

United States Senate

WASHINGTON, DC 20510

March 28, 2024

Jane Fraser
Chief Executive Officer
Citigroup Inc.
388 Greenwich Street
New York, NY 10013

Dear Ms. Fraser:

We are writing to seek an understanding of the role played by Citigroup (Citi) in the series of transactions that created Steward Health Care LLC's (Steward) current financial crisis, and to determine if Citi may have abdicated its fiduciary duties or other responsibilities when advising Steward on these transactions.

As a result of years of poor management and private equity profiteering, Steward cannot meet its debt obligations, and is threatening closure of its hospitals in Massachusetts. These closures would reduce health care access for thousands of people in Massachusetts.

The primary responsibility for Steward's problems lies with Steward's management, and its previous private equity owners, Cerberus Capital Management, L.P. Over a period of nearly 20 years, these entities siphoned resources while saddling the hospital system with hundreds of millions of dollars in liabilities.¹ But Citi acted as Steward's financial adviser, lender, or administrative agent for at least five mergers, acquisitions, sales, and related transactions between 2016 and 2023 – including two key transactions that have created massive long-term liabilities:

- On October 3, 2016, Citibank, N.A. was a signatory to a “Master Lease” as part of an “Intercreditor Agreement” between the “Lessor,” “the MPT Lenders,” and “Citibank, N.A.”² In this transaction, Citibank apparently acted as a lender, and/or “as administrative agent on behalf of itself and the other lenders.” Citi acted in a similar capacity for a Real Estate Loan Agreement on the same date.³ The lease and the loan agreement were part of the terms of sale in September 2016 to Medical Properties Trust (MPT). MPT purchased Steward's Massachusetts hospital assets for \$1.2 billion, which provided cash and “limited equity stake in the company”⁴ – while saddling Steward with massive long-term liabilities that continue to

¹ Letter from U.S. Senators Elizabeth Warren and Edward J. Markey to Steward Health Care System CEO Dr. Ralph de la Torre, March 7, 2024, <https://www.warren.senate.gov/imo/media/doc/2024.03.06%20Letter%20to%20Steward%20CEO.pdf>.

² Medical Properties Trust, Master Lease Agreement, October 3, 2016, <https://www.sec.gov/Archives/edgar/data/1287865/000119312517065943/d295656dex1033.htm>.

³ Medical Properties Trust, real estate loan agreement, October 3, 2016, <https://www.sec.gov/Archives/edgar/data/1287865/000119312517065943/d295656dex1034.htm>.

⁴ Steward St. Elizabeth's Medical Center of Boston, Inc., Steward Good Samaritan Medical Center, Inc., Steward Holy Family Hospital, Inc., Steward St. Anne's Hospital Corporation, and Morton Hospital. Cerberus Capital Management,

haunt the company today. Rather than renegotiate the deal, in 2021, MPT and Steward extended the length of the lease to 2041, including an annual automatic CPI-based rent escalator.

- On June 3, 2020, Citibank was involved in a recapitalization transaction between Steward Health Care and Cerberus Capital Management. Citi acted as a “sole financial advisor,” as “administrative agent on its asset-based credit facility,” and “led the amendment in connection with the transaction.”⁵ This transaction “transferred ownership of Steward to a group of the company’s own doctors in exchange for a note that would provide regular interest payments,” creating additional long-term liabilities for the company.⁶ Ultimately, Steward would take on another \$355 million in debt to pay off this note.⁷
- On September 30, 2022, Steward Health Care “amend[ed] and restate[d] in its entirety Steward’s previous credit agreement” with its lenders, led by Citibank, N.A. as Administrative Agent.⁸
- On December 22, 2022, Steward Health Care again extended a loan, this time through December 2023. The new agreement amended and restated Steward’s previous credit agreement (“led by Citibank, N.A. as Administrative Agent”).⁹
- On February 15, 2023, Citi and SVB Securities LLC acted as financial advisors to Steward’s sale of its Utah hospitals.¹⁰ Three months later, Steward Health Care “brought on financial advisers to help refinance credit lines after some recent financial struggles,”¹¹ which would ultimately lead to Steward’s current crisis.

Citi was a party to leases between Steward and MPT that were deeply unfavorable for Steward, and extended loans between 2016 and 2023. The bank’s role was not merely transactional: the bank acted as a lender or advisor to Steward on a number of loans, each of which placed the business in

“Steward Receives \$1.25 Billion Investment from Medical Properties Trust, Setting Stage for National Growth,” press release, September 27, 2016, <https://www.apps.cerberuscapital.com/media-center/steward-receives-1-25-billion-investment-from-medical-properties-trust-setting-stage-for-national-growth/>.

⁵ Steward Health Care System, “Team of Steward Doctors Acquire Controlling Stake of Steward Health Care,” press release, June 3, 2020, <https://www.steward.org/newsroom/2020-06-03/team-steward-doctors-acquire-controlling-stake-steward>.

⁶ Bloomberg, “Cerberus Quadruples Money After Unusual Exit From Hospital Giant.” Sabrina Willmer, May 27 2021. https://www.bloomberg.com/news/articles/2021-05-27/cerberus-quadruples-money-after-unusual-exit-from-hospital-giant?utm_source=website&utm

⁷ Bloomberg, “Cerberus Quadruples Money After Unusual Exit From Hospital Giant.” Sabrina Willmer, May 27 2021. https://www.bloomberg.com/news/articles/2021-05-27/cerberus-quadruples-money-after-unusual-exit-from-hospital-giant?utm_source=website&utm

⁸ Businesswire, “Steward Health Care Enters Into Agreement With Lenders to Extend Current Credit Agreement,” press release, September 30, 2022, <https://www.businesswire.com/news/home/20220930005514/en/Steward-Health-Care-Enters-Into-Agreement-With-Lenders-to-Extend-Current-Credit-Agreement>.

⁹ Businesswire, “Steward Health Care Completes Agreement With Lenders to Extend Current Credit Agreement Through December 2023,” press release, December 22, 2022, <https://www.businesswire.com/news/home/20221222005526/en/Steward-Health-Care-Completes-Agreement-With-Lenders-to-Extend-Current-Credit-Agreement-Through-December-2023>.

¹⁰ Steward Health Care, “Centura Health To Acquire Utah Care Sites From Steward Health Care,” press release, February 15, 2023, <https://www.steward.org/newsroom/2023-02-15/centura-health-acquire-utah-care-sites-steward-health-care>.

¹¹ Chapter 11 Cases, “Bankruptcy & Restructuring News Headlines for Monday May 15, 2023,” blog, May 15, 2023, https://chapter11cases.com/blogs/news/bankruptcy-restructuring-news-headlines-for-monday-may-15-2023?_pos=2&_sid=8dd73af17&_ss=r.

further debt. This pattern of failure raises questions about the extent to which Citi may have profited from these transactions, and whether the company met its responsibilities as an adviser. Acting as a financial advisor to Steward, Citi had fiduciary duties, including the duty of loyalty, which states that fiduciaries must work on behalf of their beneficiaries (Steward) and not for their own gain.¹² It is unclear whether Citi offered advice and loans that helped facilitate Steward's demise, and if so, whether that advice was consistent with its fiduciary responsibilities.

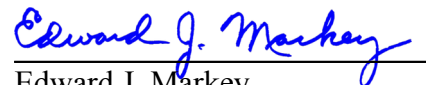
To address these questions, we ask that you please provide the following information on the nature of Citi's and/or Citibank's relationship with Steward by April 15, 2024:

1. Please provide the contract(s) of representation and representation agreements between Citibank and/or Citi and Steward for the transactions that occurred on October 3, 2016, June 3, 2020, September 30, 2022, December 22, 2022, and February 15, 2023, including any riders and all language related to conflicts of interest and disclosures of risk.
2. Please provide a description of Citi's role and responsibilities for each of the transactions that occurred on October 3, 2016, June 3, 2020, September 30, 2022, December 22, 2022, and February 15, 2023.
3. With regard to the transactions on October 3, 2016, June 3, 2020, September 30, 2022, December 22, 2022, and February 15, 2023,
 - a. On what basis was Citi paid for these transactions, and how much was it paid?
 - b. What advice did Citi give with regard to each of these transactions? Did the bank at any time raise any concerns about the impact of these or other transactions on the short- or long-term financial condition of Steward?
 - c. Please provide, for each of these transactions, due diligence report(s) for either or both Citi and Steward for the transaction and the fair valuation report, if it was prepared for this transaction.
4. Please describe the nature of the loan underwritten by Citibank, N.A. and/or Citi in the "Master Lease" signed October 3, 2016, including documentation.¹³
5. Are there any ongoing relationships between Citibank and/or Citi and Steward or Medical Properties trust, or any related parties? Please describe the nature of these relationships.

Sincerely,



Elizabeth Warren
United States Senator



Edward J. Markey
United States Senator

¹² See, Legal Information Institute, "fiduciary duty," https://www.law.cornell.edu/wex/fiduciary_duty.

¹³ Medical Properties Trust, master lease agreement, October 3, 2016, <https://www.sec.gov/Archives/edgar/data/1287865/000119312517065943/d295656dex1033.htm>.