Darden Restaurants, the casual dining company with chains like Olive Garden and Lone Star Steakhouse. His brilliant schemes include shifting more workers to a tipped wage system, effectively cutting their pay.

HEDGE FUNDS AND FAST FOOD FRANCHISING

Hedge fund "activists" have a game plan: super-size the franchising, minimize the wages

The hedge fund activists' strategy for squeezing profit out of the fast food industry, and out of the fast food workforce, revolves largely around pushing for companies to increase the franchising of their restaurants.

Franchising is appealing to hedge fund managers because franchises cut costs more aggressively than company-owned stores in order to increase profit margins, which tend to run tight.

In a non-union, labor-intensive industry, the way franchises cut costs is predictable: by paying low wages, offering low benefits, and removing centralized control over workplace conditions.

Franchises are more likely to pay workers minimum wage and have more wage and hour violations than company-owned stores, according to recent studies.[2]

As a result of the franchise model, fast food companies are able to pocket handsome royalties from franchise owners while distancing themselves from these labor practices. In other words, franchising lets fast food companies off the hook for all of the responsibilities of managing their stores.

Franchising is the sort of business model that makes perfect sense to hedge fund managers, who spend their careers several steps removed from the predatory practices that they push for and profit from.

The consequences of the franchise model are significant for the biggest low-wage workforce in the country.

For instance, McDonald's—under pressure from the "Fight for 15" fast food organizing campaign—recently announced that they would increase wages for new employees at company-owned restaurants to $10 by 2016.[3]

While this falls far short of the $15 per-hour minimum wage that many McDonald's workers are seeking, it is also important to note that this increase applies only to company-owned restaurants—which make up just 10% of McDonald's locations in the United States.[4]

The rest of McDonald's restaurants are operated by franchisees, over whom McDonald's claims to have minimal ability to impact wage policies.

THE HEDGE FUND GAME PLAN IN ACTION: WENDY'S, BURGER KING, MCDONALD'S, AND DARDEN

The following are profiles of some of the key players and deals in hedge fund food service investing. The approaches vary, but the core strategy is the same: pressure companies to adopt cost-cutting measures that punish workers and reward hedge fund managers with increased profit.

WENDY'S—NELSON PELTZ AND TRIAN PARTNERS

Billionaire Nelson Peltz was among the first hedge fund managers to begin targeting the fast food industry for cost cuts and increased returns, at two burger chains—Arby's and then later at Wendy's.

Photo credit: CNBC

He and his firm, Trian Partners, took a major stake in Wendy's in 2005 and immediately began arguing for $200 million in cost reductions. The firm's first regulatory filing repeatedly cites the low operating margins at company-owned stores as opposed to stand-alone, franchised stores, and the need to bring those margins in line through cost reductions.[5]

In 2008, Peltz used his Arby's investment vehicle, Triarc, to buy Wendy's for $2.4 billion.

Shortly after the deal was announced, Triarc's CEO told investors that the company saw "significant opportunities" for reduced labor costs at Wendy's, and suggested that the company would save $100 million post-merger as a result of cost-cutting measures.[6]

The following year, the Wall Street Journal reported that the company had achieved labor cost cuts in the first quarter following the merger.[7]

Today, Peltz and his hedge fund, Trian Partners, own a nearly 25% stake in Wendy's, worth over $600 million.[8] Peltz is the chairman, and a number of other Trian insiders sit on the board, including Peltz's son-in-law, Edward Garden.

In recent years, under the leadership and ownership of Trian, refranchising company-owned restaurants has emerged as a core strategy.

In 2008, shortly after the merger, around 80% of Wendy's restaurants were operated as franchises.[9] In early 2015, the company announced that it planned to sell off an additional 500 stores to franchises and bring the percentage of restaurants operated as franchises up to 95% by 2016.[10]

BURGER KING—BILL ACKMAN & PERSHING SQUARE

Bill Ackman of Pershing Square Capital Management was also one of the first hedge fund managers to begin targeting the fast food industry for increased profits through cost-cutting measures.

In a high-profile presentation on McDonald's in 2005, Ackman argued that the company needed to adopt an aggressive strategy of shifting more restaurants to the franchise model in order to increase profitability.[11]

The company eventually responded by announcing that it would convert 1,500 restaurants to franchises and undertake other measures by Ackman.

Photo credit: Business Insider

McDonald's profits were not enough for Ackman, who eventually sold off his stake in 2007, saying that he did not expect the company to "continue to achieve extraordinarily high rates of return."[12]

He later became enamored with the business model of Burger King, which has a higher percentage of franchises than McDonald's.

In the case of Burger King, Ackman has played junior partner to Brazilian private equity firm 3G Capital, lauding the work of the firm to increase profitability in part through a focus on the franchise model.[13] 3G is the majority owner of Restaurant Brands International, the newly-formed parent company of Burger King and Tim Horton's, though Ackman has a large, 19% stake.

In touting the franchise model, Ackman argues that the franchisee simply has more "skin in the game" and is "going to put his heart and soul into it."[14]

The fact that this manifests itself as lower pay for workers goes unmentioned in Ackman's lengthy 2012 presentation on Burger King's business model which avoids words like "labor," "work," or "employees," despite the labor-intensive nature of the business. Instead, he hails "cost reduction initiatives," electronic menus, and, of course, a high percentage of franchises.[15]

Apparently, Ackman cannot bring himself to break out of coded hedge-speak in order to celebrate the fast food industry's predatory practices in a more straightforward manner.

Ackman and Pershing Square were also substantial beneficiaries of the corporate tax inversion that sent Burger King to Canada in what Americans for Tax Fairness (ATF) deemed a "Whopper of a Tax Dodge." ATF estimated that Ackman and Pershing Square's investors avoided up to $120 million in taxes as a result of the transaction.[16]

DARDEN RESTAURANTS—JEFF SMITH & STARBOARD VALUE

Since late 2013, Jeff Smith and his hedge fund Starboard Value have waged an aggressive campaign for cost cutting at Darden Restaurants, the casual dining company that owns such brands as Olive Garden and Lone Star Steakhouse.

With less than 10% of the company's stock, Smith effectively seized control of the Fortune 500 company, replacing its board with a Starboard slate, leading Fortune to deem him the "investor CEOs fear most."[17]

Photo credit: Business Insider

Predictably, labor cost cuts are a core component of Smith's strategy for Darden.

Applying the hedge fund game plan for the fast food industry to casual dining, Smith has claimed that the company's "[u]nwillingness to franchise has hurt returns on capital domestically and left Darden years behind the competition internationally."[18]

Smith and Starboard have also plainly suggested that the company should cut wages.

As part of a presentation that explained their investment case in Darden Restaurant Group, they suggested that the company could reduce labor costs by $63 million, largely by cutting hours in the kitchen and increasing workloads for servers. Starboard Value also suggested that Olive Garden could "rely more on tipped servers, less on higher-salaried or higher-wage bussers and food runners."[19]

20% of Darden workers already make the federal minimum wage for tipped workers, a mere $2.13 per hour before tips, according to a company spokesperson.[20] According to Glassdoor.com, which aggregates self-reported data, Olive Garden's servers make an average of $5 per hour before tips.[21]

THE PAY-OFF: MASSIVE PROFITS FOR HEDGE FUNDS

Fast food industry CEOs made roughly $11,500 an hour in 2013 ($23.8 million per year), compared to the average fast food worker wage of $9.09—a ratio of 1,200 to 1, an astonishing level of inequity.[22]

But key hedge fund investors in the industry described above also made massive sums by keeping fast food workers' wages low:

- Nelson Peltz of Trian Partners, which owns a major stake in Wendy's, made $170 million in 2014, or $82,000 an hour—roughly 9,000 times more than what the average fast food worker makes.[23]
- Larry Robbins of Glenview Capital, who recently announced an investment in McDonald's, made $600 million in 2014, or $290,000 an hour—about 30,000 times more than the average fast food worker.[24]
- Bill Ackman of Pershing Square Capital Management, who has long held a significant stake in Burger King, made $1.1 billion in 2014, or $530,000 an hour—about 60,000 times more than the average fast food worker.

This gap is increasing: while fast food worker pay has stagnated, rising just 0.3 percent since 2000, fast food CEO compensation has quadrupled during that period—and hedge fund profits have soared.[25]

DARDEN'S SCHEME TO PUT FAST-FOOD FRANCHISING ON STEROIDS: MOVE FROM POVERTY WAGES INTO SLAVE LABOR

Darden is not exactly a stranger to cost cutting that crosses ethical lines. According to the Restaurant Opportunities Centers United, it is the longtime customer of a major seafood supplier, Thai Union, which may be sourcing seafood from companies that use Burmese slave labor.[26]

According to an Associated Press investigation published in March 2015, workers at the companies were paid little to no money for putting in 20- to 22-hour days, whipped and beaten on the job, and given few days off. The investigation built on a previous Guardian investigation.

Because the supply chain is "quite cloudy," in the words of one industry executive, it can be difficult to determine with certainty that the seafood produced with slave labor ended up in Thai Union's supply. In other words, the long chain of investment and supply creates enough distance for the investors and management of brand-name companies to avoid responsibility for the abuses that fuel their profits.

This is the franchise model on steroids.

MCDONALD'S—LARRY ROBINS & GLENVIEW CAPITAL

Another activist hedge fund manager, Larry Robbins of Glenview Capital Management, has recently announced a new position in McDonald's. Robbins has "raised the possibility that the company could franchise more of its restaurants," following the standard hedge fund game plan.[27]

Photo credit: CNBC

In a recent investor letter, Robbins suggested that company-managed stores "can serve as a distraction or even stunt consolidated profit growth during tough times."[28]

Robbins is hoping that his McDonalds plans—which include franchising out more of the company-run stores that have promised to pay an entry-level wage of $10 an hour by 2016—will amount to a "Happy Meal encompassing all five courses" for his hedge fund.

Robbins likes to call himself a "suggestivist" rather than an activist, indicating a more accommodating approach to corporate management—but not to workers.[29]

HEDGE FUND BILLIONAIRES USE CAMPAIGN CASH TO KEEP FAST FOOD WAGES LOW AND FAST FOOD PROFITS HIGH

Threat to hedge fund profits: minimum wage increases

Of course, public policies like minimum wage increases pose a significant threat to the hedge fund poverty payoff.

All the hedge fund bluster in the world will not be able to keep fast food wages down if the minimum wage increases significantly and fast food establishments are legally required to pay a significantly higher wage.

And so, hedge fund managers reinvest a fraction of their earnings, politically and philanthropically, to ensure that they continue to have the final say over the high-poverty, high-profit economy.

A review of political giving by the hedge fund managers most active in fast-food and poverty-wage businesses shows over a million dollars in New York State campaign contributions in recent years from Trian, Glenview and Pershing Square principals, with a strong link to Republicans in Albany who have blocked any significant increase in the minimum wage—and to "moderate" Democrats like Andrew Cuomo who won't back the national move towards a $15 wage that could lift workers out of poverty.

NELSON PELTZ; TRIARC COMPANIES, INC.				COMMITTEE TO ELECT WILLIAM J. GIACOMO	1000
TRIAN FUND MANAGEMENT, L.P.	EDWARD	P	GARDEN	ANDREW CUOMO 2014, INC.	16381.63
TRIAN FUND MANAGEMENT, L.P.	EDWARD	P	GARDEN	NEW YORK STATE DEMOCRATIC COMMITTEE (HOUSEKEEPING)	5000
TRIAN FUND MANAGEMENT, L.P.	PETER	W	MAY	ANDREW CUOMO 2014, INC.	14557.89
TRIAN FUND MANAGEMENT, L.P.	PETER	W	MAY	NEW YORK STATE DEMOCRATIC COMMITTEE (HOUSEKEEPING)	5000
TRIAN FUND MANAGEMENT, L.P.	PETER	W	MAY	NEW YORKERS FOR GUN SAFETY	25000
TRIAN FUND MANAGEMENT, L.P.	NELSON		PELTZ	ANDREW CUOMO 2014, INC.	25193.93
TRIAN FUND MANAGEMENT, L.P.	NELSON		PELTZ	NEW YORK STATE DEMOCRATIC COMMITTEE (HOUSEKEEPING)	5000
	PAUL		HILAL	ANDREW CUOMO 2014, INC.	5000
	PAUL		HILAL	SCHNEIDERMAN FOR ATTORNEY GENERAL, INC.	2500
	PAUL		HILAL	SNYDER FOR DA, INC.	500
	LENI		MAY	DOW FOR SENATE	1000
	LENI		MAY	FRIENDS OF HEVESI	4500
	LENI		MAY	FRIENDS OF LIZ KRUEGER	3500
	LENI		MAY	PEOPLE FOR BING	500
	LENI		MAY	RECCHIA FOR NEW YORK	500
	LENI		MAY	SPITZER PATERSON 2006	1531.61
	LENI		MAY	WEPRIN 2009	180
	PETER	W	MAY	ANDREW CUOMO 2014, INC.	15000
	PETER	A	MAY	ANDREW CUOMO 2014, INC.	22000
	PETER	W	MAY	ANDREW CUOMO FOR ATTORNEY GENERAL, INC.	3000
	PETER	A	MAY	ANDREW CUOMO FOR ATTORNEY GENERAL, INC.	2000
	PETER	W	MAY	CITIZENS FOR DISTRICT ATTORNEY RICHARD A. BROWN	500
	PETER	W	MAY	FRIENDS OF MCCALL/MEHIEL	5000
	PETER	W	MAY	FRIENDS OF JON COHEN	1000
	PETER	W	MAY	FRIENDS OF LIZ KRUEGER	1000
	PETER	W	MAY	HEVESI 2002	2500
	PETER	W	MAY	HEVESI FOR NEW YORK	7000
	PETER	W	MAY	NEW YORK CITY PARTNERSHIP STATE PAC	12500
	PETER	W	MAY	NEW YORKERS FOR THOMPSON	4500
	PETER		MAY	NYS DEMOCRATIC ASSEMBLY CAMPAIGN COMMITTEE (DACC)	3000
	PETER	W	MAY	NYS SENATE REPUBLICAN CAMPAIGN COMMITTEE	1000
	PETER	W	MAY	PATERSON FOR GOVERNOR, INC.	5000
	PETER	W	MAY	SCHNEIDERMAN 2014	15000
	PETER		MAY	SERRANO FOR STATE SENATE	500
	PETER		MAY	SPITZER 2002	5000
	PETER	W	MAY	SPITZER 2010, INC.	2000
	PETER		MAY	SPITZER PATERSON 2006	16000
	PETER		MAY	STRINGER 2009	1000
	PETER & LENI		MAY	ANDREW BORROK FOR CIVIL COURT	1000
	PETER W.		MAY	FRIENDS OF PATAKI	20100
	PETER W.		MAY	FRIENDS OF PATAKI (INDEPENDENCE PRIMARY)	4900
	PETER W.		MAY	JEANINE PIRRO FOR ATTORNEY GENERAL	10000
	NELSON		PELTZ	ANDREW CUOMO 2014, INC.	12000
	NELSON		PELTZ	ANDREW CUOMO FOR ATTORNEY GENERAL, INC.	5000
	NELSON		PELTZ	FRIENDS OF MCCALL/MEHIEL	5000
	NELSON		PELTZ	FRIENDS OF ANDY SPANO	5000
	NELSON		PELTZ	FRIENDS OF PATAKI	63900
	NELSON		PELTZ	FRIENDS OF ROB ASTORINO	27000
	NELSON		PELTZ	JEANINE PIRRO FOR ATTORNEY GENERAL	30000
	NELSON		PELTZ	KATZ FOR NEW YORK	3000
	NELSON		PELTZ	NEW YORKERS FOR THOMPSON	4500
	NELSON		PELTZ	NYS DEMOCRATIC ASSEMBLY CAMPAIGN COMMITTEE (DACC)	1000
	NELSON		PELTZ	NYS SENATE REPUBLICAN CAMPAIGN COMMITTEE	36500
	NELSON		PELTZ	SPITZER 2002	7000
	NELSON		PELTZ	SPITZER PATERSON 2006	5000
total					482245.06

LARRY ROBBINS	ANDREW CUOMO 2014, INC.	95800
LARRY ROBBINS	FRIENDS OF BASIL SMIKLE FOR NEW YORK STATE SENATE	5000
LARRY ROBBINS	FRIENDS OF CRAIG JOHNSON	2500
LARRY ROBBINS	FRIENDS OF KARIM CAMARA	1000
LARRY ROBBINS	FRIENDS OF LYNN NUNES	5000
LARRY ROBBINS	FRIENDS OF MARK POLLARD	5000
LARRY ROBBINS	NEW YORKERS FOR A BALANCED ALBANY	50000
LARRY ROBBINS	NYS DEMOCRATIC SENATE CAMPAIGN COMMITTEE (NYS DSCC)	25000
LARRY ROBBINS	PERALTA FOR SENATE	8000
total		197300

LARRY ROBBINS	ANDREW CUOMO 2014, INC.	95800
LARRY ROBBINS	FRIENDS OF BASIL SMIKLE FOR NEW YORK STATE SENATE	5000
LARRY ROBBINS	FRIENDS OF CRAIG JOHNSON	2500
LARRY ROBBINS	FRIENDS OF KARIM CAMARA	1000
LARRY ROBBINS	FRIENDS OF LYNN NUNES	5000
LARRY ROBBINS	FRIENDS OF MARK POLLARD	5000
LARRY ROBBINS	NEW YORKERS FOR A BALANCED ALBANY	50000
LARRY ROBBINS	NYS DEMOCRATIC SENATE CAMPAIGN COMMITTEE (NYS DSCC)	25000
LARRY ROBBINS	PERALTA FOR SENATE	8000
total		197300

Hedge fund managers reinvest a portion of their profits in the political process and philanthropy to help ensure that public policy doesn't get in the way of their investment strategies, and to assure them special influence over policies that would hurt their bottom line, such as minimum wage increases, stronger workplace protections, and the closure of tax loopholes.

NELSON PELTZ AND NEW YORK STATE POLITICS

The case of Nelson Peltz and Trian Fund Management is instructive. Peltz and Trian have poured $683,628 into New York State campaigns since 2000.

They have been especially generous to Governor Andrew Cuomo, sending $241,516.12 into his campaign war chest since 2006, and have contributed an additional $45,000 to Cuomo-controllled soft-money accounts that have been slammed for being little more than political "slush funds."[30] Cuomo is by far the largest recipient of Peltz-linked cash, with donations directly to Cuomo accounting for a third of all of the New York State political spending of Trian partners.

What does this buy them? Peltz and Trian have a massive stake in Wendy's, which cites possible increases in the minimum wage as a significant threat to its business model in its annual filings, and lobbies on the state and federal level on issues such as the minimum wage, paid sick leave, and the franchise business model.[31][32]

On the minimum wage issue, Cuomo has proven himself a key ally of Peltz, Trian, and Wendy's.

He has opposed minimum wage increases sought by Mayor Bill de Blasio, instead proposing a much lower, two-tiered minimum wage structure.[33] His office recently called de Blasio's proposal for an indexed minimum wage of $13 an hour a "non-starter."[34]

The Partnership for New York City, an extremely powerful business lobby, in turn came out in opposition to de Blasio's proposal and in favor of Cuomo's.[35]

Guess who's a member of the Partnership for New York City? Peltz's Trian Partners hedge fund, of course.[36]

Trian appears to be an active member of the Partnership—Peter W. May, president and founding partner of Trian, recently signed on to a Partnership letter in support of the nomination of Lazard banker Antonio Weiss as Treasury under secretary, which failed due to scrutiny of his Wall Street ties.[37]

At an investors' conference last year, Peltz's son-in-law Edward Garden dismissed the idea that Trian should promote a minimum wage increase, instead doubling down on the fund's commitment to profit as the ideal route to equality.

The fact that Wendy's actively lobbies against the minimum wage increase and achieves profit in large part by reducing labor costs apparently went unaddressed.

THE HEDGE FUND POVERTY-WAGE PAYOFF: LAVISH LIVING FOR THE BILLIONAIRES

What benefit do these hedge fund managers get by meddling with the operations of fast food companies?

By taking large stakes in fast food companies and making changes that increase share prices in the short term, these hedge funds stand to gain enormous sums of money.

Because hedge fund fee structures capture a sizable piece of those returns, these plays have the potential to enrich the top management of the funds. This wealth accumulation furthers the divide between the 1% and everyone else.

Let's take a look at how these hedge fund managers spend their unbelievable wealth.

NELSON PELTZ

Aircraft:

Through a holding company that he controls, Peltz owns a Bombardier BD-700 jet.

Photo credit: Trevor Wayne

In 2009, Peltz's holding company signed a deal with Wendy's to lease the company's Gulfstream G-IVSP jet for $10/month, plus expenses.[38] The lease, a considerable deal for Peltz, who serves as chairman of the board of Wendy's, was extended through January 2014.[39]

Peltz has received other perks from Wendy's, including over $1 million for Peltz's personal security detail over two years, and $807,985 in compensation for 2012 alone.[40] That's on top of the money Peltz earned by holding shares in Wendy's, or engineering the split of Wendy's[41] and Arby's. [42]

Property:

A 2001 Forbes article suggested that Peltz's Palm Beach mansion at the time was one of the "most expensive houses in the world."[43] Peltz was listing the 44,000 square foot mansion for $75 million in 2001. Don't feel too bad for Peltz—as of 2013, he hasn't sold off his beach house, and his current Westchester County mansion is nothing to scoff at either.

Photo credit: Jeffrey Langolis

BILL ACKMAN

Ackman, whose hedge fund made an estimated $203 million in an activist investor play with Burger King, lives a life of incredible luxury. Bill Ackman is reported to be the 368th richest individual in America, with an estimated net worth of $2.5 billion.[44] Ackman is reported to own a Gulfstream G550 jet:

Photo credit: JetNet

Ackman, along with other investors, recently closed on the penthouse at One57, a property that receives huge property tax subsidies from the controversial 421a tax credits. The 14,000 square foot penthouse sold for $91,541,053, making it the second most expensive property ever sold in New York City.[45]

Asked about the purchase by the New York Times, Ackman said that he has no immediate plans to live in the property, but he "thought it would be fun" to own it, and may hold occasional parties there.[46]

Despite the incredible purchase price of this apartment, Ackman will pay a mere $19,517 in annual taxes this tax year—an annual tax rate of roughly 0.0021% of the sale price.

LARRY ROBBINS:

Robbins lives in a garish 28,000 square foot mansion in Bergen County, New Jersey, behind which he has constructed an even bigger eyesore—a 16,000 square foot ice hockey rink.[47]

Robbins' lack of concern for workers apparently extends to the unfortunate souls who toil directly for him: a refrigeration company who helped construct the ice hockey rink had to file a claim against their construction lien, naming Robbins, his real estate holding company, and the general contractor, before they got paid for services rendered. [48]

Larry Robbins Bergen County house, with hockey rink

FOOTNOTES:

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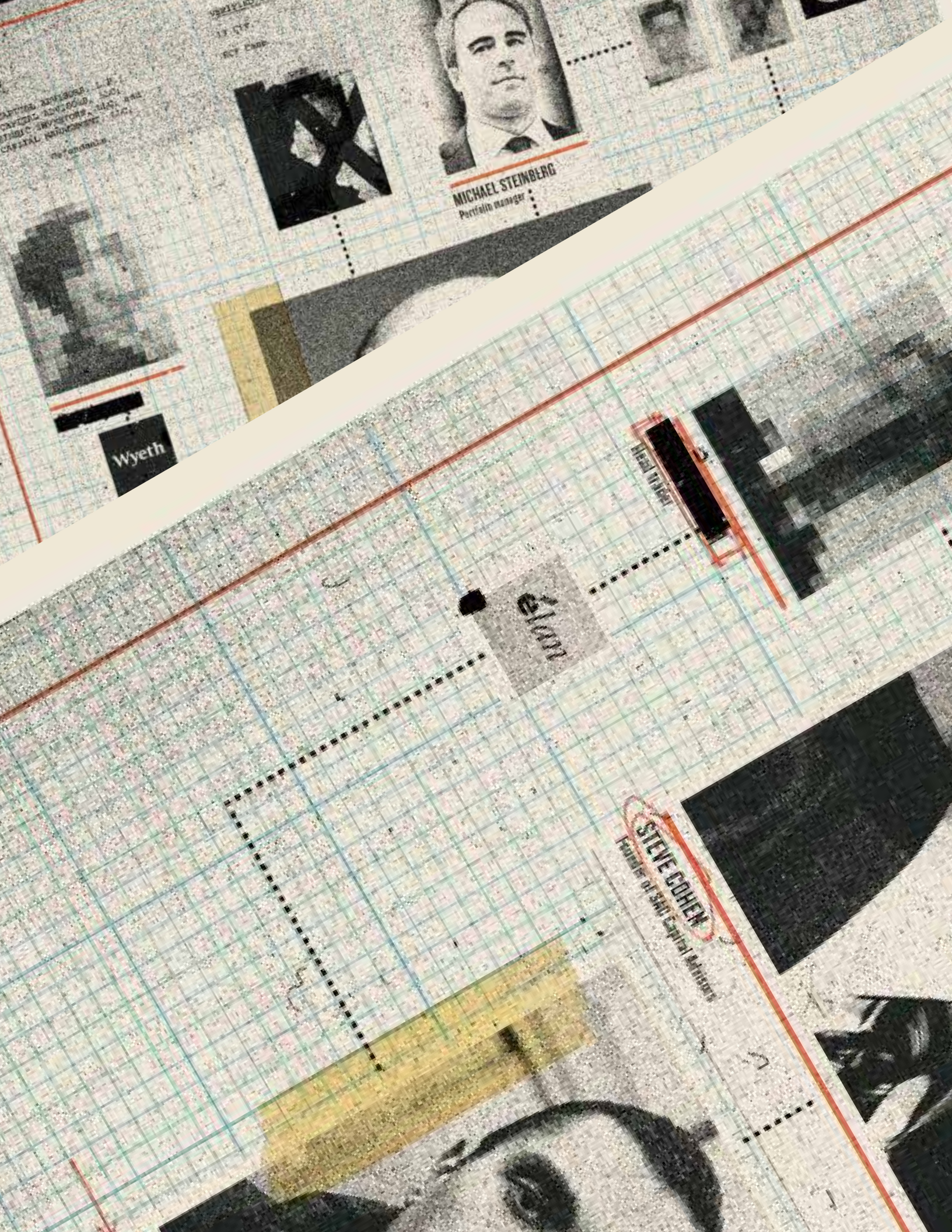
WHO ARE THE HEDGE CLIPPERS?

The Hedge Clippers are working to expose the mechanisms hedge funds and billionaires use to influence government and politics in order to expand their wealth, influence and power. We're exposing the collateral damage billionaire-driven politics inflicts on our communities, our climate, our economy and our democracy. We're calling out the politicians that do the dirty work billionaires demand, and we're calling on all Americans to stand up for a government and an economy that works for all of us, not just the wealthy and well-connected.

The project is supported by the Strong Economy for All Coalition, a coalition of labor unions and community groups working to fight income inequality and build shared prosperity and economic & social justice in New York and around the country.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