VENTAS INC
Form 10-Q
November 09, 2007
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2007

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE TRANSITION PERIOD FROM ______ TO ______

Commission file number: 1-10989

Ventas, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**61-1055020**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

10350 Ormsby Park Place, Suite 300

Louisville, Kentucky

(Address of Principal Executive Offices)

40223

(Zip Code)

(502) 357-9000

(Registrant s Telephone Number, Including Area Code)

Not Applicable

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class of Common Stock:	**Outstanding at November 1, 2007:**
Common Stock, $0.25 par value	133,490,108

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

VENTAS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except per share amounts)

	September 30, 2007 (Unaudited)	December 31, 2006 (Audited)
Assets		
Real estate investments:		
Land	$ 564,462	$ 357,804
Buildings and improvements	5,548,290	3,350,033
	6,112,752	3,707,837
Accumulated depreciation	(765,598)	(659,584)
Net real estate property	5,347,154	3,048,253
Loans receivable, net	35,556	35,647
Net real estate investments	5,382,710	3,083,900
Cash and cash equivalents	28,573	1,246
Escrow deposits and restricted cash	89,807	80,039
Deferred financing costs, net	22,280	18,415
Notes receivable-related parties	2,144	2,466
Other	136,106	67,734
Total assets	$ 5,661,620	$ 3,253,800
Liabilities and stockholders equity		
Liabilities:		
Senior notes payable and other debt	$ 3,267,705	$ 2,329,053
Deferred revenue	9,665	8,194
Accrued dividend		41,949
Accrued interest	46,752	19,929
Accounts payable and other accrued liabilities	152,753	114,012
Deferred income taxes	313,987	30,394
Total liabilities	3,790,862	2,543,531
Minority interest	26,781	393
Commitments and contingencies		
Stockholders equity:		
Preferred stock, 10,000 shares authorized, unissued		
Common stock, $0.25 par value; authorized 300,000 and 180,000 shares at September 30, 2007 and December 31, 2006, respectively; 133,451 and 106,137 shares issued at September 30, 2007 and December 31, 2006, respectively	33,371	26,545
Capital in excess of par value	1,817,809	766,470

Accumulated other comprehensive income	6,652	1,037
Retained earnings (deficit)	(13,761)	(84,176)
Treasury stock, 3 and 0 shares at September 30, 2007 and December 31, 2006, respectively	(94)	
Total stockholders equity	1,843,977	709,876
Total liabilities and stockholders equity	$ 5,661,620	$ 3,253,800

See notes to condensed consolidated financial statements.

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VENTAS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands, except per share amounts)

	For the Three Months Ended September 30, 2007	For the Three Months Ended September 30, 2006	For the Nine Months Ended September 30, 2007	For the Nine Months Ended September 30, 2006
Revenues:				
Rental income	$ 121,167	$ 104,004	$ 359,374	$ 292,544
Resident fees and services	103,938		175,338	
Interest income from loans receivable	477	2,566	2,115	4,373
Interest and other income	712	285	2,411	998
Total revenues	226,294	106,855	539,238	297,915
Expenses:				
Interest	54,092	34,019	148,771	97,962
Depreciation and amortization	70,716	29,024	161,516	85,380
Property-level operating expenses	71,382	727	122,730	2,003
General, administrative and professional fees (including non-cash stock-based compensation expense of $1,768 and $751 for the three months ended 2007 and 2006, respectively, and $5,602 and $2,236 for the nine months ended 2007 and 2006, respectively)	9,315	6,539	24,919	19,457
Foreign currency loss (gain)	116		(24,245)	
Rent reset costs		7,361		7,361
Reversal of contingent liability		(1,769)		(1,769)
(Gain) loss on extinguishment of debt	(88)		(88)	1,273
Merger-related expenses	1,535		2,327	
Total expenses	207,068	75,901	435,930	211,667
Income before income taxes, minority interest and discontinued operations	19,226	30,954	103,308	86,248
Income tax benefit	9,463		15,074	
Income before minority interest and discontinued operations	28,689	30,954	118,382	86,248
Minority interest, net of tax	675		1,088	
Income from continuing operations	28,014	30,954	117,294	86,248
Discontinued operations		1,287	135,623	4,385
Net income	28,014	32,241	252,917	90,633
Preferred stock dividends and issuance costs			5,199	
Net income available to common stockholders	$ 28,014	$ 32,241	$ 247,718	$ 90,633
Earnings per common share:				
Basic:				
Income from continuing operations applicable to common shares	$ 0.21	$ 0.30	$ 0.94	$ 0.83
Discontinued operations		0.01	1.14	0.04

Net income available to common stockholders	$	0.21	$	0.31	$	2.08	$	0.87
Diluted:								
Income from continuing operations applicable to common shares	$	0.21	$	0.30	$	0.94	$	0.83
Discontinued operations				0.01		1.13		0.04
Net income available to common stockholders	$	0.21	$	0.31	$	2.07	$	0.87
Weighted average shares used in computing earnings per common share:								
Basic		133,205		104,021		118,989		103,886
Diluted		133,503		104,568		119,422		104,415
Dividends declared per common share	$	0.475	$	0.395	$	1.425	$	1.185

See notes to condensed consolidated financial statements.

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VENTAS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	For the Nine Months Ended September 30, 2007	2006
Cash flows from operating activities:		
Net income	$ 252,917	$ 90,633
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation (including amounts in discontinued operations) and amortization	162,501	87,232
Amortization of deferred revenue and lease intangibles, net	(6,629)	(1,809)
Other amortization expenses	1,981	2,320
Stock-based compensation	5,602	2,236
Straight-lining of rental income	(12,932)	(14,735)
Gain on sale of assets (including amounts in discontinued operations)	(129,478)	
Loss on extinguishment of debt		1,273
Reversal of contingent liability		(1,769)
Loss on bridge financing	2,550	
Deferred tax benefit	(15,074)	
Other	(378)	764
Changes in operating assets and liabilities:		
Increase in other assets	16,326	(18,958)
Increase in accrued interest	22,628	21,042
Increase in other liabilities	47,959	10,017
Net cash provided by operating activities	347,973	178,246
Cash flows from investing activities:		
Net investment in real estate property	(1,310,186)	(63,978)
Investment in loans receivable		(156,849)
Proceeds from sale of assets	157,400	
Proceeds from sale of securities	7,773	
Proceeds from loans receivable	23,764	4,244
Capital expenditures	(3,444)	(334)
Escrow funds returned from an Internal Revenue Code Section 1031 exchange	9,000	
Other	322	4,447
Net cash used in investing activities	(1,115,371)	(212,470)
Cash flows from financing activities:		
Net change in borrowings under unsecured revolving credit facility	46,400	72,300
Net change in borrowings under secured revolving credit facility		(89,200)
Net change in borrowings under Canadian credit facility	84,159	
Issuance of bridge financing	1,230,000	
Repayment of bridge financing	(1,230,000)	
Proceeds from debt	9,410	223,605
Repayment of debt	(143,775)	(12,997)
Debt and preferred stock issuance costs	(4,300)	
Payment of deferred financing costs	(5,534)	(3,754)
Purchase of foreign currency hedge	(8,489)	
Issuance of common stock	1,045,729	696

Cash distribution to preferred stockholders	(3,449)	
Cash distribution to common stockholders	(219,253)	(160,598)
Other	8,194	4,466
Net cash provided by financing activities	809,092	34,518
Net increase in cash and cash equivalents	41,694	294
Effect of foreign currency translation on cash and cash equivalents	(14,367)	
Cash and cash equivalents at beginning of period	1,246	1,641
Cash and cash equivalents at end of period	$ 28,573	$ 1,935

See notes to condensed consolidated financial statements.

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VENTAS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

(Unaudited)

(In thousands)

	For the Nine Months Ended September 30, 2007	2006
Supplemental schedule of non-cash activities:		
Assets and liabilities assumed from acquisitions:		
Real estate investments	$ 1,115,605	$ 9,477
Other assets	153,385	835
Debt assumed	926,938	10,848
Deferred taxes	299,830	
Minority interest	24,185	
Other liabilities	18,037	(536)

See notes to condensed consolidated financial statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 DESCRIPTION OF BUSINESS

Ventas, Inc. (together with its subsidiaries, unless otherwise indicated or except where the context otherwise requires, we, us or our) is a real estate investment trust (REIT) with a geographically diverse portfolio of seniors housing and healthcare-related properties in the United States and Canada. As of September 30, 2007, this portfolio consisted of 252 seniors housing communities, 197 skilled nursing facilities, 42 hospitals and 23 medical office and other properties in 43 states and two Canadian provinces, including 77 seniors housing communities we acquired from Sunrise Senior Living Real Estate Investment Trust (Sunrise REIT) on April 26, 2007. See Note 4 Acquisitions. With the exception of our medical office buildings and our seniors housing communities that are managed by Sunrise Senior Living, Inc. (together with its subsidiaries, Sunrise) pursuant to long-term management agreements, we lease these properties to healthcare operating companies under triple-net or absolute net leases, which require the tenants to pay all property-related expenses. We also had real estate loan investments relating to seniors housing and healthcare-related third parties as of September 30, 2007.

We conduct substantially all of our business through our wholly owned subsidiaries, Ventas Realty, Limited Partnership (Ventas Realty), PSLT OP, L.P. and Ventas SSL, Inc., and ElderTrust Operating Limited Partnership (ETOP), in which we own substantially all of the partnership units.

NOTE 2 ACCOUNTING POLICIES

The accompanying Condensed Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and with the Securities and Exchange Commission (the Commission) instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair statement of results for the interim period have been included. Operating results for the three- and nine-month periods ended September 30, 2007 are not necessarily an indication of the results that may be expected for the year ending December 31, 2007. The accompanying Condensed Consolidated Financial Statements and related notes should be read in conjunction with the consolidated financial statements and notes thereto included in our Current Report on Form 8-K filed with the Commission on October 12, 2007. Certain prior period amounts have been reclassified to conform to the current period presentation.

Principles of Consolidation

The accompanying Condensed Consolidated Financial Statements include our accounts and the accounts of our wholly owned subsidiaries and entities over which we exercise control. All intercompany transactions and balances have been eliminated in consolidation, and net earnings are reduced by the portion of subsidiary net earnings applicable to minority interests.

Long-Lived Assets and Intangibles

Investments in real estate assets are recorded at cost. We account for acquisitions using the purchase method. The cost of the properties acquired is allocated among tangible and recognized intangible assets and liabilities based upon estimated fair values in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 141, Business Combinations. We estimate fair values of the components of assets and liabilities acquired as of the acquisition date or engage a third-party appraiser as necessary. Recognized intangibles, if any, include the value of acquired lease contracts and related customer relationships.

Our method for determining fair value varies with the categorization of the asset or liability acquired. We estimate the fair value of our buildings on an as-if-vacant basis, and depreciate the building value over the estimated remaining life of the building. We determine the allocated value of other fixed assets based upon the replacement cost and depreciate such value over their estimated remaining useful lives. We determine the value of land either based on real estate tax assessed values in relation to the total value of the asset, internal analyses of recently acquired and existing comparable properties within our portfolio or third-party appraisals. The fair value of in-place leases, if any, reflects (i) above and below market leases, if any, determined by discounting the difference between the estimated current market rent and the in-place rentals, the resulting intangible asset or liability of which is amortized to revenue over the remaining life of the associated lease plus any fixed rate renewal periods, if applicable, (ii) the estimated value of the cost to obtain tenants, including tenant allowances, tenant improvements and leasing commissions, which is amortized over the remaining life of the associated lease, and (iii) an estimated value of the absorption period to reflect the value of the rents and recovery costs foregone during a reasonable lease-up period, as if the acquired space was vacant, which is amortized over the remaining life of the associated lease. We also estimate the value of tenant or other customer relationships acquired by considering the nature and extent of existing

business relationships with the tenant, growth prospects for developing new business with the tenant, the tenant s credit quality, expectations of lease renewals with the tenant, and the potential for significant, additional future leasing arrangements with the tenant. We amortize such value, if any, over the expected term of the associated arrangements or leases, which would include the remaining lives of the related leases and any expected renewal periods. The fair value of long-term debt, if any, is calculated by discounting the remaining contractual cash flows on each instrument at the current market rate for those borrowings. Discount rates are approximated based on the rate we estimate we would incur to replace each instrument on the date of acquisition. Any fair value adjustments related to long-term debt are recognized as effective yield adjustments over the remaining term of the instrument.

Revenue Recognition

Certain of our leases, excluding the Kindred Master Leases (as defined below) but including the majority of our leases with Brookdale Senior Living Inc. (together with its subsidiaries, which include Brookdale Living Communities, Inc. (Brookdale) and Alterra Healthcare Corporation (Alterra), Brookdale Senior Living), provide for periodic and determinable increases in base rent. Base rental revenues under these leases are recognized on a straight-line basis over the term of the applicable lease. Income on our straight-line revenue is recognized when collectibility is reasonably assured. In the event we determine that collectibility of straight-line revenue is not reasonably assured, we establish an allowance for estimated losses. Recognizing rental income on a straight-line basis results in recognized revenue exceeding cash amounts contractually due from our tenants during the first half of the term for leases that have straight-line treatment. The cumulative excess is included in other assets, net of allowances, on our Condensed Consolidated Balance Sheets and totaled $49.3 million and $36.7 million at September 30, 2007 and December 31, 2006, respectively.

Certain of our other leases, including the Kindred Master Leases, provide for an annual increase in rental payments only if certain revenue parameters or other contingencies are met. We recognize the increased rental revenue under these leases only if the revenue parameters or other contingencies are met rather than on a straight-line basis over the term of the applicable lease. We recognize income from rent, lease termination fees and other income when all of the following criteria are met in accordance with the Commission Staff Accounting Bulletin 104: (i) the agreement has been fully executed and delivered; (ii) services have been rendered; (iii) the amount is fixed or determinable; and (iv) collectibility is reasonably assured.

Resident fees and services are recognized monthly as services are provided. Move-in fees, which are included in resident fees and services, are recognized on a straight-line basis over the term of the applicable agreement. Agreements with residents generally have a term of one year and are cancelable by the resident with 30 days notice.

Federal Income Tax

Since we have elected to be treated as a REIT under the applicable provisions of the Internal Revenue Code of 1986, as amended (the Code), prior to the second quarter of 2007 we made no provision for federal income tax purposes and we will continue to make no provision for REIT income and expense. As a result of the acquisition of the Sunrise REIT properties, income tax expense or benefit is now being recorded with respect to certain entities which are taxed as taxable REIT subsidiaries under provisions similar to those applicable to regular corporations and not under the REIT provisions.

Deferred income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. An increase or decrease in the deferred tax liability that results from a change in circumstances, and which causes a change in our judgment about expected future tax consequences of events, would be included in the tax provision when the changes in circumstances and our judgment occurs. Deferred income taxes also reflect the impact of operating loss and tax credit carryforwards. A valuation allowance is provided if we believe it is more likely than not that all or some portion of the deferred tax asset will not be realized. An increase or decrease in the valuation allowance that results from a change in circumstances, and which causes a change in our judgment about the realizability of the related deferred tax asset, would be included in the tax provision when the changes in circumstances and our judgment occurs.

Recently Adopted Accounting Standards

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 clarifies the accounting for income taxes when it is uncertain how an income or expense item should be treated on an income tax return. FIN 48 describes when and in what amount an uncertain tax item should be recorded in the financial statements and provides guidance on recording interest and penalties and accounting and reporting for income taxes in interim periods. We adopted FIN 48 on January 1,

2007. The adoption did not have a material impact on our Condensed Consolidated Financial Statements.

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Foreign Currency

Certain of our subsidiaries functional currencies are the local currencies of their respective countries. We translate the results of operations of our foreign subsidiaries into U.S. dollars using average rates of exchange in effect during the period, whereas balance sheet accounts are translated using exchange rates in effect at the end of the period. Resulting currency translation adjustments are recorded in accumulated other comprehensive income, a component of stockholders equity, in the Condensed Consolidated Balance Sheets. Transaction gains and losses are recorded in the Condensed Consolidated Statements of Income.

Segment Reporting

As of September 30, 2007, we operated through two reportable business segments: triple-net leased properties and senior living operations. Our triple-net leased properties segment consists of financing, owning and leasing seniors housing and healthcare-related properties in the United States and leasing or subleasing those properties to healthcare operating companies under triple-net or absolute-net leases, which require the tenants to pay all property-related expenses. Our senior living operations segment consists of investments in seniors housing communities located in the United States and Canada for which we engage Sunrise to manage the operations.

We acquired the senior living operations segment on April 26, 2007, pursuant to the purchase of the Sunrise REIT properties. With the addition of these properties, we believed segment differentiation would be appropriate based on the different economic and legal structures used to acquire and own those assets. Prior to the acquisition, we operated through one reportable segment investment in real estate which included the triple-net leased properties and our medical office buildings. Our medical office building segment consists of leasing space primarily to physicians and other healthcare-related businesses and engaging third parties to manage those operations. Due to our limited operation of and allocation of capital to the medical office buildings, we separated them from the triple-net leased properties segment. However, the medical office building segment is not individually reported because it does not meet the quantitative thresholds of SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information at the current time.

Derivative Instruments

We use derivative instruments to protect against the risk of interest rate movements on future cash flows under our variable rate debt agreements and the risk of foreign currency exchange rate movements. Derivative instruments are reported at fair value on the Condensed Consolidated Balance Sheets. Changes in the fair value of derivatives are recognized as adjustments to net income if the derivative does not qualify for hedge accounting. If the derivative is deemed to be eligible for hedge accounting, such changes are reported in accumulated other comprehensive income, exclusive of ineffectiveness amounts, which are recognized as adjustments to net income. As of September 30, 2007, a $0.5 million net unrealized loss on our interest rate swap is included in accumulated other comprehensive income.

In January 2007, we entered into two Canadian call options in conjunction with our agreement to acquire the assets of Sunrise REIT. See Note 4 Acquisitions. We paid an aggregate purchase price of $8.5 million for these contracts, which had an aggregate notional call amount of Cdn $750.0 million at a Cdn $1.18 strike price. These contracts were settled on April 26, 2007, the acquisition date, and we received cash of $33.2 million upon settlement. For the nine months ended September 30, 2007, we recognized gains related to call option contracts of $24.3 million, which is included in the Condensed Consolidated Statements of Income as a foreign currency gain.

NOTE 3 CONCENTRATION OF CREDIT RISK

As of September 30, 2007, approximately 39.6%, 22.7% and 15.3% of our properties, based on their original cost, were operated by Sunrise, Brookdale Senior Living and Kindred Healthcare, Inc. (together with its subsidiaries, Kindred), respectively, and approximately 78.0% and 14.3% of our properties, based on their original cost, were seniors housing communities and skilled nursing facilities, respectively. Our remaining properties consist of hospitals, medical office buildings and other healthcare-related assets. These properties were located in 43 states, with properties in only two states accounting for more than 10% of total revenues during the nine months ended September 30, 2007, and two Canadian provinces.

Triple-Net Leased Properties

Approximately 33.1% and 52.2% of our total revenues for the nine months ended September 30, 2007 and 2006, respectively, were derived from our master lease agreements with Kindred (the Kindred Master Leases). There are several

renewal bundles of properties under each Kindred Master Lease, with each bundle containing a varying number of properties. All properties within a bundle have primary terms ranging from ten to 15 years from May 1, 1998 and, provided certain conditions are satisfied, are subject to three five-year renewal terms.

On April 27, 2007, Kindred renewed, through April 30, 2013, its leases covering all 64 healthcare assets owned by us (seven of which we subsequently sold on June 30, 2007 (see Note 5 Dispositions)) whose base term would have expired on April 30, 2008. Kindred retains two additional sequential five-year renewal options for these assets.

Approximately 16.8% and 29.9% of our total revenues for the nine months ended September 30, 2007 and 2006, respectively, were derived from our lease agreements with Brookdale Senior Living. Our leases with Brookdale have primary terms of 15 years, commencing either January 28, 2004 or October 19, 2004, and, provided certain conditions are satisfied, are subject to two ten-year renewal terms. Our leases with Alterra also have primary terms of 15 years, commencing either October 20, 2004 or December 16, 2004, and, provided certain conditions are satisfied, are subject to two five-year renewal terms.

Each of our leases with Kindred and Brookdale Senior Living is a triple-net lease pursuant to which the tenant is required to pay all insurance, taxes, utilities and maintenance and repairs related to the properties. In addition, the tenants are required to comply with the terms of the mortgage financing documents, if any, affecting the properties.

Because we lease a substantial portion of our triple-net leased properties to Kindred and Brookdale Senior Living and they are each a significant source of our total revenues, their financial condition and ability and willingness to satisfy their obligations under their respective leases and certain other agreements with us and their willingness to renew those leases upon expiration of the initial base terms thereof will significantly impact our revenues and our ability to service our indebtedness and to make distributions to our stockholders. We cannot assure you that Kindred or Brookdale Senior Living will have sufficient assets, income and access to financing to enable it to satisfy its obligations under its respective leases and other agreements with us, and any inability or unwillingness on its part to do so would have a material adverse effect on our business, financial condition, results of operation and liquidity, on our ability to service our indebtedness and on our ability to make distributions to our stockholders, as required for us to continue to qualify as a REIT (a Material Adverse Effect). We also cannot assure you that Kindred and/or Brookdale Senior Living will elect to renew their respective leases with us upon expiration of the initial base terms or any renewal terms thereof.

Each of Kindred and Brookdale Senior Living is subject to the reporting requirements of the Commission and is required to file with the Commission annual reports containing audited financial information and quarterly reports containing unaudited financial information. The information related to Kindred and Brookdale Senior Living contained or referred to in this Quarterly Report on Form 10-Q is derived from filings made by Kindred or Brookdale Senior Living, as the case may be, with the Commission or other publicly available information, or has been provided to us by Kindred or Brookdale Senior Living. We have not verified this information either through an independent investigation or by reviewing Kindred s or Brookdale Senior Living s public filings. We have no reason to believe that this information is inaccurate in any material respect, but we cannot assure you that all of this information is accurate. Kindred s and Brookdale Senior Living s filings with the Commission can be found at the Commission s website at www.sec.gov. We are providing this data for informational purposes only, and you are encouraged to obtain Kindred s and Brookdale Senior Living s publicly available filings from the Commission.

Senior Living Operations

As a result of the acquisition of the Sunrise REIT properties, we are party to management agreements with Sunrise pursuant to which Sunrise currently provides comprehensive accounting and property management services with respect to 78 of our seniors housing communities. Each management agreement has a term of 30 years from its effective date, the earliest of which began in 2004. Total revenues attributable to senior living operations managed by Sunrise were $175.8 million for the period from April 26, 2007 through September 30, 2007, representing 32.1% of our total revenues for the nine months ended September 30, 2007. Because a significant portion of our properties are managed by Sunrise, its inability to efficiently and effectively manage those properties and to provide timely and accurate accounting information with respect thereto could have a Material Adverse Effect on us.

Although we have various rights as owner under the Sunrise management agreements, we are relying on Sunrise s personnel, good faith, expertise, historical performance, technical resources and information systems, proprietary information and judgment to manage our seniors housing communities efficiently and effectively. We are also relying on Sunrise to set resident fees and otherwise operate those properties pursuant to our management agreements. A change in the senior management of Sunrise or any adverse developments in Sunrise s business and affairs or financial strength could also have a Material Adverse Effect on us. In addition, any inability or unwillingness on the part of Sunrise to satisfy its obligations under the management agreements it has with us could have a Material Adverse Effect on us.

Sunrise is subject to the reporting requirements of the Commission and is required to file with the Commission annual reports containing audited financial information and quarterly reports containing unaudited financial information. According to public disclosures, Sunrise has not been timely filing such required reports and is currently experiencing certain legal, accounting and regulatory difficulties. On July 25, 2007, Sunrise announced that its board of directors had decided to explore strategic alternatives intended to enhance shareholder value, including a possible sale of Sunrise. We cannot predict what impact, if any, the outcomes of these uncertainties will have on Sunrise s financial condition or ability to manage our senior living operations. You are encouraged to obtain additional information related to Sunrise at the Commission s website at www.sec.gov.

NOTE 4 ACQUISITIONS

The primary reason for our acquisition activity is to invest in seniors housing and healthcare-related properties with an expected yield on investment, as well as to diversify our portfolio and revenue base and limit our dependence on any single operator, geography or asset type for our revenue.

Sunrise REIT Acquisition

On April 26, 2007, we completed the acquisition of all of the assets of Sunrise REIT (the Sunrise REIT Acquisition) pursuant to the terms of a purchase agreement dated as of January 14, 2007, as amended, among us, our wholly owned subsidiaries, Ventas SSL Ontario I, Inc. (formerly 2124678 Ontario Inc., the Securities Purchaser) and Ventas SSL Ontario II, Inc. (formerly 2124680 Ontario Inc., the Asset Purchaser and, together with the Securities Purchaser, the Purchasers), Sunrise REIT, Sunrise REIT Trust (Sub Trust) and Sunrise REIT GP Inc. (Sunrise GP), in its capacity as general partner of Sunrise Canadian UPREIT, LP (UPREIT). The aggregate consideration for the Sunrise REIT Acquisition, including the assumption of debt, was approximately $2.0 billion.

At the effective time of the Sunrise REIT Acquisition, the Securities Purchaser purchased all of the interests and assumed all of the liabilities of Sunrise REIT Canadian Holdings Inc. (Canco) and certain of Sunrise REIT s intercompany notes held by Sub Trust, and the Asset Purchaser acquired all of Sunrise REIT s remaining assets and liabilities from Sunrise REIT, Sub Trust and UPREIT. Immediately following the Sunrise REIT Acquisition, each unit of beneficial interest of Sunrise REIT outstanding immediately prior to the effective time (except for a small number of non-tendered units) was redeemed for Cdn $16.50 in cash.

As a result of the Sunrise REIT Acquisition, we acquired a 100% interest in 18 seniors housing communities and a 75% to 85% interest in 59 additional seniors housing communities, with the minority interest in those 59 communities being owned by affiliates of Sunrise. Of the 77 communities, 66 are located in metropolitan areas of 19 U.S. states and eleven are located in the Canadian provinces of Ontario and British Columbia.

As a result of the Sunrise REIT Acquisition, we are party to management agreements with Sunrise pursuant to which Sunrise provides comprehensive accounting and property management services with respect to each of the Sunrise REIT properties. Each management agreement has a term of 30 years from its effective date, the earliest of which began in 2004. Pursuant to the management agreements, we pay Sunrise a base management fee of 6% of resident fees and similar revenues, subject to reduction based on below target performance for a pool of properties. The minimum management fee assessable under these agreements is 5% of resident fees and similar revenues of the properties. We also pay incentive fees if a pool of properties exceeds aggregate performance targets; provided, however, that total management fees, including incentive fees, shall not exceed 8% of resident fees and similar revenues. The management agreements also specify that we (or the joint venture to which we are party, as applicable) will reimburse Sunrise for direct or indirect costs necessary to manage our seniors housing communities.

Under the terms of the letter agreement dated January 14, 2007 (the Letter Agreement) between us and Sunrise, we modified various management and other agreements and contractual relationships that existed between Sunrise, on the one hand, and Sunrise REIT, on the other hand (the Existing Agreements). Pursuant to the Letter Agreement, the Strategic Alliance Agreement dated as of December 23, 2004 between Sunrise and Sunrise REIT was terminated effective upon the closing of the Sunrise REIT Acquisition, except with respect to certain limited provisions. Under the terms of the Letter Agreement, we have, among other things, a right of first offer to acquire seniors housing communities developed by Sunrise in Canada. In addition, we have a right of first offer to acquire seniors housing communities developed by Sunrise in the United States within a demographically defined radius of any of the properties acquired by us in the Sunrise REIT Acquisition. The terms of the rights of first offer for properties in both the United States and Canada are governed generally by the terms set forth in the Strategic Alliance Agreement and the fixed price acquisition agreement referred to in the Strategic Alliance Agreement, but subject to modification of those terms to address changes in circumstances and other matters.

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The Letter Agreement also (1) provides us assurances that Sunrise will cooperate with us in connection with our compliance with the REIT rules under the Code, and in connection with our financial reporting obligations, (2) contains restrictions on our rights to transfer our interest in the acquired properties to transferees who compete with Sunrise or who do not meet certain requirements, and (3) provides that Sunrise consents to the Sunrise REIT Acquisition and waives certain rights under the Existing Agreements. Although not required, we and Sunrise may enter into various amendments to the Existing Agreements to further address the matters set out in the Letter Agreement.

As a result of the Sunrise REIT Acquisition, we assumed all rights and obligations of Sunrise REIT under two fixed price acquisition agreements with Sunrise. Under the terms of these fixed price acquisition agreements, funds were advanced prior to the Sunrise REIT Acquisition to Sunrise in connection with the development by Sunrise of seniors housing communities in Staten Island, New York and Vaughan, Ontario. The fixed price acquisition agreements granted to us an option to purchase a majority interest in each of these properties, independently, for a fixed price and on fixed terms, subject to the satisfaction of certain conditions. The funds advanced for a property under the fixed price acquisition agreements are advances on the fixed purchase price for the property and are applied to our purchase price for our interest at the closing of the acquisition.

On June 19, 2007, we acquired an 80% interest in the seniors housing community located in Staten Island, New York in accordance with the terms of the applicable fixed price acquisition agreement for approximately $25.5 million, inclusive of our share of assumed debt of $15.3 million.

On July 30, 2007, we exercised our option to purchase an 80% interest in the Vaughan, Ontario seniors housing community in accordance with the terms of the applicable fixed price acquisition agreement for Cdn $52.7 million. Substantially all of the purchase price will be funded by amounts previously advanced towards the project by Sunrise REIT prior to our acquisition and the assumption of existing mortgage debt on the property. We expect to complete this acquisition in the fourth quarter of 2007.

We funded the Sunrise REIT Acquisition through $530.0 million of borrowings under a senior interim loan, an equity-backed facility providing for the issuance of 700,000 shares of our Series A Senior Preferred Stock, with a liquidation preference of $1,000 per share, and the assumption of $861.1 million of existing mortgage debt. In May 2007, we completed the sale of 26,910,000 shares of our common stock in an underwritten public offering pursuant to our shelf registration statement. We received $1.05 billion in net proceeds from the sale, which we used along with the proceeds of the disposition of the Kindred assets (see Note 5 Dispositions) and borrowings under our unsecured revolving credit facility to redeem all of our Series A Senior Preferred Stock and to repay our indebtedness under the senior interim loan.

Preferred stock dividends and issuance costs of $5.2 million related to the Series A Senior Preferred Stock were expensed during the nine months ended September 30, 2007. Fees and interest of $5.0 million associated with the senior interim loan are included in interest expense in the Condensed Consolidated Statements of Income for the nine-month period ended September 30, 2007.

We incurred approximately $1.5 million and $2.3 million of merger-related expenses in connection with the Sunrise REIT Acquisition during the three- and nine-month periods ended September 30, 2007. Merger-related expenses include incremental costs directly related to the acquisition and expenses relating to our lawsuit against HCP, Inc.

Other 2007 Acquisitions

During the first half of 2007, we acquired three medical office buildings, in three separate transactions, for an aggregate purchase price of $37.9 million, inclusive of assumed debt of $6.9 million at the time of the acquisitions. The purchase price was allocated between land and buildings and improvements of $1.3 million and $36.6 million, respectively, based upon their estimated fair values. These buildings are owned through joint ventures with partners that provide management and leasing services for the properties.

In July 2007, we completed the acquisition of two assisted living communities for $18.5 million, inclusive of assumed debt of $9.0 million. The purchase price was allocated between land and buildings and improvements of $0.7 million and $17.8 million, respectively, based upon their estimated fair values. These properties are being leased to affiliates of Senior Care, Inc. (Senior Care).

In August 2007, we acquired a 98% ownership interest in one medical office building for an aggregate purchase price of $11.8 million. The purchase price was allocated between land and buildings and improvements of $2.4 million and $9.4 million, respectively, based upon their estimated fair values. This building is owned through a joint venture with a partner that provides management and leasing services for the property.

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During October 2007, we acquired four medical office buildings, in three separate transactions, for an aggregate purchase price of $101.0 million, inclusive of assumed debt of $14.6 million at the time of the acquisitions. Three of these buildings are owned through joint ventures with partners that provide management and leasing services for the properties.

Senior Care

In November 2006, we completed the acquisition of 64 seniors housing and healthcare-related properties for an aggregate consideration of $602.4 million, consisting of approximately $422.6 million in cash, the assumption of $114.8 million of mortgage debt that was repaid in January 2007 and 1,708,279 shares of our common stock. The portfolio consists of 40 assisted living communities, four multi-level retirement communities, 18 skilled nursing facilities and two rehabilitation hospitals in 15 states.

The properties are being leased to affiliates of Senior Care, pursuant to the terms of a triple-net master lease having an initial term of 15 years and two five-year extensions. At September 30, 2007, the aggregate annualized contractual cash rent expected from the Senior Care properties, including the two properties acquired in July 2007, was $48.1 million.

Other 2006 Acquisitions

Also during 2006, we acquired eight seniors housing communities in five separate transactions for an aggregate purchase price of $74.3 million, including assumed debt of $10.8 million at the time of the acquisitions. The seniors housing communities are leased under triple-net leases, each having initial terms ranging from ten to 15 years and initially providing aggregate, annual cash base rent of approximately $6.2 million, subject to escalation as provided in the leases.

Estimated Fair Value

The transactions completed during the nine months ended September 30, 2007 were accounted for under the purchase method. The following table summarizes the preliminary estimated fair values of the assets acquired and liabilities assumed at the date of acquisition. Such estimates are subject to refinement as additional valuation information is received.

	Sunrise REIT Acquisition	Sunrise REIT Minority Interest	Other	Total
		(In thousands)		
Land, net	$ 171,373	$ 34,682	$ 4,353	$ 210,408
Buildings and improvements, net	2,039,035	111,500	64,530	2,215,065
Lease intangibles	91,128			91,128
Other assets	41,463	24,719		66,182
Total assets acquired	2,342,999	170,901	68,883	2,582,783
Notes payable and other debt, net	763,441	147,666	15,831	926,938
Deferred tax liabilities	299,830			299,830
Other liabilities	21,539		108	21,647
Total liabilities assumed	1,084,810	147,666	15,939	1,248,415
Net assets acquired	1,258,189	23,235	52,944	1,334,368
Minority interest		23,235	950	24,185
Total cash used	$ 1,258,189	$	$ 51,994	$ 1,310,183

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Pro Forma

The following table illustrates the effect on net income and earnings per share as if we had consummated our 2007 acquisitions and issuances of common stock that occurred prior to September 30, 2007 and our 2006 acquisitions as of the beginning of each of the three- and nine-month periods ended September 30, 2007 and 2006:

	For the Three Months Ended September 30, 2007	For the Three Months Ended September 30, 2006	For the Nine Months Ended September 30, 2007	For the Nine Months Ended September 30, 2006
	(In thousands, except per share amounts)			
Revenues	$ 226,552	$ 216,873	$ 678,538	$ 628,551
Income from continuing operations applicable to common shares	27,982	29,931	93,344	50,119
Discontinued operations		(1,313)	130,423	(3,415)
Net income available to common stockholders	27,982	28,618	223,767	46,704
Earnings per common share:				
Basic:				
Income from continuing operations applicable to common shares	$ 0.21	$ 0.23	$ 0.70	$ 0.38
Discontinued operations		(0.01)	0.98	(0.02)
Net income available to common stockholders	$ 0.21	$ 0.22	$ 1.68	$ 0.36
Diluted:				
Income from continuing operations applicable to common shares	$ 0.21	$ 0.23	$ 0.70	$ 0.38
Discontinued operations		(0.01)	0.98	(0.02)
Net income available to common stockholders	$ 0.21	$ 0.22	$ 1.68	$ 0.36
Weighted average shares used in computing earnings per common share:				
Basic	133,205	130,931	133,085	130,796
Diluted	133,503	131,478	133,518	131,325

NOTE 5 DISPOSITIONS

On June 30, 2007, we completed the sale of 22 facilities to Kindred for $171.5 million in net cash proceeds. Of these net proceeds, $14.1 million was held in escrow for use in a Code Section 1031 exchange (of which $5.1 million remained in escrow as of September 30, 2007). In addition, Kindred paid us a lease termination fee of $3.5 million. We recognized a net gain on the sale of assets of $129.5 million during the quarter ended June 30, 2007.

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Set forth below is a summary of the results of operations of sold facilities during the three-and nine-month periods ended September 30, 2007 and 2006:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2007	2006	2007	2006
	(In thousands)			
Revenues:				
Rental income	$	$ 2,812	$ 5,743	$ 9,872
Interest and other income			3,500	
		2,812	9,243	9,872
Expenses:				
Interest		898	2,115	3,635
Depreciation and amortization		627	983	1,852
		1,525	3,098	5,487
Income before gain on sale of real estate assets		1,287	6,145	4,385
Gain on sale of real estate assets			129,478	
Discontinued operations	$	$ 1,287	$ 135,623	$ 4,385

For the properties sold during 2007, the investment in real estate, net of accumulated depreciation, at December 31, 2006 was $42.9 million.

NOTE 6 INTANGIBLES

At September 30, 2007, intangible lease assets, comprised of above market resident leases, in place resident leases and other intangibles, were $7.3 million, $81.2 million and $2.6 million, respectively. At September 30, 2007, the accumulated amortization of the intangible assets was $35.7 million. The weighted average amortization period of intangible assets is approximately one year.

At September 30, 2007, intangible lease liabilities, comprised of below market resident leases, were $9.8 million. At September 30, 2007, the accumulated amortization of the intangible liabilities was $4.1 million. The weighted average amortization period of intangible liabilities is approximately one year.

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NOTE 7 SENIOR NOTES PAYABLE AND OTHER DEBT

The following is a summary of our senior notes payable and other debt as of September 30, 2007 and December 31, 2006:

	September 30, 2007	December 31, 2006
	(In thousands)	
Unsecured revolving credit facility	$ 103,400	$ 57,000
Canadian credit facility	89,492	
3 7/8% Convertible Senior Notes due 2011	230,000	230,000
6 3/4% Senior Notes due 2017	225,000	225,000
6 1/2% Senior Notes due 2016	200,000	200,000
6 3/4% Senior Notes due 2010	175,000	175,000
7 1/8% Senior Notes due 2015	170,000	175,000
6 5/8% Senior Notes due 2014	175,000	175,000
8 3/4% Senior Notes due 2009	174,217	174,217
9% Senior Notes due 2012	191,821	191,821
Mortgage loans and other	1,520,121	733,951
Total	3,254,051	2,336,989
Unamortized fair value adjustment	20,777	
Unamortized commission fees and discounts	(7,123)	(7,936)
Senior notes payable and other debt	$ 3,267,705	$ 2,329,053

Mortgages

At September 30, 2007, we had outstanding 120 mortgage loans totaling $1.52 billion that are collateralized by the underlying assets of the properties. Outstanding principal balances on these loans ranged from $0.4 million to $59.6 million as of September 30, 2007. The loans generally bear interest at fixed rates ranging from 5.4% to 8.5% per annum, except for 15 loans with outstanding principal balances ranging from $0.4 million to $33.0 million, which bear interest at the lender s variable rates ranging from 3.5% to 8.5% per annum as of September 30, 2007. At September 30, 2007, the weighted average annual rate on fixed rate debt was 6.3% and the weighted average annual rate on the variable rate debt was 6.2%. The loans had a weighted average maturity of 7.3 years as of September 30, 2007. The Sunrise portion of total debt was $151.8 million as of September 30, 2007.

As of September 30, 2007, our indebtedness had the following maturities (in thousands):

2007	$ 23,869
2008	180,963
2009	531,691
2010	282,539
2011	303,591
Thereafter	1,931,398
Total maturities	3,254,051
Unamortized fair value adjustment	20,777
Unamortized commission fees and discounts	(7,123)
Senior notes payable and other debt	$ 3,267,705

Unsecured Revolving Credit Facility

Our unsecured revolving credit facility borrowing base is $600.0 million. Generally, borrowings outstanding under the unsecured revolving credit facility bear interest at a fluctuating LIBOR-based rate per annum plus an applicable percentage based on our consolidated leverage. As of September 30, 2007, the applicable percentage was 0.75%.

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On July 27, 2007, we amended our unsecured revolving credit facility, the terms of which include the addition of a $150.0 million accordion feature that permits us to expand our borrowing capacity to a total of $750.0 million upon satisfaction of certain conditions. Pricing under the unsecured revolving credit facility remains the same and we did not record any material expenses or charges in connection with the amendment.

Canadian Credit Facility

On August 24, 2007, we entered into a Cdn $90 million unsecured revolving credit facility (the Canadian credit facility). The Canadian credit facility matures on February 24, 2008 and includes two three-month extension options, subject to the satisfaction of certain conditions. Generally, borrowings outstanding under the Canadian credit facility bear interest at a fluctuating Bankers Acceptance rate per annum plus an applicable percentage based on our consolidated leverage. As of September 30, 2007, the applicable percentage was 0.75%.

Senior Notes

On August 3, 2007, we purchased $5.0 million principal amount of our outstanding 7 $^{1}/8$% senior notes due 2015 in an open market transaction. As a result of the purchase, we reported a gain on extinguishment of debt during the three and nine months ended September 30, 2007.

Unamortized Fair Value Adjustment

The fair value adjustment related to the long-term debt we assumed in connection with the Sunrise REIT Acquisition was $22.2 million and is recognized as effective yield adjustments over the remaining term of the instrument. The estimated aggregate amortization of the fair value adjustment related to long-term debt for each of the five succeeding years follows: 2007 $3.0 million; 2008 $4.3 million; 2009 $3.3 million; 2010 $2.9 million; and 2011 $2.9 million.

NOTE 8 LITIGATION

Legal Proceedings Defended and Indemnified by Third Parties

Kindred, Brookdale, Alterra, Sunrise and our other tenants, operators and managers are parties to certain legal actions and regulatory investigations arising in the normal course of their business. In certain cases, the tenant, operator or manager, as applicable, has agreed to indemnify, defend and hold us harmless against these actions and investigations. We cannot give any assurance that the resolution of any litigation or investigations, either individually or in the aggregate, would not have a material adverse effect on Kindred s, Brookdale s, Alterra s, Sunrise s or such other tenants , operators and managers liquidity, financial position or results of operations, which, in turn, could have a Material Adverse Effect on us.

Kindred Litigation and Settlement

On June 19, 2006, Kindred filed a lawsuit against us in the Supreme Court of the State of New York, County of New York, entitled *Kindred Healthcare, Inc. and Kindred Operating, Inc. v. Ventas Realty, Limited Partnership*, Index No. 602137-06, seeking immediate declaratory and injunctive relief to prevent us from terminating the Kindred Master Leases based on Kindred s refusal to deliver all appraisal reports in Kindred s control or possession relating to the 225 facilities we then leased to Kindred. The suit alleged, among other things, that the terms of the Kindred Master Leases did not entitle us to receive the appraisal reports and, therefore, Kindred s failure to disclose those reports did not enable us to exercise our rights and remedies under the Kindred Master Leases, including termination as to one or more facilities thereunder.

During the second quarter of 2007, we entered into a settlement agreement with Kindred relating to this litigation, and on May 2, 2007, we filed a joint stipulated dismissal of the litigation pursuant to the settlement.

Litigation Related to the Sunrise REIT Acquisition

On February 14, 2007, HCP, Inc. (HCP) submitted the first of a series of conditional proposals to acquire the assets of Sunrise REIT at a price per unit of Cdn $18.00 in cash, conditioned upon HCP entering into an agreement with Sunrise to modify certain of the contracts between Sunrise and Sunrise REIT. In connection with the competing proposal from HCP, we, as well as Sunrise REIT, Sunrise and HCP, sought legal interpretations in the Ontario Superior Court of Justice concerning various agreements pertaining to the acquisition of Sunrise REIT.

On February 21, 2007, we filed an application in the Ontario Superior Court of Justice (Commercial List), Court File No. 07-CL-6893, seeking, among other things, a declaration from the Court that Sunrise REIT was obligated, pursuant to its purchase agreement dated as of January 14, 2007 (the Purchase Agreement) with us, to enforce the standstill terms of the agreement dated November 8, 2006 between Sunrise REIT and HCP (the Standstill Agreement). On March 6, 2007, the Ontario Superior Court of Justice released a ruling, declaring that Sunrise REIT was obligated to comply with its covenants in the Purchase Agreement to enforce the Standstill Agreement with HCP. The Court also declared that the Standstill Agreement was in effect, confirming that HCP s several conditional proposals to purchase Sunrise REIT were not bona fide and were made in breach of its Standstill Agreement. The Court dismissed the applications filed by Sunrise REIT and Sunrise, which sought clarification regarding its rights to negotiate with HCP regarding its proposals. Sunrise REIT and HCP appealed the decision of the Ontario Superior Court of Justice to the Court of Appeal for Ontario, and the appeal was heard on March 20, 2007. On March 23, 2007, the Court of Appeal upheld the decision of the Superior Court.

On April 5, 2007, we commenced an action in the Ontario Superior Court of Justice, Court File No. 07-CV-330703PD1, to recover from Sunrise REIT damages resulting from, among other things, Sunrise REIT s breaches of its standstill enforcement obligations in the Purchase Agreement. On April 26, 2007, upon closing of the Sunrise REIT Acquisition, we and Sunrise REIT entered into an agreement to, among other things, settle this outstanding litigation against Sunrise REIT.

On May 3, 2007, we filed a lawsuit in the United States District Court for the Western District of Kentucky against HCP. We assert claims of tortious interference with contract and tortious interference with prospective business advantage. The complaint alleges that HCP interfered with our Purchase Agreement to acquire the assets and liabilities of Sunrise REIT. The complaint alleges, among other things, that HCP made certain improper and misleading offers to acquire Sunrise REIT in violation of its contractual obligation and that HCP s actions caused us to suffer substantial damages, including, among other things, the payment of materially greater consideration to acquire Sunrise REIT resulting from the substantial increase in the purchase price that was agreed to in the original Purchase Agreement and the delay in closing the acquisition and the negative movements in the foreign currency exchange rates and the per share price of our common equity during such delay. We are seeking monetary relief and punitive damages against HCP. On July 2, 2007, HCP filed its response to our complaint, along with a motion to dismiss the lawsuit. On August 6, 2007, we filed our response to HCP s motion to dismiss. Although we intend to pursue the claims in the action vigorously, there can be no assurances that we will prevail on any of the claims in the action, or, if we do prevail on one or more of the claims, of the amount of recovery that may be awarded to us for such claim(s).

Other Litigation

We are a plaintiff in an action seeking a declaratory judgment and damages entitled *Ventas Realty, Limited Partnership et al. v. Black Diamond CLO 1998-1 Ltd., et al.*, Case No. 99 C107076, filed November 22, 1999 in the Circuit Court of Jefferson County, Kentucky. Two of the three defendants in that action, Black Diamond International Funding, Ltd. and BDC Finance, LLC (collectively Black Diamond), have asserted counterclaims against us under theories of breach of contract, tortious interference with contract and abuse of process. We dispute the material allegations contained in Black Diamond s counterclaims and we intend to continue to pursue its claims and defend the counterclaims vigorously. We are unable at this time to estimate the possible loss or range of loss for the counterclaims in this action, and therefore, no provision for liability, if any, resulting from this litigation has been made in our Condensed Consolidated Financial Statements as of September 30, 2007.

We are party to various other lawsuits, investigations and claims (some of which may not be insured) arising in the ordinary course of our business, including without limitation in connection with the operations at our Sunrise REIT properties. It is the opinion of management that, except as set forth in this Note 8, the disposition of these actions, investigations and claims will not, individually or in the aggregate, have a Material Adverse Effect on us. However, we are unable to predict the ultimate outcome of pending litigation, investigations and claims, and if management s assessment of our liability with respect to these actions, investigations and claims is incorrect, such actions, investigations and claims could have a Material Adverse Effect on us.

NOTE 9 INCOME TAXES

Certain of our subsidiaries, such as the entities acquired or formed in connection with the Sunrise REIT Acquisition, have elected to be treated as taxable REIT subsidiaries (TRS or TRS entities) and therefore, are subject to federal and state income taxes. Although the TRS entities were not liable for any cash federal income taxes for the three- or nine-month periods ended September 30, 2007, federal income taxes of certain of these TRS entities may increase in future years as we exhaust net operating loss carryforwards and as communities are developed and occupied. Such increases could be significant.

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The provision for income taxes for the three- and nine-month periods ended September 30, 2007 is a deferred benefit of $9.9 million and $15.8 million, respectively, which is solely due to the TRS entities. The deferred benefit for the three- and nine-month periods ended September 30, 2007 is reduced by income tax expense of $0.4 million and $0.7 million, respectively, related to the minority interest share of net income. Realization of a deferred tax benefit is dependent in part upon generating sufficient taxable income in future periods. Our net operating loss carryforwards are currently scheduled to expire in subsequent years through 2027.

Each TRS is a tax paying component for purposes of classifying deferred tax assets and liabilities. Net deferred tax liabilities related to TRS entities totaled $285.9 million at September 30, 2007 and relate primarily to depreciation, amortization, and tax basis differences for fixed and intangible assets and to net operating losses. Additionally, we have a $28.1 million deferred tax liability as of September 30, 2007 to be utilized for any built-in gain tax related to the disposition of certain assets. The consolidated net deferred tax liability totaled $314.0 million at September 30, 2007.

Generally, we are subject to audit under the statute of limitations by the Internal Revenue Service for the year ended December 31, 2003 and subsequent years and are subject to audit by state taxing authorities for the year ended December 31, 2002 and subsequent years. The potential impact on income tax expense of years open under the statute of limitations for Canadian entities acquired as part of the Sunrise REIT Acquisition is not expected to be material.

NOTE 10 COMMITMENTS AND CONTINGENCIES

Assumption of Certain Operating Liabilities and Litigation

As a result of the structure of the Sunrise REIT Acquisition, we may be subject to various liabilities of Sunrise REIT arising out of the ownership or operation of the Sunrise REIT properties prior to the acquisition. If the liabilities we have assumed are greater than expected, or if there are obligations relating to the Sunrise REIT properties of which we were not aware at the time of completion of the Sunrise REIT Acquisition, such liabilities and/or obligations could have a Material Adverse Effect on us.

In connection with our spin off of Kindred in 1998, Kindred agreed, among other things, to assume all liabilities and to indemnify, defend and hold us harmless from and against certain losses, claims and litigation arising out of the ownership or operation of the healthcare operations or any of the assets transferred to Kindred in the spin off, including without limitation all claims arising out of the third-party leases and third-party guarantees assigned to and assumed by Kindred at the time of the spin off. Under Kindred s plan of reorganization, Kindred assumed and agreed to fulfill these obligations.

Similarly, in connection with the acquisition by Provident Senior Living Trust (Provident) of certain Brookdale-related and Alterra-related entities in 2005 and our subsequent acquisition of Provident, Brookdale and Alterra agreed, among other things, to indemnify and hold Provident (and, as a result of the Provident acquisition, us) harmless from and against certain liabilities arising out of the ownership or operation of such entities prior to their acquisition by Provident.

We cannot give any assurance that Kindred or such Brookdale Senior Living subsidiaries will have sufficient assets, income and access to financing to enable them to satisfy, or that they will be willing to satisfy, their respective obligations under these arrangements. If Kindred or such Brookdale Senior Living subsidiaries do not satisfy or otherwise honor their respective obligations to indemnify, defend and hold us harmless under their respective contractual arrangements with us, then we may be liable for the payment and performance of such obligations and may have to assume the defense of such claims or litigation, which could have a Material Adverse Effect on us.

Brookdale Leases

Subject to certain limitations and restrictions, if during the first six years of the initial term of our Brookdale leases assumed in connection with the Provident acquisition we, either voluntarily or at Brookdale s request, obtain new mortgage debt or refinance existing mortgage debt on property covered by a Brookdale lease, then we may be required to pay Brookdale the net proceeds from any such mortgage debt financing or refinancing. Also, subject to certain limitations and conditions, Brookdale may request that we obtain new mortgage debt or refinance existing mortgage debt on the property covered by the Brookdale leases, and we have agreed to use commercially reasonable efforts to pursue any such financing or refinancing from the holder of the then existing mortgage debt on the applicable Brookdale property. In connection with any such financing or refinancing, the rent for the applicable Brookdale property will be increased using a recomputed lease basis increased by an amount equal to the net financed proceeds paid to Brookdale plus (with limited exceptions) any fees, penalties, premiums or other costs related to such financing or refinancing. If the monthly debt service on any financed or refinanced proceeds paid to Brookdale exceeds the rent increase attributable to those financed or refinanced proceeds, then Brookdale is required to pay the excess. In addition, under certain circumstances, Brookdale will also be required to pay additional amounts relating to increases in debt service and other costs relating to any such financing or refinancing.

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NOTE 11 CAPITAL STOCK

Our authorized capital stock at December 31, 2006 consisted of 180,000,000 shares of common stock, par value of $0.25 per share, and 10,000,000 shares of preferred stock, par value $1.00 per share, of which 65,000 shares were designated as Series A Preferred Stock and 300,000 shares were designated Series A Participating Preferred Stock. In May 2007, we amended our Certificate of Incorporation to increase our authorized shares of common stock to 300,000,000 shares.

In May 2007, we completed the sale of 26,910,000 shares of our common stock in an underwritten public offering pursuant to our shelf registration statement. We received $1.05 billion in net proceeds from the sale, which we used along with the proceeds of the disposition of the Kindred assets (see Note 5 Dispositions) and borrowings under our unsecured revolving credit facility to redeem all of our outstanding Series A Senior Preferred Stock and to repay our indebtedness under the senior interim loan.

NOTE 12 EARNINGS PER COMMON SHARE

The following table shows the amounts used in computing basic and diluted earnings per common share:

	For the Three Months Ended September 30, 2007	For the Three Months Ended September 30, 2006	For the Nine Months Ended September 30, 2007	For the Nine Months Ended September 30, 2006
	(In thousands, except per share amounts)			
Numerator for basic and diluted earnings per share:				
Income from continuing operations	$ 28,014	$ 30,954	$ 117,294	$ 86,248
Preferred stock dividends and issuance costs			5,199	
Income from continuing operations applicable to common shares	28,014	30,954	112,095	86,248
Discontinued operations		1,287	135,623	4,385
Net income available to common stockholders	$ 28,014	$ 32,241	$ 247,718	$ 90,633
Denominator:				
Denominator for basic earnings per share - weighted average shares	133,205	104,021	118,989	103,886
Effect of dilutive securities:				
Stock options	292	530	399	517
Restricted stock awards	6	17	14	12
Convertible notes			20	
Denominator for diluted earnings per share - adjusted weighted average shares	133,503	104,568	119,422	104,415
Basic earnings per share:				
Income from continuing operations applicable to common shares	$ 0.21	$ 0.30	$ 0.94	$ 0.83
Discontinued operations		0.01	1.14	0.04
Net income available to common stockholders	$ 0.21	$ 0.31	$ 2.08	$ 0.87
Diluted earnings per share:				
Income from continuing operations applicable to common shares	$ 0.21	$ 0.30	$ 0.94	$ 0.83
Discontinued operations		0.01	1.13	0.04
Net income available to common stockholders	$ 0.21	$ 0.31	$ 2.07	$ 0.87

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NOTE 13 COMPREHENSIVE INCOME

Comprehensive income is comprised of the following:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2007	2006	2007	2006
	(In thousands)			
Net income available to common stockholders	$ 28,014	$ 32,241	$ 247,718	$ 90,633
Other comprehensive income:				
Unrealized (loss) gain on interest rate swap	(346)	(790)	(87)	623
Foreign currency translation	(2,308)		6,927	
Reclassification adjustment for realized gain on interest rate swap included in net income during the period	(176)	(169)	(496)	(200)
Other		1,079	(729)	1,289
	(2,830)	120	5,615	1,712
Net comprehensive income	$ 25,184	$ 32,361	$ 253,333	$ 92,345

NOTE 14 SEGMENT INFORMATION

As of September 30, 2007, we operated through two reportable business segments: triple-net leased properties and senior living operations. Our triple-net leased properties segment consists of financing, owning and leasing seniors housing and healthcare-related properties in the United States and leasing or subleasing those properties to healthcare operating companies under triple-net or absolute-net leases, which require the tenants to pay all property-related expenses. Our senior living operations segment consists of investments in seniors housing communities located in the United States and Canada for which we engage Sunrise to manage the operations.

We acquired the senior living operations segment on April 26, 2007, pursuant to the purchase of the Sunrise REIT properties. With the addition of these properties, we believed segment differentiation would be appropriate based on the different economic and legal structures used to acquire and own those assets. Prior to the acquisition, we operated through one reportable segment investment in real estate which included the triple-net leased properties and our medical office buildings. Our medical office building segment consists of leasing space primarily to physicians and other healthcare-related businesses and engaging third parties to manage those operations. Due to our limited operation of and allocation of capital to the medical office buildings, we separated them from the triple-net leased properties segment. However, the medical office building segment is not individually reported because it does not meet the quantitative thresholds of SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information at the current time.

We evaluate performance of the combined properties in each segment based on net operating income before interest (excluding interest income from loans receivable), income taxes, depreciation and amortization, rent reset costs, reversal of contingent liability, foreign currency gains/losses, general, administrative and professional fees, merger-related expenses and minority interest. The accounting policies of the reportable segments are the same as those described in Note 2 Accounting Policies. There are no intersegment sales or transfers.

All other revenues consist primarily of rental income related to the medical office buildings, interest income from loans receivable and other miscellaneous income. All other assets consist primarily of medical office building assets and corporate assets including cash, restricted cash, deferred financing costs, notes receivable, and miscellaneous accounts receivable.

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Summary information by business segment is as follows:

For the three months ended September 30, 2007:

	Triple-Net Leased Properties	Senior Living Operations	All Other	Total
		(In thousands)		
Revenues:				
Rental income	$ 118,143	$	$ 3,024	$ 121,167
Resident fees and services		103,938		103,938
Interest income from loans receivable			477	477
Interest and other income	286	314	112	712
Total revenues	$ 118,429	$ 104,252	$ 3,613	$ 226,294
Segment net operating income	$ 118,143	$ 34,038	$ 2,019	$ 154,200
Interest and other income	286	314	112	712
Merger-related expenses		(1,535)		(1,535)
Interest expense	(33,003)	(20,641)	(448)	(54,092)
Depreciation and amortization	(31,971)	(37,525)	(1,220)	(70,716)
General, administrative and professional fees			(9,315)	(9,315)
Foreign currency (loss) gain		3	(119)	(116)
Gain on extinguishment of debt	88			88
Minority interest		(1,116)	7	(1,109)
Income (loss) before taxes and discontinued operations	$ 53,543	$ (26,462)	$ (8,964)	$ 18,117

For the three months ended September 30, 2006:

	Triple-Net Leased Properties	Senior Living Operations	All Other	Total
		(In thousands)		
Revenues:				
Rental income	$ 102,166	$	$ 1,838	$ 104,004
Interest income from loans receivable			2,566	2,566
Interest and other income	96		189	285
Total revenues	$ 102,262	$	$ 4,593	$ 106,855
Segment net operating income	$ 102,166	$	$ 3,677	$ 105,843
Interest income	96		189	285
Interest expense	(33,662)		(357)	(34,019)
Depreciation and amortization	(28,684)		(340)	(29,024)
General, administrative and professional fees			(6,539)	(6,539)
Rent reset costs	(7,361)			(7,361)
Reversal of contingent liability	1,769			1,769
Income (loss) before taxes and discontinued operations	$ 34,324	$	$ (3,370)	$ 30,954

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For the nine months ended September 30, 2007:

	Triple-Net Leased Properties	Senior Living Operations	All Other	Total
		(In thousands)		
Revenues:				
Rental income	$ 351,239	$	$ 8,135	$ 359,374
Resident fees and services		175,338		175,338
Interest income from loans receivable			2,115	2,115
Interest and other income	540	507	1,364	2,411
Total revenues	$ 351,779	$ 175,845	$ 11,614	$ 539,238
Segment net operating income	$ 351,239	$ 56,416	$ 6,442	$ 414,097
Interest and other income	540	507	1,364	2,411
Merger-related expenses		(2,327)		(2,327)
Interest expense	(109,388)	(38,132)	(1,251)	(148,771)
Depreciation and amortization	(96,633)	(62,525)	(2,358)	(161,516)
General, administrative and professional fees			(24,919)	(24,919)
Foreign currency gain (loss)		24,364	(119)	24,245
Gain on extinguishment of debt	88			88
Minority interest		(1,770)	3	(1,767)
Income (loss) before taxes and discontinued operations	$ 145,846	$ (23,467)	$ (20,838)	$ 101,541

For the nine months ended September 30, 2006:

	Triple-Net Leased Properties	Senior Living Operations	All Other	Total
		(In thousands)		
Revenues:				
Rental income	$ 287,199	$	$ 5,345	$ 292,544
Interest income from loans receivable			4,373	4,373
Interest and other income	334		664	998
Total revenues	$ 287,533	$	$ 10,382	$ 297,915
Segment net operating income	$ 287,199	$	$ 7,715	$ 294,914
Interest income	334		664	998
Interest expense	(96,899)		(1,063)	(97,962)
Depreciation and amortization	(84,366)		(1,014)	(85,380)
General, administrative and professional fees			(19,457)	(19,457)
Rent reset costs	(7,361)			(7,361)
Reversal of contingent liability	1,769			1,769
Loss on extinguishment of debt	(1,273)			(1,273)
Income (loss) before taxes and discontinued operations	$ 99,403	$	$ (13,155)	$ 86,248

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	As of September 30, 2007	As of December 31, 2006
	(In thousands)	
Assets:		
Triple-net leased properties	$ 3,075,943	$ 3,210,774
Senior living operations	2,490,556	
All other assets	95,121	43,026
Total assets	$ 5,661,620	$ 3,253,800

	For the Three Months Ended September 30, 2007	2006	For the Nine Months Ended September 30, 2007	2006
	(In thousands)			
Capital expenditures:				
Triple-net leased properties	$ 18,474	$	$ 19,070	$ 73,455
Senior living operations	1,838		2,357,610	
All other expenditures	12,243	101	52,554	334
Total capital expenditures	$ 32,555	$ 101	$ 2,429,234	$ 73,789

Our portfolio of properties and real estate investments are located in the United States and Canada. Revenues are attributed to an individual country based on the location of each property.

Geographic information regarding our business segments is as follows:

	For the Three Months Ended September 30, 2007	2006	For the Nine Months Ended September 30, 2007	2006
	(In thousands)			
Revenues:				
United States	$ 209,401	$ 106,855	$ 510,924	$ 297,915
Canada	16,893		28,314	
Total revenues	$ 226,294	$ 106,855	$ 539,238	$ 297,915

	As of September 30, 2007	As of December 31, 2006
	(In thousands)	
Long-lived assets:		
United States	$ 4,828,600	$ 3,048,253
Canada	518,554	
Total long-lived assets	$ 5,347,154	$ 3,048,253

NOTE 15 CONDENSED CONSOLIDATING INFORMATION

We and certain of our direct and indirect wholly owned subsidiaries (the Wholly Owned Subsidiary Guarantors) have fully and unconditionally guaranteed, on a joint and several basis, the obligation to pay principal and interest with respect to the outstanding senior notes of Ventas Realty and a wholly owned subsidiary, Ventas Capital Corporation (Ventas Capital and, together with Ventas Realty, the Issuers). Ventas Capital is a wholly owned direct subsidiary of Ventas Realty that was formed to facilitate the offering of the senior notes and has no assets or operations. In addition, Ventas Realty and the Wholly Owned Subsidiary Guarantors have fully and unconditionally guaranteed, on a joint and several basis, the obligation to pay principal and interest with respect to our outstanding senior convertible notes. ETOP, of which we own substantially all of the partnership units, and certain of its wholly owned subsidiaries (the ETOP Subsidiary Guarantors and collectively, with the Wholly Owned Subsidiary Guarantors, the Guarantors), have also provided a guarantee, on a joint and several

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basis, of the outstanding senior notes and senior convertible notes. We have other subsidiaries (Non-Guarantor Subsidiaries) that are not included among the Guarantors, and such subsidiaries are not obligated with respect to the senior notes or the senior convertible notes. Contractual and legal restrictions, including those contained in the instruments governing certain Non-Guarantor Subsidiaries outstanding indebtedness, may under certain circumstances restrict our ability to obtain cash from our Non-Guarantor Subsidiaries for the purpose of meeting our debt service obligations, including our guarantee of payment of principal and interest on the senior notes and our primary obligation to pay principal and interest on the senior convertible notes. Certain of our real estate assets are also subject to mortgages. The following summarizes our condensed consolidating information as of September 30, 2007 and December 31, 2006 and for the three- and nine-month periods ended September 30, 2007 and 2006:

CONDENSED CONSOLIDATING BALANCE SHEET

As of September 30, 2007

	Ventas, Inc.	ETOP and ETOP Subsidiary Guarantors	Wholly Owned Subsidiary Guarantors	Issuers	Non-Guarantor Subsidiaries	Consolidated Elimination	Consolidated
				(In thousands)			
Assets							
Net real estate investments	$ 10,955	$ 52,458	$ 2,164,593	$ 885,669	$ 2,269,035	$	$ 5,382,710
Cash and cash equivalents			8,435		20,138		28,573
Escrow deposits and restricted cash	212		55,145	11,060	23,390		89,807
Deferred financing costs, net	443		442	14,944	6,451		22,280
Notes receivable-related parties	1,769			375			2,144
Equity in affiliates	576,989	79,804	19,491	985,512	15	(1,661,811)	
Investment in affiliates	(155,418)	9,039		1,402,324	606,764	(1,862,709)	
Other		695	55,586	16,254	63,571		136,106
Total assets	$ 434,950	$ 141,996	$ 2,303,692	$ 3,316,138	$ 2,989,364	$ (3,524,520)	$ 5,661,620
Liabilities and stockholders equity							
Liabilities:							
Senior notes payable and other debt	$ 226,106	$ 403	$ 541,755	$ 1,411,208	$ 1,088,233	$	$ 3,267,705
Intercompany loans	(19,239)	7,500	562,264	(550,525)			
Intercompany	(1,209,988)	3,687	35,743	1,291,108	(120,550)		
Deferred revenue	(2)		508	6,002	3,157		9,665
Accrued interest	(160)	3	11,547	33,261	2,101		46,752
Accounts payable and other accrued liabilities	4,477	1,875	58,240	38,167	49,994		152,753
Deferred income taxes	313,987						313,987
Total liabilities	(684,819)	13,468	1,210,057	2,229,221	1,022,935		3,790,862
Minority interest		393			26,388		26,781
Total stockholders equity	1,119,769	128,135	1,093,635	1,086,917	1,940,041	(3,524,520)	1,843,977
Total liabilities and stockholders equity	$ 434,950	$ 141,996	$ 2,303,692	$ 3,316,138	$ 2,989,364	$ (3,524,520)	$ 5,661,620

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CONDENSED CONSOLIDATING BALANCE SHEET

As of December 31, 2006

	Ventas, Inc.	ETOP and ETOP Subsidiary Guarantors	Wholly Owned Subsidiary Guarantors	Issuers (In thousands)	Non-Guarantor Subsidiaries	Consolidated Elimination	Consolidated
Assets							
Net real estate investments	$ 11,444	$ 54,062	$ 1,467,440	$ 978,700	$ 572,254	$	$ 3,083,900
Cash and cash equivalents				779	467		1,246
Escrow deposits and restricted cash	230		53,410	5,630	20,769		80,039
Deferred financing costs, net	1,106			17,279	30		18,415
Notes receivable-related parties	1,716			750			2,466
Equity in affiliates	515,852	79,705	115,903	727,119	15	(1,438,594)	
Investment in affiliates		9,039		460,679		(469,718)	
Other		652	26,148	28,264	12,670		67,734
Total assets	$ 530,348	$ 143,458	$ 1,662,901	$ 2,219,200	$ 606,205	$ (1,908,312)	$ 3,253,800
Liabilities and stockholders equity							
Liabilities:							
Senior notes payable and other debt	$ 225,469	$ 413	$ 410,844	$ 1,369,633	$ 322,694	$	$ 2,329,053
Intercompany		1,980	125,000	(132,500)	5,520		
Deferred revenue	18			8,176			8,194
Accrued dividend	41,926	23					41,949
Accrued interest		103	1,758	16,230	1,838		19,929
Accounts payable and other accrued liabilities	1,472	(290)	52,296	43,642	16,499	393	114,012
Deferred income taxes	30,394						30,394
Total liabilities	299,279	2,229	589,898	1,305,181	346,551	393	2,543,531
Minority interest		393					393
Total stockholders equity	231,069	140,836	1,073,003	914,019	259,654	(1,908,705)	709,876
Total liabilities and stockholders equity	$ 530,348	$ 143,458	$ 1,662,901	$ 2,219,200	$ 606,205	$ (1,908,312)	$ 3,253,800

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CONDENSED CONSOLIDATING STATEMENT OF INCOME

For the three months ended September 30, 2007

	Ventas, Inc.	ETOP and ETOP Subsidiary Guarantors	Wholly Owned Subsidiary Guarantors	Issuers	Non-Guarantor Subsidiaries	Consolidated Elimination	Consolidated
				(In thousands)			
Revenues:							
Rental income	$ 569	$ 1,419	$ 31,370	$ 71,536	$ 16,273	$	$ 121,167
Resident fees and services			27,950		75,988		103,938
Interest income from loans receivable				477			477
Equity earnings in affiliates	17,561	194	8,923			(26,678)	
Interest and other income	20	5	61	592	34		712
Total revenues	18,150	1,618	68,304	72,605	92,295	(26,678)	226,294
Expenses:							
Interest	239		8,013	29,251	16,589		54,092
Depreciation and amortization	163	531	14,570	12,276	43,176		70,716
Property-level operating expenses		89	15,157	60	56,076		71,382
General, administrative and professional fees	432	178	2,296	5,232	1,177		9,315
Foreign currency loss (gain)	119			(3)			116
Gain on extinguishment of debt				(88)			(88)
Merger-related expenses			1,161	332	42		1,535
Intercompany interest	(1,354)	(62)	9,146	(7,943)	213		
Total expenses	(401)	736	50,343	39,117	117,273		207,068
Income (loss) before income taxes and minority interest	18,551	882	17,961	33,488	(24,978)	(26,678)	19,226
Income tax benefit	9,463						9,463
Income (loss) before minority interest	28,014	882	17,961	33,488	(24,978)	(26,678)	28,689
Minority interest, net of tax					675		675
Net income (loss) available to common stockholders	$ 28,014	$ 882	$ 17,961	$ 33,488	$ (25,653)	$ (26,678)	$ 28,014

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CONDENSED CONSOLIDATING STATEMENT OF INCOME

For the three months ended September 30, 2006

	Ventas, Inc.	ETOP and ETOP Subsidiary Guarantors	Wholly Owned Subsidiary Guarantors	Issuers	Non-Guarantor Subsidiaries	Consolidated Elimination	Consolidated
				(In thousands)			
Revenues:							
Rental income	$ 565	$ 1,432	$ 19,010	$ 68,614	$ 14,383	$	$ 104,004
Interest income from loans receivable				2,566			2,566
Equity earnings (loss) in affiliates	30,274	(55)	4,473			(34,692)	
Interest and other income	20		(5)	189	81		285
Total revenues	30,859	1,377	23,478	71,369	14,464	(34,692)	106,855
Expenses:							
Interest		9	4,851	23,327	5,832		34,019
Depreciation and amortization	168	537	9,581	12,868	5,870		29,024
Property-level operating expenses				103	624		727
General, administrative and professional fees	219	82	1,180	4,205	853		6,539
Rent reset costs				7,361			7,361
Reversal of contingent liability	(1,769)						(1,769)
Intercompany interest		(33)		(151)	184		
Total expenses	(1,382)	595	15,612	47,713	13,363		75,901
Income from continuing operations	32,241	782	7,866	23,656	1,101	(34,692)	30,954
Discontinued operations				1,287			1,287
Net income available to common stockholders	$ 32,241	$ 782	$ 7,866	$ 24,943	$ 1,101	$ (34,692)	$ 32,241

CONDENSED CONSOLIDATING STATEMENT OF INCOME

For the nine months ended September 30, 2007

	Ventas, Inc.	ETOP and ETOP Subsidiary Guarantors	Wholly Owned Subsidiary Guarantors	Issuers (In thousands)	Non-Guarantor Subsidiaries	Consolidated Elimination	Consolidated
Revenues:							
Rental income	$ 1,683	$ 4,293	$ 94,691	$ 212,210	$ 46,497	$	$ 359,374
Resident fees and services			43,294		132,044		175,338
Interest income from loans receivable				2,115			2,115
Equity earnings in affiliates	235,752	104	12,603			(248,459)	
Interest and other income	61	8	117	1,835	390		2,411
Total revenues	237,496	4,405	150,705	216,160	178,931	(248,459)	539,238
Expenses:							
Interest	(747)	18	20,660	91,734	37,106		148,771
Depreciation and amortization	487	1,605	49,958	36,949	72,517		161,516
Property-level operating expenses		89	25,465	390	96,786		122,730
General, administrative and professional fees	1,148	411	6,322	14,102	2,936		24,919
Foreign currency (gain) loss	119		(8)	(24,318)	(38)		(24,245)
Gain on extinguishment of debt				(88)			(88)
Merger-related expenses			1,720	565	42		2,327
Intercompany interest	(1,354)	(164)	13,353	(12,450)	615		
Total expenses	(347)	1,959	117,470	106,884	209,964		435,930
Income (loss) before income taxes, minority interest and discontinued operations	237,843	2,446	33,235	109,276	(31,033)	(248,459)	103,308
Income tax benefit	15,074						15,074
Income (loss) before minority interest and discontinued operations	252,917	2,446	33,235	109,276	(31,033)	(248,459)	118,382
Minority interest, net tax					1,088		1,088
Income (loss) from continuing operations	252,917	2,446	33,235	109,276	(32,121)	(248,459)	117,294
Discontinued operations				135,623			135,623
Net income (loss)	252,917	2,446	33,235	244,899	(32,121)	(248,459)	252,917
Preferred stock dividends and issuance costs	5,199						5,199
Net income (loss) available to common stockholders	$ 247,718	$ 2,446	$ 33,235	$ 244,899	$ (32,121)	$ (248,459)	$ 247,718

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CONDENSED CONSOLIDATING STATEMENT OF INCOME

For the nine months ended September 30, 2006

	Ventas, Inc.	ETOP and ETOP Subsidiary Guarantors	Wholly Owned Subsidiary Guarantors	Issuers (In thousands)	Non-Guarantor Subsidiaries	Consolidated Elimination	Consolidated
Revenues:							
Rental income	$ 1,766	$ 4,285	$ 56,983	$ 187,255	$ 42,255	$	$ 292,544
Interest income from loans receivable				4,373			4,373
Equity earnings (loss) in affiliates	88,207	(107)	13,425			(101,525)	
Interest and other income	59		8	664	267		998
Total revenues	90,032	4,178	70,416	192,292	42,522	(101,525)	297,915
Expenses:							
Interest		26	14,530	66,351	17,055		97,962
Depreciation and amortization	505	1,606	28,761	37,310	17,198		85,380
Property-level operating expenses				323	1,680		2,003
General, administrative and professional fees	663	300	3,670	12,177	2,647		19,457
Rent reset costs				7,361			7,361
Reversal of contingent liability	(1,769)						(1,769)
Loss on extinguishment of debt				1,273			1,273
Intercompany interest		(79)		(450)	529		
Total expenses	(601)	1,853	46,961	124,345	39,109		211,667
Income from continuing operations	90,633	2,325	23,455	67,947	3,413	(101,525)	86,248
Discontinued operations				4,385			4,385
Net income available to common stockholders	$ 90,633	$ 2,325	$ 23,455	$ 72,332	$ 3,413	$ (101,525)	$ 90,633

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CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the nine months ended September 30, 2007

	Ventas, Inc.	ETOP and ETOP Subsidiary Guarantors	Wholly Owned Subsidiary Guarantors	Issuers	Non-Guarantor Subsidiaries	Consolidated Elimination	Consolidated
				(In thousands)			
Net cash provided by operating activities	$ 16,917	$ 12,838	$ 85,612	$ 170,926	$ 61,680	$	$ 347,973
Net cash (used in) provided by investing activities	(53)		(430,748)	189,501	(874,071)		(1,115,371)
Cash flows from financing activities:							
Net change in borrowings under the revolving credit facility				46,400			46,400
Net change in borrowings under the Canadian credit facility			84,159				84,159
Issuance of bridge financing				1,230,000			1,230,000
Repayment of bridge financing				(1,230,000)			(1,230,000)
Proceeds from debt					9,410		9,410
Repayment of debt			(29,522)	(4,844)	(109,409)		(143,775)
Issuance of intercompany debt	(20,463)		449,863	(429,400)			
Repayment of intercompany debt		(10)	(5,930)	11,375	(5,435)		
Debt and preferred stock issuance costs	(4,300)						(4,300)
Payment of deferred financing costs			(497)		(5,037)		(5,534)
Purchase of foreign currency hedge				(8,489)			(8,489)
Issuance of common stock	1,045,729						1,045,729
Cash distribution to preferred stockholders	(3,449)						(3,449)
Cash distribution (to) from affiliates	(823,461)	(12,754)	(144,502)	38,184	942,533		
Cash distribution to common stockholders	(219,179)	(74)					(219,253)
Other	8,259			(65)			8,194
Net cash provided by (used in) financing activities	(16,864)	(12,838)	353,571	(346,839)	832,062		809,092
Net increase in cash and cash equivalents			8,435	13,588	19,671		41,694
Effect of foreign currency translation on cash and cash equivalents				(14,367)			(14,367)
Cash and cash equivalents at beginning of period				779	467		1,246
Cash and cash equivalents at end of period.	$	$	$ 8,435	$	$ 20,138	$	$ 28,573

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CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the nine months ended September 30, 2006

	Ventas, Inc.	ETOP and ETOP Subsidiary Guarantors	Wholly Owned Subsidiary Guarantors	Issuers (In thousands)	Non-Guarantor Subsidiaries	Consolidated Elimination	Consolidated
Net cash provided by operating activities	$ 107	$ 3,456	$ 28,435	$ 128,773	$ 17,475	$	$ 178,246
Net cash used in investing activities	(52)			(212,085)	(333)		(212,470)
Cash flows from financing activities:							
Net change in borrowings under unsecured revolving credit facility				72,300			72,300
Net change in borrowings under secured revolving credit facility				(89,200)			(89,200)
Proceeds from debt				221,531	2,074		223,605
Repayment of debt		(9)	(8,313)		(4,675)		(12,997)
Payment of deferred financing costs				(3,754)			(3,754)
Issuance of common stock	696						696
Proceeds from stock option exercises	4,466						4,466
Cash distribution from (to) affiliates	155,116	(3,184)	(20,122)	(117,665)	(14,145)		
Cash distribution to stockholders	(160,334)	(264)					(160,598)
Net cash provided by (used in) financing activities	(56)	(3,457)	(28,435)	83,212	(16,746)		34,518
Net increase (decrease) in cash and cash equivalents	(1)	(1)		(100)	396		294
Cash and cash equivalents at beginning of period	1	1		1,027	612		1,641
Cash and cash equivalents at end of period	$	$	$	$ 927	$ 1,008	$	$ 1,935

NOTE 16 ETOP CONDENSED CONSOLIDATING INFORMATION

ETOP, of which we own substantially all of the partnership interests, and the ETOP Subsidiary Guarantors have provided full and unconditional guarantees, on a joint and several basis with us and certain of our direct and indirect wholly owned subsidiaries, of the obligation to pay principal and interest with respect to the senior notes and the senior convertible notes. See Note 15 Condensed Consolidating Information. Certain of ETOP s other direct and indirect wholly owned subsidiaries (the ETOP Non-Guarantor Subsidiaries) have not provided a guarantee of the senior notes and the senior convertible notes and, therefore, are not directly obligated with respect to the senior notes or the senior convertible notes.

Contractual and legal restrictions, including those contained in the instruments governing certain of the ETOP Non-Guarantor Subsidiaries outstanding indebtedness, may under certain circumstances restrict ETOP s (and therefore our) ability to obtain cash from the ETOP Non-Guarantor Subsidiaries for the purpose of satisfying ETOP s and our debt service obligations, including ETOP s and our guarantee of payment of principal and interest on the senior notes and our primary obligation to pay principal and interest on the senior convertible notes. Certain of the ETOP Subsidiary Guarantors properties are subject to mortgages.

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CONDENSED CONSOLIDATING BALANCE SHEET

As of September 30, 2007

	ETOP and ETOP Subsidiary Guarantors	ETOP Non-Guarantor Subsidiaries	Consolidated Elimination	Consolidated
		(In thousands)		
Assets				
Net real estate investments	$ 52,458	$ 83,704	$	$ 136,162
Escrow deposits and restricted cash		6,876		6,876
Equity in affiliates	79,804	15	(79,819)	
Investment in affiliates	9,039			9,039
Other	695	2,264		2,959
Total assets	$ 141,996	$ 92,859	$ (79,819)	$ 155,036
Liabilities and stockholders equity				
Liabilities:				
Notes payable and other debt	$ 403	$ 64,277	$	$ 64,680
Intercompany	3,687	(3,687)		
Note payable to affiliate	7,500			7,500
Accrued interest	3	807		810
Accounts payable and other accrued liabilities	2,268	6,371		8,639
Total liabilities	13,861	67,768		81,629
Total stockholders equity	128,135	25,091	(79,819)	73,407
Total liabilities and stockholders equity	$ 141,996	$ 92,859	$ (79,819)	$ 155,036

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CONDENSED CONSOLIDATING BALANCE SHEET

As of December 31, 2006

	ETOP and ETOP Subsidiary Guarantors	ETOP Non-Guarantor Subsidiaries	Consolidated Elimination	Consolidated
		(In thousands)		
Assets				
Net real estate investments	$ 54,062	$ 86,059	$	$ 140,121
Cash and cash equivalents		336		336
Escrow deposits and restricted cash		6,543		6,543
Equity in affiliates	79,705	15	(79,720)	
Investment in affiliates	9,039			9,039
Other	652	1,526		2,178
Total assets	$ 143,458	$ 94,479	$ (79,720)	$ 158,217
Liabilities and stockholders equity				
Liabilities:				
Notes payable and other debt	$ 413	$ 65,386	$	$ 65,799
Intercompany	(5,520)	5,520		
Note payable to affiliate	7,500			7,500
Accrued dividend	23			23
Accrued interest	103	422		525
Accounts payable and other accrued liabilities	103	3,094		3,197
Total liabilities	2,622	74,422		77,044
Total stockholders equity	140,836	20,057	(79,720)	81,173
Total liabilities and stockholders equity	$ 143,458	$ 94,479	$ (79,720)	$ 158,217

CONDENSED CONSOLIDATING STATEMENT OF INCOME

For the three months ended September 30, 2007

	ETOP and ETOP Subsidiary Guarantors	ETOP Non-Guarantor Subsidiaries	Consolidated Elimination	Consolidated
		(In thousands)		
Revenues:				
Rental income	$ 1,419	$ 2,748	$	$ 4,167
Interest and other income	5	188		193
Equity earnings in affiliates	194		(194)	
Total revenues	1,618	2,936	(194)	4,360
Expenses:				
Interest		1,249		1,249

Depreciation and amortization	531	880		1,411
Property-level operating expenses	89	291		380
General, administrative and professional fees	178	109		287
Intercompany interest	(62)	213		151
Total expenses	736	2,742		3,478
Net income	$ 882	$ 194	$ (194)	$ 882

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CONDENSED CONSOLIDATING STATEMENT OF INCOME

For the three months ended September 30, 2006

	ETOP and ETOP Subsidiary Guarantors	ETOP Non-Guarantor Subsidiaries	Consolidated Elimination	Consolidated
		(In thousands)		
Revenues:				
Rental income	$ 1,432	$ 2,698	$	$ 4,130
Interest and other income		33		33
Equity loss in affiliates	(55)		55	
Total revenues	1,377	2,731	55	4,163
Expenses:				
Interest	9	1,269		1,278
Depreciation and amortization	537	800		1,337
Property-level operating expenses		394		394
General, administrative and professional fees	82	138		220
Intercompany interest	(33)	185		152
Total expenses	595	2,786		3,381
Net income (loss)	$ 782	$ (55)	$ 55	$ 782

CONDENSED CONSOLIDATING STATEMENT OF INCOME

For the nine months ended September 30, 2007

	ETOP and ETOP Subsidiary Guarantors	ETOP Non-Guarantor Subsidiaries	Consolidated Elimination	Consolidated
		(In thousands)		
Revenues:				
Rental income	$ 4,293	$ 8,154	$	$ 12,447
Interest and other income	8	267		275
Equity earnings in affiliates	104			