

United States Senate

WASHINGTON, DC 20510

July 1, 2024

Edward K. Aldag, Jr.
Chairman, President, and Chief
Executive Officer
Medical Properties Trust, Inc. Street
1000 Urban Center Drive, Suite 501
Birmingham, AL 35242

Karl Kuchel
Chief Executive Officer
Macquarie Infrastructure Partners
125 West 55th Street 22nd Floor
New York, NY 10019

Dear Mr. Aldag and Mr. Kuchel:

As the updated July 15, 2024 bid deadline for Steward Health Care's (Steward's) Massachusetts hospitals approaches,¹ we are writing to again ask that you offer long-term reductions in lease payments, early termination of leases, or other concessions to ensure that new operators can be found to keep Steward's Massachusetts hospitals² open and viable.

We previously wrote to you with a similar request on April 15, 2024.³ The response indicated that Medical Properties Trust (MPT) "stands ready to cooperate with authorities in Massachusetts and elsewhere to ensure that operator transitions and/or sales of Steward's hospitals are executed with as little disruption in patient care as possible."⁴ MIP indicated that the company is working "in good faith" "with relevant stakeholders to come to an agreeable resolution since Steward's liquidity issues became more clear."⁵

Because MPT and MIP each own a 50% stake in the Steward leases, your companies must act together to modify them.⁶ But your companies appear to be unwilling to make concessions in the lease arrangements, which present an ongoing threat to the operations of the hospitals. Filings in the Steward bankruptcy indicate that:

[T]he vast majority of [Steward debt] [is] attributable to an estimated \$6.6 billion of long-term obligations under the [MPT] Master Leases. The Master Lease obligations include (i) contractually deferred rent, (ii) other unpaid additional amounts and (iii)

¹ Boston Globe, "Steward delays bid deadline for its Massachusetts hospitals by three weeks," Robert Weisman, June 19, 2024, <https://www.bostonglobe.com/2024/06/19/business/steward-hospital-sales/>.

² Steward, "Our Network," <https://www.steward.org/network/our-hospitals>.

³ Letter from Senators Elizabeth Warren and Ed Markey to Medical Properties Trust CEO Edward Aldag and Macquarie Investment Partners CEO Karl Kuchel, April 15, 2024, <https://www.warren.senate.gov/imo/media/doc/2024.04.15%20MPT%20and%20Macquarie%20Letter.pdf>.

⁴ Letter from Goodwin Proctor LLP, on behalf of Medical Properties Trust, to Senator Elizabeth Warren, April 26, 2024, on file with the office of Senator Elizabeth Warren.

⁵ Letter from Gibson Dunn & Crutcher LLP, on behalf of Macquarie Investment Partners, To Senators Elizabeth Warren and Ed Markey, April 26, 2024, pp. 4-5, on file with the office of Senator Elizabeth Warren.

⁶ *Id.*

future, undiscounted rent due under the Master Leases through October 31, 2041 (including average rent escalators ranging from 2.5% to 3.5% annually).⁷

The filings also indicate that Steward “pay[s] approximately \$341 million annually in lease payments to MPT.”⁸ Mr. Aldag has publicly indicated that “[w]e believe that these hospitals can continue to pay rent at the contractual levels,”⁹ And more recent public reporting in the Boston Globe explains that:

Initial discussions have already taken place between officials in Massachusetts and MPT representatives, as potential suitors for Steward’s local hospitals try to wrap their heads around paying those crazy rents to MPT, according to one person involved. When MPT is asked what it will take to get the hospitals out of their control, this person said the answer is fairly succinct: \$1.4 billion.¹⁰

While the failure of Steward to pay rent on the properties owned by MPT and MIP represents a legitimate problem for companies’ shareholders, MPT appears to have already earned a substantial return on its initial \$1.2 billion real estate investment.¹¹ In September 2021, when MIP purchased its 50% stake in the leases, the properties were valued at \$1.78 billion.¹² And in response to our April 2024 letter, MPT indicated that, beginning in 2016, MPT has “received ... approximately \$200-\$225 million in average rent and interest payments from Steward” – which would appear to be a sum of well over \$1 billion.¹³ Mr. Aldag personally received over \$85 million in compensation over the last five years,¹⁴ and was recently awarded a “massive stock incentive plan” that could reward Mr. Aldag with tens of millions of dollars – even if the company’s stock is less than half of its 2022 high.¹⁵

Now is a critical time for the Steward hospitals in Massachusetts – and the communities they serve. The ability of these hospitals to emerge from bankruptcy under new operators with stable finances will represent a significant public health victory for these

⁷ Limited Obj. of the Official Committee of Unsecured Creditors to Emergency Mot. of Debtors for Entry of an Order Directing Mediation of Disputes Relating to Allocation of Hospital Sale Proceeds and Related Issues ¶ 7, June 12, 2024, CML 24-90213.

⁸ *Id.* ¶ 10.

⁹ Commonwealth Beacon, “Steward landlord denies its rents are excessive,” Bruce Mohl, May 9, 2024, <https://commonwealthbeacon.org/health-care/steward-landlord-denies-its-rents-are-excessive/>.

¹⁰ Boston Globe, “Medical Properties Trust: A place where failure seems to pay.” Brian McCrory, Jun 16, 2024, <https://www.bostonglobe.com/2024/06/13/business/medical-properties-trust/>.

¹¹ Boston Globe, “Steward gets \$1.25b to fund expansion, repay Cerberus,” Priyanka Dayal McCluskey, September, 26, 2016, <https://www.bostonglobe.com/business/2016/09/26/steward-gets-fund-expansion-repaycerberus/hgC7sjOqZ1lnH1B1bV991M/story.html>.

¹² Macquarie Investment Partners, “Macquarie Infrastructure Partners V and Medical Properties Trust enter partnership for eight Massachusetts hospitals valued at \$US1.78 billion,” Sep. 1, 2021, <https://www.macquarie.com/au/en/about/news/2021/macquarie-infrastructure-partners-v-and-medical-properties-trust-enter-partnership-for-eight-massachusetts-hospitals-valued-at-1-78-billion-usd.html>.


¹³ Letter from Goodwin Proctor LLP, on behalf of Medical Properties Trust, to Senator Elizabeth Warren, April 26, 2024, on file with the office of Senator Elizabeth Warren.

¹⁴ Morningstar, “Medical Properties Trust MPW,” June 17, 2024, <https://www.morningstar.com/stocks/xnys/mpw/executive>.

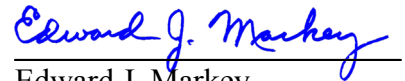
¹⁵ Boston Globe, “Medical Properties Trust: A place where failure seems to pay.” Brian McCrory, Jun 16, 2024, <https://www.bostonglobe.com/2024/06/13/business/medical-properties-trust/>.

communities, allowing their dedicated workers to continue to provide needed health care services. MPT and MIP must do their part to facilitate this transformation, and we hope that you are prepared to offer the lease and debt concessions needed to do so.

Sincerely,



Elizabeth Warren
United States Senator



Edward J. Markey
United States Senator