

United States Senate
WASHINGTON, DC 20510

November 19, 2021

Stephen A. Schwarzman
Chairman, CEO & Co-Founder
Blackstone
345 Park Avenue
New York, NY 10154

Dear Mr. Schwarzman:

We write today regarding Blackstone Credit's (then known as GSO Capital Partners) previous investment in Warrior Met Coal (Warrior Met), a metallurgical coal mining company. Since April 1, 2021, more than 1,100 Warrior Met workers in Brookwood, Alabama have been on strike to restore wages, benefits, and fair work practices that were stripped away following the bankruptcy of Walter Energy, Warrior Met's predecessor company.¹ Blackstone Inc.'s GSO Capital Partners (GSO) and other private equity investors in Warrior Met dictated the terms and conditions of the 2016 takeover of the company² and continue to bear responsibility for the cuts in pay and benefits that have led to the Warrior Met miners' strike. We write to request information in order to better understand Blackstone's investment in Warrior Met and other businesses.

In 2016, a consortium of private equity firms and mutual funds led by Apollo Global Management (Apollo) and GSO acquired the distressed debt of Walter Energy under the newly formed Warrior Met Coal.³ GSO-managed funds were Warrior Met's second-largest shareholder⁴ and received a seat on the company's board, with KKR Credit Advisors (KKR), and Franklin Mutual Advisers (Franklin Mutual) each receiving one and Apollo receiving two.⁵

Warrior Met miners are currently striking due to conditions that stem from the terms forced on Walter Energy by the private equity consortium that acquired the company after its bankruptcy. As part of the restructuring deal negotiated between the two parties, Walter Energy's collective bargaining agreement with the United Mine Workers of America (UMWA) was terminated,

¹ AL.com, "Striking Alabama coal miners protesting again in New York," William Thornton, November 4, 2021, <https://www.al.com/business/2021/11/striking-alabama-coal-miners-protesting-again-in-new-york.html>.

² Reuters, "Bankrupt Walter Energy gets nod from judge to end labor pacts," Jim Christie, December 29, 2015, <https://www.reuters.com/article/walter-energy-bankruptcy-idAFL1N14116920151229>.

³ Warrior Met Coal, LLC, "2017 Annual Report," <http://investors.warriormetcoal.com/~media/Files/W/Warrior-IR/documents/annual-reports/2017-annual-report.pdf>; Wall Street Journal, "Coal Producers Struggle After Years of Investor Payouts," Scott Patterson and Jonathan Randles, May 1, 2020, <https://www.wsj.com/articles/coal-producers-struggle-after-years-of-investor-payouts-11588330802>.

⁴ Warrior Met Coal, LLC, Securities and Exchange Commission Form S-1 Registration Statement, Filed April 10, 2017, <https://www.sec.gov/Archives/edgar/data/0001691303/000119312517118042/d501786ds1a.htm>, pp. 142.

⁵ Warrior Met Coal, LLC, Securities and Exchange Commission Form S-1 Registration Statement, Filed April 10, 2017, <https://www.sec.gov/Archives/edgar/data/0001691303/000119312517118042/d501786ds1a.htm>, pp. 139.

along with the company's pension and health obligations to 2,800 retired coal miners and their dependents.⁶ Workers conceded to a \$6-an-hour wage cut – a cut of more than 20% – and reduced benefits in their 2016 contract.⁷ This included a reduction in medical coverage “from 100% of medical fees covered before Warrior Met Coal took over to only 80%,”⁸ a particularly troubling change given the significant danger and health risks associated with coal mining.⁹ Warrior Met miners report that the “company has also gotten stricter on attendance. Workers could be expected to work seven days a week, up to 16 hours a day, and termination for missing more than four days of work except in the case of a family death.”¹⁰

The UMWA estimates that workers' concessions have “saved the company a total of \$1.1 billion since it emerged from bankruptcy.”¹¹ Yet Warrior Met has refused to restore the contract terms that prevailed before Walter Energy's bankruptcy, instead offering workers an hourly pay increase of just \$1.50 over five years.¹² Meanwhile, Warrior Met has reportedly delivered bonuses of up to \$35,000 to the company's upper management.¹³

While workers endured severe cuts to pay and benefits after the Warrior Met takeover, GSO and the rest of the private equity consortium appear to have made off like bandits. Warrior Met has returned at least \$1.4 billion – or more than twice the company's market capitalization last year – in dividends to its owners since the company went public in 2017, potentially imperiling its ability to refinance its debt in the coming years.¹⁴ According to a 2019 research note by the

⁶ Reuters, “Bankrupt Walter Energy gets nod from judge to end labor pacts,” Jim Christie, December 29, 2015, <https://www.reuters.com/article/walter-energy-bankruptcy-idAFL1N14116920151229>; Testimony of Cecil E. Roberts, International President of the United Mine Workers of America, before the U.S. Senate Committee on Finance, March 1, 2016, <https://www.finance.senate.gov/imo/media/doc/03012016%20Roberts%20Testimony%20SFC%20Testimony%20Multiemployer%20Pensions.pdf>.

⁷ CNN, “Striking Alabama mine workers bring protest to New York City,” Vanessa Yurkevich and Chris Isidore, November 4, 2021, <https://www.cnn.com/2021/11/04/business/mine-workers-protest-nyc/index.html>.

⁸ ABC News, “Alabama coal miners on strike since April say they're fighting for working Americans everywhere,” Elwyn Lopez, Ashley Schwartz-Lavares, and Lulit Tadesse, August 6, 2021, <https://abcnews.go.com/Business/alabama-coal-miners-strike-april-fighting-working-americans/story?id=79302546>.

⁹ Reuters, “Mining and police work most dangerous U.S. jobs,” Molly O'Toole, August 26, 2011, <https://www.reuters.com/article/us-jobs-dangerous/mining-and-police-work-most-dangerous-u-s-jobs-idUSTRE77O8CT20110826>.

¹⁰ The Guardian, “Union advocates rally in New York to support striking Alabama coalminers,” Lauren Aratani, July 28, 2021, <https://www.theguardian.com/business/2021/jul/28/union-advocates-rally-striking-alabama-coalminers>.

¹¹ CNN, “Striking Alabama mine workers bring protest to New York City,” Vanessa Yurkevich and Chris Isidore, November 4, 2021, <https://www.cnn.com/2021/11/04/business/mine-workers-protest-nyc/index.html>.

¹² The Guardian, “Union advocates rally in New York to support striking Alabama coalminers,” Lauren Aratani, July 28, 2021, <https://www.theguardian.com/business/2021/jul/28/union-advocates-rally-striking-alabama-coalminers>.

¹³ Tuscaloosa News, “Coal company said it hopes to avoid strike, will continue talks while serving customers,” Jason Morton, April 1, 2021, <https://www.tuscaloosaneews.com/story/news/2021/04/01/warrior-met-coal-seeks-avoid-strike-united-mine-workers/4833887001/>.

¹⁴ Wall Street Journal, “Coal Producers Struggle After Years of Investor Payouts,” Scott Patterson and Jonathan Randles, May 1, 2020, <https://www.wsj.com/articles/coal-producers-struggle-after-years-of-investor-payouts-11588330802>.

investment bank Jefferies, “Warrior [Met] has essentially paid its current market cap in special dividends since its IPO.”¹⁵

These dividends include, in 2017 alone, “a special cash distribution of \$190.0 million” paid to Warrior Met’s private equity owners prior to the company’s initial public offering¹⁶ and a “special cash dividend of approximately \$600.0 million” paid seven months after the IPO to shareholders,¹⁷ the largest of whom were Apollo, GSO, Franklin Mutual, and KKR. These four firms together held nearly 48% of the company’s common stock, with 12.2% held by GSO.¹⁸ As is often the case with private equity-controlled companies, these payouts were funded in part by debt, including a \$350 million bond sale.¹⁹ Warrior Met touted that it provided a shareholder return in 2017 of 128% compared to the 12% average for all U.S. coal producers.²⁰ By 2019, GSO and the three other private equity firms that owned Warrior Met at the time of the IPO had sold their shares.²¹

GSO does not appear to be alone in its pursuit of short-term payouts through coal investments. Over the last few years, private equity firms “flooded into coal mining as the industry underwent restructuring” and “have been influential in pushing for big cash payouts,” with “coal producers spend[ing] billions of dollars in dividends and stock buybacks to benefit their investors.”²² Warrior Met was one of “[f]our big coal producers that emerged from bankruptcy in recent years” and “paid out more than \$4 billion in dividends and buybacks from 2017 through 2019. That is about 60% more than their combined long-term debt at the end of 2017.”²³

We have long been concerned that some private equity firms pursue strategies that extract value from portfolio companies at the expense of workers and communities.²⁴ These strategies include loading debt onto companies to fund payouts for the private equity firm and its executives,

¹⁵ Mining Journal, “US met-coal Warrior continues to weigh growth,” August 1, 2019, <https://www.mining-journal.com/bulks/news/1368595/us-met-coal-warrior-continues-to-weigh-growth>.

¹⁶ Warrior Met Coal, LLC, Securities and Exchange Commission Form S-1 Registration Statement, Filed April 10, 2017, <https://www.sec.gov/Archives/edgar/data/0001691303/000119312517118042/d501786ds1a.htm>, pp. F-46.

¹⁷ Warrior Met Coal, “Warrior Met Coal Announces Fourth Quarter and Full Year 2017 Results,” press release, February 14, 2018, <http://investors.warriormetcoal.com/news-releases/2018/02-14-2018-210126191>.

¹⁸ Warrior Met Coal, “2017 Annual Report,” <http://investors.warriormetcoal.com/~media/Files/W/Warrior-IR/documents/annual-reports/2017-annual-report.pdf>.

¹⁹ Warrior Met Coal Press Release, “Warrior Met Coal Announces Fourth Quarter and Full Year 2017 Results,” February 14, 2018, <http://investors.warriormetcoal.com/news-releases/2018/02-14-2018-210126191>.

²⁰ Warrior Met Coal, LLC, Securities and Exchange Commission Form 8-K, Exhibit 99.1, Filed February 21, 2018, http://otp.investis.com/clients/us/warrior_met_coal/SEC/sec-show.aspx?Type=page&FilingId=12566593-7024-62210&CIK=0001691303&Index=20000.

²¹ Mining Journal, “US met-coal Warrior continues to weigh growth,” August 1, 2019, <https://www.mining-journal.com/bulks/news/1368595/us-met-coal-warrior-continues-to-weigh-growth>.

²² Wall Street Journal, “Coal Producers Struggle After Years of Investor Payouts,” Scott Patterson and Jonathan Randles,” May 1, 2020, <https://www.wsj.com/articles/coal-producers-struggle-after-years-of-investor-payouts-11588330802>.

²³ *Id.*

²⁴ 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>.

engaging in severe cost-cutting measures that harm workers and consumers, and quickly cashing out after extracting as much value as they can.²⁵

We recently reintroduced legislation, the *Stop Wall Street Looting Act* (S.3022), to reform the private equity industry by holding private equity firms liable for the responsibilities and debts of companies under their control and increasing transparency by requiring private equity managers to disclose fees, returns, and other details about their funds.²⁶ To inform our approach to passing this legislation, and to better understand your firm’s previous investment in Warrior Met and the extent to which the terms and conditions of that investment continue to impact the company and its workers, we ask that you provide answers to the following questions no later than December 9, 2021:

1. Please provide the following information, as enumerated in the *Stop Wall Street Looting Act* (S.3022),²⁷ with respect to each GSO fund that was invested in Warrior Met:
 - a. The name, address, and vintage year;
 - b. The name of its general partner;
 - c. The name of each limited partner;
 - d. A description of each Warrior Met security owned and the dates of ownership;
 - e. In dollars, the total amount of regulatory assets under management;
 - f. In dollars, the total amount of net assets under management;
 - g. The percentage of fund equity contributed by the general partners of the fund and the percentage of fund equity contributed by the limited partners of the fund;
 - h. Information on the indebtedness of the fund during the period of its equity investment in Warrior Met, including—
 - i. the dollar amount of total debt owed to affiliates and non-affiliates;
 - ii. the percentage of debt for which the creditor is:
 1. a financial institution in the United States;
 2. a financial institution outside of the United States;
 3. an entity that is located in the United States and is not a financial institution; and
 4. an entity that is located outside of the United States and is not a financial institution.
 - i. The gross performance during each calendar year the fund held an interest in Warrior Met;
 - j. For each calendar year the fund held an interest in Warrior Met, the difference obtained by subtracting the financial gains of the fund by the fees that the general

²⁵ *Id.*

²⁶ 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>; Congress.gov, S.3022 – Stop Wall Street Looting Act, 117th Congress (2021-2022), <https://www.congress.gov/bill/117th-congress/senate-bill/3022>.

²⁷ Congress.gov, S.3022 – Stop Wall Street Looting Act, 117th Congress (2021-2022), <https://www.congress.gov/bill/117th-congress/senate-bill/3022>.


partners of the fund charged to the limited partners of the fund (commonly referred to as the ‘performance net of fees’);


- k. For each calendar year the fund held an interest in Warrior Met, an annual financial statement, which shall include income statements, a balance sheet, and cash flow statements;
 - l. For each calendar year the fund held an interest in Warrior Met, the percentage of the equity owned by—
 - i. citizens of the United States;
 - ii. individuals who are not citizens of the United States;
 - iii. brokers or dealers;
 - iv. insurance companies;
 - v. investment companies that are registered with the Commission under this Act;
 - vi. private funds and other investment companies not required to be registered with the Commission;
 - vii. nonprofit organizations;
 - viii. pension plans maintained by State or local governments (or an agency or instrumentality of either);
 - ix. pension plans maintained by nongovernmental employers;
 - x. State or municipal government entities;
 - xi. banking or thrift institutions;
 - xii. sovereign wealth funds; and
 - xiii. other investors.
 - m. For each calendar year the fund held an interest in Warrior Met, the total dollar amount of aggregate fees and expenses collected by the fund, the manager of the fund, or related parties from Warrior Met, which shall—
 - i. be categorized by the type of fee; and
 - ii. include a description of the purpose of the fees.
 - n. For each calendar year the fund held an interest in Warrior Met, The total dollar amount of aggregate fees and expenses collected by the fund, the manager of the fund, or related parties from the limited partners of the fund, which shall—
 - i. be categorized by the type of fee; and
 - ii. include a description of the purpose of the fees.
 - o. For each calendar year the fund held an interest in Warrior Met, the total carried interest claimed by the fund, the manager of the fund, or related parties and the total dollar amount of carried interest distributed to the limited partners of the fund.
2. Please provide the following information with respect to each GSO fund that was invested in in Warrior Met:
- a. The amount of the initial investment in Warrior Met, and any subsequent investments made in the company by GSO.
 - b. The date GSO exited its stake in the company, and the rationale for this exit.

- c. A list of all dividends, fees, and any other cash distributions received from Warrior Met, including the date, the amount, and the type of payment (i.e. dividends, fees, cash distributions, or other payments).
 - d. The total dollar amount of dividends, fees, and any other cash distributions received by GSO, its directors, or its executive officers relating to its investment in Warrior Met.
3. Are there any other instances in which GSO/Blackstone Credit has used its status as a creditor in bankruptcy to demand wage cuts, employee benefit cuts, or layoffs as a condition of extending credit or as part of a negotiated reorganization plan or credit bid? If so, please provide the name and details of GSO's ownership stake for each company.

Thank you for your attention to this matter.

Sincerely,


Elizabeth Warren
United States Senator


Bernie Sanders
United States Senator


Tammy Baldwin
United States Senator

CC: Dwight Scott, Global Head of Blackstone Credit