



Debra Cafaro, Ventas

Ventas CEO Rescued REIT

Attorney Debra Cafaro taught herself the health care business and fought to save the enterprise's real estate holdings.

When a board member of the Louisville, Ky.-based health care REIT Ventas phoned Debra Cafaro nearly 10 years ago and asked for her help, Ventas was essentially on life support: Its main tenant, Vencor, faced bankruptcy.

Cafaro was a Chicago real estate attorney who in 1998 had negotiated the sale of Ambassador Apartments and its 15,728 units to Denver-based AIMCO, a multifamily REIT, for \$682 million. She had been hired just a year earlier as Ambassador's president before discovering financial problems so severe she decided that selling the company was the only solution. It left her without a job.

"The board asked me to come and try to save Ventas," Cafaro says. Louisville-based Vencor, which accounted for 99% of Ventas' revenues, filed for bankruptcy in 1999, months after she came aboard. "I really had to learn the health care business, and I had to do it while we were doing this high-wire act and very intense negotiation and restructuring process with multiple parties. It was really Ventas against the world at that time."

The REIT's main asset was its real estate, a network of health care facilities and seniors housing. "Everybody else wanted it. Our banks wanted it, Vencor's banks wanted it, and so it was a very intense period and there were many, many long days and nights and a lot of blood, sweat and tears," Cafaro recalls.

But she was determined to keep the real estate holdings, and she prevailed.

Fast forward nearly 10 years. Ventas has been transformed from arguably the worst performing real estate investment trust to one of the best. Its portfolio is valued at \$10 billion and includes 514 health care-related facilities — 191 skilled nursing centers, 41 hospitals and 253 seniors housing projects among them — in 43 states. The REIT has produced a 10-year annual compound return of 19% and a five-year annual compound return of 39%, according to the CEO.

Today, Ventas boasts an estimated \$6.5 billion equity market capitalization and has \$3.5 billion of debt. Contrast that with 2000, when it had \$100 million in equity and \$1.1 billion of debt, says Cafaro, chairman, president and CEO. On Aug. 25, Ventas stock closed at \$43.36, down from a 52-week high of \$50.39.

What became of the bankrupt tenant Vencor? Cafaro helped rescue it by restructuring its debt, and it was revived as Louisville-based Kindred Healthcare, a strong Ventas tenant with annual revenues exceeding \$4 billion.

A cum laude graduate of the University of Chicago Law School in 1982, Cafaro's achievements have been rewarded. She earned more than \$7 million in executive compensation in 2007, including a base salary of \$600,000, short- and long-term bonuses and other incentives, according to an April 4, 2008 proxy statement. The

base salary represents an 8.1% increase over her 2006 salary.

Cafaro delivered results far beyond expectations. "She is strategic and perceptive to the changes taking place in her business, and has an uncanny ability to stay ahead of the curve," says economist Peter Linneman, professor of finance and business and public policy at the Wharton School of the University of Pennsylvania. Ventas is now one of the nation's largest publicly traded real estate companies.

In May, Cafaro moved the REIT's headquarters from Louisville to Chicago to increase exposure to other REITs, private real estate companies and investors. In 2007, she guided the \$2 billion purchase of Sunrise Senior Living, a Canadian REIT, which brought Ventas 77 private-pay assisted living facilities.

The Sunrise model departed from Ventas' reliance on triple net leases, since it derives net operating income from assets, and must balance revenue with property expenses. Sunrise accounts for about 19% of net operating income.

Ventas has 10 medical office projects in the pipeline, valued at \$150 million.

Not surprisingly, Cafaro has no sense of being held back in her career because of her gender. "There have been many occasions in my professional life when people have sought me out," she says, as Ventas board member Doug Crocker did a decade ago. "I've been so fortunate."

— Denise Kalette