



THE COVER STORY CONTINUES... ■ BY LAWRENCE D. MALONEY

Fierce Fighter

Former Ambassador executive Debra Cafaro never shies away from a challenge.

Her voice suggests a perky 15-year-old, and she stands barely five feet tall. But those who have seen Debra Cafaro in action know that she is anything but a pushover.

When MULTIFAMILY EXECUTIVE profiled Cafaro in its August 1997 cover story, she was a thriving Chicago lawyer who had just accepted an exciting new challenge as president of Ambassador Apartments. Unfortunately, she didn't have much time to savor her role as one of the first women to break into the male-dominated REIT world. Cafaro soon discovered that Ambassador's earnings projections had been overstated and that there were

defaults on credit agreements that affected liquidity. "All of a sudden I got a baptism by fire," she recalls.

By May 1998, just over a year after taking the job, Cafaro was completing the sale of Ambassador with its 52 properties and 15,728 units to AIMCO for \$682 million.

Having merged herself out of job, Cafaro "took her first extended vacation since age 13," traveling to Italy with husband Terrence Livingston, also a lawyer, and their two children. It was a cherished break for the hard-charging Cafaro. Taking to heart the strong work ethic of her father, a Pittsburgh postal worker, she had excelled in every setting: undergraduate work at Notre Dame, the University of Chicago Law



TOUGH NEGOTIATOR: The last seven years have found Debra Cafaro in repeated battles to reshape companies and build shareholder value. She now serves as president, chairman and CEO of Ventas, one of the nation's health care REITs.

SERIOUS ACCOMPLISHMENTS:

Debra Cafaro has engineered a major merger of apartment companies and built a prosperous medical REIT out of the ashes.



School, and counseling prestigious corporate and real estate clients at the Chicago law firm of Barack Ferrazzano Kirschbaum Perlman & Nagelberg.

Cafaro's vacation didn't last long. Early in 1999, she got a phone call from Douglas Crocker, CEO of Equity Residential Properties and a new board member at Ventas, a Louisville-based health care REIT. He had the "perfect" job for her: CEO of Ventas.

It wasn't a cushy assignment. Ventas, it turns out, was in deep trouble. The company's stock was languishing around \$5, and its major tenant, Vencor, was facing bankruptcy, due in part to tougher Medicare reimbursement affecting the skilled nursing homes that Vencor ran. To top it off, the Justice Department was suing the company for Medicare fraud, and \$1 billion in Ventas debt was fast coming due.

Cafaro's first order of business: Restructure Vencor's multibillion-dollar debt. As the lead creditor of Vencor, now Kindred, Ventas had claims of more than \$2 billion. The new CEO had to battle not only Vencor management, but also a long line of creditors. Now that it's all over, Cafaro feels that all parties ended up with a stake in Kindred, whose balance sheet has improved significantly. Ventas itself received 10 percent of Kindred's shares and won annual rent escalations of 3.5 percent.

"Debbie did a spectacular job throughout the reorganization, which lasted the better part of 18 months, and she has done great work in diversifying the company since then," notes Crocker. Adds David Tepper of Appaloosa

Partners, which held debt in Vencor: "Cafaro fought very hard. She was a very tough negotiator."

In recent years, Cafaro has moved the company away from its heavy dependence on nursing homes and other properties tied to government reimbursement. In 2004, Ventas acquired Elder Trust, which owned many private-pay assisted living and independent living facilities. Even more significant was this year's \$1.2 billion acquisition of Provident Senior Trust, which added 68 high-quality, private-pay independent and assisted living properties to the portfolio.

Meanwhile, Ventas has grown to more than 375 properties and 41,000 beds, with a total enterprise value of \$5 billion. Its reliance on annual revenues from Kindred has dropped from 99 percent to about 50 percent. The stock price has been trading at more than \$30, and the company's com-

pound rate of return stood at 72.5 percent for the five-year period ended June 30, 2005, putting it in the top echelon of all REITs. The company's credit situation also has steadily improved, with S&P revising its outlook for Ventas from stable to positive in July.

Cafaro's turnaround of Ventas has won praise from many in the investment community. "When you think about Debra, you think about someone who has an opinion, a vision, and unlimited energy," says Chicago financier Sam Zell, who was Cafaro's client on the IPOs of two REITs he founded.

"Debra formulated a careful strategy for Ventas and has carried it out step by step," says Jamie Handwerker, a principal with the New York investment firm of Cramer, Rosenthal and McGlynn. "I have tremendous respect for her."

The Ventas CEO says she'd like to enjoy the good times before putting out the next fire. **IM**

DEBRA CAFARO

| THEN (1997) | | NOW (2005) |
|---|------------------------|--|
| 39 | <<<< Age >>>> | 47 |
| Ambassador Apartments | <<<< Company >>>> | Ventas |
| Garden apartments | <<< REIT Focus >>> | Health-care facilities |
| 15,718 units | << Portfolio >> | 375 facilities/41,000 beds |
| "I knew there was at least a 50 percent chance that Ambassador would go through a merger, but I was able to address Ambassador's liquidity problems and successfully merge the company into AIMCO." | < Business Challenge > | "In 1999, the very survival of Ventas was in question. Now, we can focus on delivering growing, reliable FFO for shareholders and expand our portfolio to include new asset classes and new tenant relationships." |

Photo: Kenneth Hayden/Black Star; 1997 cover story photography: Robin G. London