

REPRINTED
WITH
PERMISSION

Chicago Tribune

BUSINESS

MONDAY, SEPTEMBER 19, 2011

EXECUTIVE PROFILE DEBRA CAFARO

Nothing ventured, nothing gained



RICK TUMA/
TRIBUNE ILLUSTRATION

CEO of one of largest public real estate investment trusts built career on taking risks

BY ALEJANDRA CANCINO
Tribune reporter

It was past 7 p.m. when Ventas Inc. CEO Debra Cafaro emerged from her last meeting. Her voice echoed in the halls of the mostly empty offices on the 48th floor of 111 S. Wacker Drive.

As she spoke, the last rays of sun disappeared behind the West Loop skyscrapers — a familiar, end-of-the-day scene from the headquarters of Ventas, a real estate investment trust, or REIT, she has ambitiously grown during the past decade through mergers and acquisitions.

Her latest deal doubled Ventas' portfolio across the U.S. and Canada to more than 1,300 health care properties, including senior living facilities, medical office buildings and specialty hospitals. As a REIT, Ventas leases those properties to health care service providers.

Ventas acquired its California-based rival, Nationwide Health Properties Inc., in July for \$5.8 billion. The stock deal was valued at \$7.4 billion, including debt. Together, Ventas and Nationwide became a company worth \$23 billion, making it the leading health care REIT in the country.

Becoming chief executive of one of the nation's largest public REITs marked a new mile post for Cafaro, 53, who has built her career on calculated risks.

Her drive, she said, comes from a very working-class upbringing.

"We never wanted for anything," Cafaro said. "But there was always so much more for me to aspire to: in terms of education, in terms of seeing the world, in terms of working hard and achieving things. And so that drive comes from the kind of upbringing that I had."

Cafaro, a self-motivator and the older of two sisters, was the first in her family to go to college.

She grew up in Pittsburgh hearing her Lebanese-American mother, Dee, speak Arabic and her father, Frank, Italian. He was a mailman. She was a housewife. Now in their early 80s, each was born in the U.S. to immigrant parents at a time when foreign households sought assimilation. As a result,

Cafaro didn't pick up either language.

"There are a few swear words I know in both languages," she said, "but that's all, unfortunately."

She was 13 when she announced she had gotten a job at a penny-candy counter. She made \$9.06 a week and saved it for a school trip to Rome. (In 2010, her total compensation package was \$8.6 million.)

As a teenager, she closely followed the Watergate political scandal and admired the lawyers and journalists she saw on television. She decided she wanted to be one of them.

"My father didn't know a lot of lawyers, but he knew one criminal defense lawyer. And he said, 'That's great, I will take off work and my friend, Tom Livingston, has a trial, and we'll go sit in the trial and watch. ... You can really see what it's like to be a lawyer,'" she said.

Her father came from a family where having a boy was "the most important thing," she said, but he didn't box her in. Instead, he took her to football games.

"It was very unusual in that time, in that socio-economic environment, very working-class and ethnic, that he would be what I would call a feminist. He would never call it that, but he was so supportive of my sister and me, and that was really rare," Cafaro said.

At the trial, Cafaro also met the lawyer's son, Terry Livingston. The young man, who later became her husband, had just graduated high school and was helping his father at the firm by running errands.

Livingston was the only person Cafaro knew who had taken the SAT test, so within seconds of knowing him, she asked him about it. She had been wondering whether to take it and ultimately did.

"My father said that the proudest day of his life was the day that he first wrote the check for me to be able to go to college," Cafaro said.

In 1979, she earned a bachelor's degree in government economics from the University of Notre Dame. Three years later, she earned a law degree from the University of Chicago Law School.

Throughout school, she stayed in touch with Livingston. The summer after her second year of law school, he called to talk about a tour he had taken of western states and the mountains, and they began dating.



E. JASON WAMBSGANS/TRIBUNE PHOTO

As Ventas Inc. evolves, CEO Debra Cafaro sees the challenges of leadership changing too. "You have to stay really energized about moving forward and not let that hold you back," she said.

After law school, Cafaro landed a job as a law clerk in the 4th U.S. Circuit Court of Appeals in Durham, N.C. The couple was long distance for about two years and began talking about marriage.

"We thought about going to New York, where I had been working; we thought about going to Pittsburgh, where our families are and where he had been working," Cafaro said. "And we decided on a city that we both would feel happy about, which was Chicago."

It was a compromise, she added, "our first of many."

Career path opens up

They married in 1983 and had their first child in 1989. At the time, she was a partner at Barack Ferrazzano Kirschbaum & Nagelberg, where she worked for 13 years. Her husband, now retired, worked as an attorney for the Chicago Board of Trade.

Howard Kirschbaum, Dennis Ferrazzano and Peter Barack brought her along in 1984 when they split from Levy & Erens. Cafaro worked there with them as an associate.

Kirschbaum calls Cafaro a great businesswoman with a keen sense of which risks are worth taking. As a leader, he adds, she has a "magnetic charisma."

Cafaro developed one of the firm's major clients, Equity Group Investments, run by billionaire financier Sam Zell. He is also chairman of Tribune Co., which owns the Chicago Tribune.

During those years, she met Sheli Rosenberg, the founder of Rosenberg & Liebenritt, which served as Equity's internal law firm. Rosenberg, one of Chicago's most experienced female deal makers, became Cafaro's mentor.

"I met her when we hired her firm to do some legal work. They assigned this young, exceedingly smart lawyer to (be) part of the assignment," Rosenberg wrote in an email.

"It was clear she could do the work, so I continued to ask for her when we engaged her firm. I knew I would get a good product, and because she was young, her hourly rate was considerably less than her more senior colleagues. Good work at cheaper rates — that's a bargain."

Cafaro left the firm in 1997 to lead Ambassador Apartments, a multifamily real estate investment trust.

"She said she didn't know for sure if she could do it, but it was important to try, important to grow," Kirschbaum said.

A year later, Ambassador was acquired for \$682 million in stock, debt and other considerations. After selling the company, Cafaro was looking for her next project. Ventas board member Douglas Crocker, a former president and CEO of Equity, had met Cafaro through her work at Barack. After Ambassador, Crocker said, Cafaro got high marks for her honesty, understanding of the complex REIT business and her toughness. He called her.

"I said to her, 'Are you interested in

taking a “mission impossible?” That’s what I called it then,” he said.

She was offered the top job at Ventas in early 1999, a year after it spun off from Vencor Inc. and became the owner of most of the nursing homes and long-term care hospitals Vencor operated.

‘Big-picture view’

Cafaro, raising two preteens, took some time to think about the offer.

The company was then based in Louisville, Ky., so she had long conversations with her parents, husband and even her baby sitter about how she would commute, about the companies being in trouble and whether the job would be good for her career.

“I took a big-picture view about the benefits of what I was doing, the sacrifices that we were all making as a family,” Cafaro said. “I felt that it was worth it, and over time it would be the way that it is now, which is that I am in Chicago all the time.”

When Cafaro took office, Vencor was in trouble. It defaulted on its rent several times before filing for federal bankruptcy protection that September amid rising debts and declining Medicare revenue. To keep Ventas from following Vencor, then its only tenant, Cafaro delayed paying dividends to shareholders and restructured a \$1 billion debt.

Crocker said it was Cafaro’s affinity to know when someone is bluffing that helped her at the negotiating table. She also knows when to step back and when to push.

“She would go to creditors meetings, and if she didn’t like what they were proposing, she would basically say, ‘No, this is what we are prepared to do,’” Crocker said. If the other creditors didn’t agree, “She would say, ‘That’s too bad, I guess we would see everybody in court.’”

Cafaro loved the challenge.

“I really am attracted to difficult and complicated situations, and some of the jobs that I’ve had had those characteristics — particularly the Ventas one, which was really, really difficult in the early days,” Cafaro said.

The first years were crazy, Rosenberg observed.

“As I recall, (Cafaro) was always in motion — I don’t know if she ever slept,” Rosenberg wrote. “It was not uncommon to get an email from her showing

it was sent at 3 a.m. (I) remember she was trying to give credibility to the company, which at that time was not known or respected.”

In 2002, a year after Vencor emerged from bankruptcy protection as Kindred Healthcare, Cafaro focused on growing Ventas’ portfolio and staff.

“That’s one mandate Debby pushed through: Let’s try to grow. Let’s diversify who the different tenants would be to try to diversify away from Kindred,” said Eric Gordon, then a manager of real estate investment at Ventas.

An all-in-one package

Ventas’ first merger came in 2004, when the company acquired ElderTrust. By 2009, Ventas owned 505 properties — nearly doubling the amount of properties Cafaro had started with. The number of tenants grew from one to 22.

“Throughout my career I’ve tried to think about my decisions, about whether to do things or not to do things with this upside-downside analysis. If I don’t succeed, what are the consequences of failure? But if the company succeeds, and does well, what is the upside? What comes from that?” Cafaro said.

Gordon, then in his early 20s, said that as he meets other chief executives, his admiration for Cafaro, whom he calls engaging and super smart, only grows.

“Executives are good at turning things around, managing or growing, and not often do you find all three qualities in a person,” Gordon said. “(Cafaro) has the three abilities all wrapped in one package.”

She also showed foresight before the downturn. In mid-2007, “while things still seemed quite fine,” Cafaro said she took a hard look at the real estate market and saw troubles ahead. After the company completed its fourth acquisition, she told her team to slow and get defensive.

The company raised \$1.1 billion of equity, sold assets, refinanced its debt and increased its lines of credit. As a result, Ventas pushed ahead through the recession as other REITs struggled.

In 2008, Cafaro moved the company’s headquarters to Chicago. That allowed her to spend more time at home in Winnetka, though work often follows her there. When the weather is nice, she plugs back in from the back patio

overlooking the pool and surrounded by trees.

As the company evolves, the challenges of leadership change too. She now must motivate a much larger staff and unite it in the cause of making Ventas successful, she said.

“That’s a very different exercise from what I did at the beginning, which was more about a task and less about leading an organization,” Cafaro said. “And so the challenges are different, and I think it is wise to realize that one can always fail and make mistakes, but that you have to stay really energized about moving forward and not let that hold you back.”

mcancino@tribune.com

Twitter @writeralejandra

Debra Cafaro

Chief executive of Ventas

Music tastes:

Country, hip-hop/soul, opera

Current books:

“Cutting for Stone” by Abraham Verghese and “The Greater Journey: Americans in Paris” by David McCullough

Favorite phrase:

Fortune favors the brave. “If it seems that the upside far outweighs the consequences of a potential failure, because everyone fails at one point, then it suggests that you should go on ahead and do the thing you are considering.”

Favorite sports team:

Pittsburgh Steelers

Advice for young women:

“Take intelligent risks with your career.”

Does she worry that her children won’t have the same drive she does?

“I think it’s impossible for children who grow up under different circumstances to have that same kind of drive to do better. ... I do everything I can to encourage our children to value work and value, really, making the commitment and making sure that they are putting out; that they really are trying.”

Where she’ll visit when she gets time to travel:

“Thailand/Cambodia; Africa; Barcelona, Spain; Greece; China ... and so many more.”