VENTAS INC
Form 10-Q
August 06, 2008
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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 JUNE 30, 2008**

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.)**

111 S. Wacker Drive, Suite 4800

Chicago, Illinois

(Address of Principal Executive Offices)

60606

(Zip Code)

(877) 483-6827

(Registrant s Telephone Number, Including Area Code)

10350 Ormsby Park Place, Suite 300, Louisville, Kentucky 40223

(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, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company ¨

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 August 1, 2008:**
Common Stock, $0.25 par value	138,477,589

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

VENTAS, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share amounts)

	June 30, 2008 (Unaudited)	December 31, 2007 (Audited)
Assets		
Real estate investments:		
Land	$ 569,711	$ 572,092
Buildings and improvements	5,700,555	5,718,273
	6,270,266	6,290,365
Accumulated depreciation	(905,608)	(816,352)
Net real estate property	5,364,658	5,474,013
Loans receivable, net	118,565	19,998
Net real estate investments	5,483,223	5,494,011
Cash and cash equivalents	29,268	28,334
Escrow deposits and restricted cash	40,038	54,077
Deferred financing costs, net	20,742	22,836
Notes receivable-related parties	1,752	2,092
Other	142,038	115,278
Total assets	$ 5,717,061	$ 5,716,628
Liabilities and stockholders equity		
Liabilities:		
Senior notes payable and other debt	$ 3,251,418	$ 3,360,499
Deferred revenue	8,050	9,065
Accrued interest	20,261	20,790
Accounts payable and other accrued liabilities	142,399	173,576
Deferred income taxes	282,080	297,590
Total liabilities	3,704,208	3,861,520
Minority interest	30,957	31,454
Commitments and contingencies		
Stockholders equity:		
Preferred stock, 10,000 shares authorized, unissued		
Common stock, $0.25 par value; authorized 300,000 shares; 138,477 and 133,665 shares issued at June 30, 2008 and December 31, 2007, respectively	34,619	33,416
Capital in excess of par value	2,021,074	1,821,294
Accumulated other comprehensive income	12,831	17,416
Retained earnings (deficit)	(86,610)	(47,846)

Treasury stock, 0 and 14 shares at June 30, 2008 and December 31, 2007, respectively	(18)	(626)
Total stockholders equity	1,981,896	1,823,654
Total liabilities and stockholders equity	$ 5,717,061	$ 5,716,628

See notes to consolidated financial statements.

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VENTAS, INC.

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands, except per share amounts)

	For the Three Months Ended June 30, 2008	For the Three Months Ended June 30, 2007	For the Six Months Ended June 30, 2008	For the Six Months Ended June 30, 2007
Revenues:				
Rental income	$ 123,889	$ 118,252	$ 246,596	$ 234,597
Resident fees and services	107,312	71,400	215,038	71,400
Income from loans and investments	1,480	1,679	1,947	2,502
Interest and other income	832	586	1,696	835
Total revenues	233,513	191,917	465,277	309,334
Expenses:				
Interest	52,444	54,414	105,308	93,223
Depreciation and amortization	57,975	57,467	129,635	89,746
Property-level operating expenses	71,842	50,407	148,799	51,348
General, administrative and professional fees (including non-cash stock-based compensation expense of $2,541 and $1,820 for the three months ended 2008 and 2007, respectively, and $4,490 and $ 3,834 for the six months ended 2008 and 2007, respectively)	9,610	8,023	17,867	15,604
Foreign currency gain	(27)	(18,575)	(106)	(24,361)
Loss on extinguishment of debt	195		116	
Merger-related expenses	1,234	792	1,880	792
Total expenses	193,273	152,528	403,499	226,352
Income before income taxes, minority interest and discontinued operations	40,240	39,389	61,778	82,982
Income tax benefit	3,712	5,611	13,750	5,611
Income before minority interest and discontinued operations	43,952	45,000	75,528	88,593
Minority interest, net of tax	545	408	1,023	413
Income from continuing operations	43,407	44,592	74,505	88,180
Discontinued operations	27,659	135,205	28,613	136,723
Net income	71,066	179,797	103,118	224,903
Preferred stock dividends and issuance costs		5,199		5,199
Net income applicable to common shares	$ 71,066	$ 174,598	$ 103,118	$ 219,704
Earnings per common share:				
Basic:				
Income from continuing operations applicable to common shares	$ 0.31	$ 0.34	$ 0.54	$ 0.75
Discontinued operations	0.20	1.15	0.21	1.22
Net income applicable to common shares	$ 0.51	$ 1.49	$ 0.75	$ 1.97

Diluted:				
Income from continuing operations applicable to common shares	$ 0.31	$ 0.33	$ 0.54	$ 0.74
Discontinued operations	0.20	1.15	0.21	1.22
Net income applicable to common shares	$ 0.51	$ 1.48	$ 0.75	$ 1.96
Weighted average shares used in computing earnings per common share:				
Basic	138,133	117,419	137,257	111,763
Diluted	138,737	117,825	137,705	112,264
Dividends declared per common share	$ 0.5125	$ 0.475	$ 1.0250	$ 0.950

See notes to consolidated financial statements.

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VENTAS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	For the Six Months Ended June 30, 2008	2007
Cash flows from operating activities:		
Net income	$ 103,118	$ 224,903
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including amounts in discontinued operations)	129,811	91,785
Amortization of deferred revenue and lease intangibles, net	(5,383)	(3,602)
Other amortization expenses	1,129	1,659
Stock-based compensation	4,490	3,834
Straight-lining of rental income	(7,429)	(8,606)
Gain on extinguishment of debt	(91)	
Gain on sale of real estate assets (including amounts in discontinued operations)	(25,869)	(129,478)
Loss on bridge financing		2,550
Income tax benefit	(13,750)	(5,611)
Net gain on sale of marketable equity securities		(864)
Other	1,737	23
Changes in operating assets and liabilities:		
Decrease (increase) in other assets	5,450	(9,646)
Decrease in accrued interest	(570)	(2,497)
(Decrease) increase in accounts payable and other liabilities	(21,461)	1,389
Net cash provided by operating activities	171,182	165,839
Cash flows from investing activities:		
Net investment in real estate property	(6,360)	(1,220,915)
Investment in loans receivable	(98,826)	
Purchase of marketable debt securities	(44,780)	
Proceeds from real estate disposals	58,379	157,400
Proceeds from sale of securities		7,773
Proceeds from loans receivable	288	15,685
Capital expenditures	(3,836)	(1,202)
Other	340	340
Net cash used in investing activities	(94,795)	(1,040,919)
Cash flows from financing activities:		
Net change in borrowings under revolving credit facilities	(83,416)	156,200
Issuance of bridge financing		1,230,000
Repayment of bridge financing		(1,230,000)
Repayment of debt	(52,617)	(131,716)
Proceeds from debt	6,354	8,315
Debt and preferred stock issuance costs		(4,300)
Payment of deferred financing costs	(689)	(5,403)
Issuance of common stock	191,668	1,045,979
Cash distribution to preferred stockholders		(3,449)
Cash distribution to common stockholders	(141,882)	(155,842)
Other	5,257	(2,394)

Net cash (used in) provided by financing activities		(75,325)		907,390
Net increase in cash and cash equivalents		1,062		32,310
Effect of foreign currency translation on cash and cash equivalents		(128)		(3,418)
Cash and cash equivalents at beginning of period		28,334		1,246
Cash and cash equivalents at end of period	$	29,268	$	30,138
Supplemental schedule of non-cash activities:				
Assets and liabilities assumed from acquisitions:				
Real estate investments	$	30,350	$	1,159,049
Other assets		1,024		125,990
Debt assumed		27,204		918,378
Deferred taxes		650		286,944
Minority interest		549		25,815
Other liabilities		2,971		53,902

See notes to consolidated financial statements.

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NOTES TO 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 June 30, 2008, this portfolio consisted of 514 assets: 253 seniors housing communities, 192 skilled nursing facilities, 41 hospitals and 28 medical office and other properties in 43 states and two Canadian provinces. With the exception of 79 of our seniors housing communities that are managed by Sunrise Senior Living, Inc. (together with its subsidiaries, Sunrise) pursuant to long-term management agreements and our medical office buildings (MOBs), 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 June 30, 2008.

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 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 six-month periods ended June 30, 2008 are not necessarily an indication of the results that may be expected for the year ending December 31, 2008. The accompanying 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 May 23, 2008. Certain prior period amounts have been reclassified to conform to the current period presentation.

Marketable Debt and Equity Securities

We record marketable debt and equity securities as available-for-sale in accordance with Statement of Financial Accounting Standards (SFAS) No. 115, Accounting for Certain Investments in Debt and Equity Securities. These securities are recorded at fair market value, with unrealized gains and losses recorded in stockholders equity as a component of accumulated other comprehensive income on our Consolidated Balance Sheets. Interest income, including discount or premium amortization, on marketable debt securities and gains or losses on securities sold, which are based on the specific identification method, are reported in income from loans and investments on our Consolidated Statements of Income.

Loans Receivable

Loans receivable are stated at the unpaid principal balance net of any deferred origination fees or purchase discounts or premiums. Net deferred origination fees are comprised of loan fees collected from the borrower net of certain direct costs. Net deferred origination fees and purchase discounts or premiums are amortized to income over the contractual life of the loan using the effective interest method. We evaluate the collectibility of loans and other amounts receivable from third parties based on a number of factors, including (i) corporate and facility-level financial and operational reports, (ii) compliance with the financial covenants set forth in the borrowing or lease agreement, (iii) the financial stability of the borrower or tenant and any guarantor and (iv) the payment history of the borrower or tenant. Our level of reserves, if any, for loans and other amounts receivable from third parties fluctuates depending upon all of these factors. No reserves were recorded against our loans receivable balance at June 30, 2008 or December 31, 2007.

Recently Adopted Accounting Standards

On January 1, 2008, we adopted SFAS No. 157, Fair Value Measurements. SFAS No. 157 defines fair value and provides guidance for measuring fair value and the necessary disclosures. SFAS No. 157 does not require any new fair value measurements, but rather applies to all other accounting pronouncements that require or permit fair value measurements. The adoption did not have a material impact on our Consolidated Financial Statements.

SFAS No. 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement and should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, SFAS No. 157 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within levels one and two of the hierarchy) and the reporting entity s own assumptions about market participant assumptions (unobservable inputs classified within level three of the hierarchy).

Level one inputs utilize unadjusted quoted prices in active markets for identical assets or liabilities that we have the ability to access. Level two inputs are inputs other than quoted prices included in level one that are observable for the asset or liability, either directly or indirectly. Level two inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability, other than quoted prices, such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals. Level three inputs are unobservable inputs for the asset or liability, which are typically based on an entity s own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

We currently have an investment in a marketable debt security. The valuation of this investment is determined using level one inputs, which utilize quoted prices in active markets for identical assets or liabilities that we have the ability to access.

In May 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position No. APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) (APB 14-1). APB 14-1 specifies that issuers of convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) should separately account for the liability and equity components in a manner that will reflect the entity s nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. APB 14-1 will be effective for us beginning on January 1, 2009. We are currently evaluating the impact that the adoption of APB 14-1 is expected to have on our consolidated financial statements.

NOTE 3 CONCENTRATION OF CREDIT RISK

As of June 30, 2008, approximately 39.8%, 22.1% and 14.9% of our properties, based on gross book value, were managed or operated by Sunrise, Brookdale Senior Living Inc. (together with its subsidiaries, which include Brookdale Living Communities, Inc. (Brookdale) and Alterra Healthcare Corporation (Alterra), Brookdale Senior Living) and Kindred Healthcare, Inc. (together with its subsidiaries, Kindred), respectively, and approximately 77.3% and 13.2% of our properties, based on gross book value, were seniors housing communities and skilled nursing facilities, respectively. Our remaining properties consist of hospitals, MOBs 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 six months ended June 30, 2008, and two Canadian provinces.

Triple-Net Leased Properties

Approximately 25.5% and 37.2% of our total revenues (including amounts in discontinued operations) for the six months ended June 30, 2008 and 2007, 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 fifteen years from May 1, 1998 and, provided certain conditions are satisfied, are subject to three five-year renewal terms. Kindred has renewed, through April 30, 2013, its leases covering all 57 assets owned by us whose initial base term expired on April 30, 2008.

Approximately 12.9% and 19.6% of our total revenues (including amounts in discontinued operations) for the six months ended June 30, 2008 and 2007, respectively, were derived from our lease agreements with Brookdale Senior Living. Our leases with Brookdale have primary terms of fifteen 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 fifteen 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 operations 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

We are party to management agreements with Sunrise pursuant to which Sunrise currently provides comprehensive accounting and property management services with respect to 79 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. Approximately 45.8% of our total revenues (including amounts in discontinued operations) for the six months ended June 30, 2008 were attributable to senior living operations managed by Sunrise. Approximately 22.9% of our total revenues (including amounts in discontinued operations) for the six months ended June 30, 2007 were attributable to senior living operations managed by Sunrise for the period from April 26, 2007 (the date of acquisition) through June 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 has been 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. On March 24, 2008, Sunrise announced that it filed its Annual Report on Form 10-K for the year ended December 31, 2006 and had completed its financial statement and accounting review within the extended timeline granted by the New York Stock Exchange. On July 31, 2008, Sunrise filed its Annual Report on Form 10-K for the year ended December 31, 2007. Sunrise has announced that it expects to file its Quarterly Reports on Form 10-Q for the first and second quarters of 2008 by August 20, 2008 and September 10, 2008, respectively, in accordance with the terms of its amended bank credit facility; however, there can be no assurances that Sunrise will meet the filing deadlines imposed by its lending group or become current in its financial reporting. 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.

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NOTE 4 DISPOSITIONS

In April 2008, we sold seven properties for $68.6 million. We recognized a net gain from the sale of these assets of $25.9 million in the second quarter of 2008. In addition, we received a lease termination fee from the tenant of $1.6 million. The operations for these assets have been reported as discontinued operations for the three- and six-month periods ended June 30, 2008 and 2007.

In July 2008, we entered into an agreement to sell five seniors housing assets to the current tenant for an aggregate sale price of $62.5 million. Although there can be no assurances, we expect to close this transaction in the third quarter of 2008 and record a gain from the sale of real estate assets.

In June 2007, we completed the sale of 22 properties to Kindred for $171.5 million in net cash proceeds. Of these net proceeds, $14.1 million was initially held in escrow and subsequently used for other acquisitions in an Internal Revenue Code Section 1031 exchange during the year ended December 31, 2007. In addition, Kindred paid us a lease termination fee of $3.5 million. We recognized a net gain on the sale of these assets of $129.5 million during the quarter ended June 30, 2007.

Set forth below is a summary of the results of operations for the seven properties sold in April 2008 and the 22 properties sold in June 2007 for the three- and six-month periods ended June 30, 2008 and 2007:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2008	2007	2008	2007
	(In thousands)			
Revenues:				
Rental income	$ 348	$ 4,923	$ 2,153	$ 9,353
Interest and other income	1,579	3,500	1,579	3,500
	1,927	8,423	3,732	12,853
Expenses:				
Interest	137	1,812	812	3,571
Depreciation and amortization		884	176	2,037
	137	2,696	988	5,608
Income before gain on sale of real estate assets	1,790	5,727	2,744	7,245
Gain on sale of real estate assets	25,869	129,478	25,869	129,478
Discontinued operations	$ 27,659	$ 135,205	$ 28,613	$ 136,723

NOTE 5 LOANS RECEIVABLE

On June 30, 2008, we purchased $112.5 million principal amount of first mortgage debt issued by a national provider of healthcare services, primarily skilled nursing care. The debt was purchased at a discount for $98.8 million, resulting in an effective interest rate to maturity of LIBOR plus 533 basis points. The loan bears interest at a rate of LIBOR plus 125 basis points, which is payable monthly. The debt matures in January 2012, and the borrower has a one-year extension option subject to certain conditions. As of June 30, 2008, the carrying value of this loan approximates fair value.

We have three additional loans receivable that have an aggregate outstanding balance of $19.8 million. These loans accrue interest at an annual rate of 9% and provide for monthly amortization of principal with balloon payment maturity dates in 2010. Each loan is guaranteed by an affiliate of the borrower and its two principals.

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NOTE 6 SENIOR NOTES PAYABLE AND OTHER DEBT

The following is a summary of our senior notes payable and other debt as of June 30, 2008 and December 31, 2007:

	June 30, 2008	December 31, 2007
	(In thousands)	
Unsecured revolving credit facilities due 2009, subject to an extension option to 2010	$ 153,812	$ 238,970
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	170,000
6 5/8% Senior Notes due 2014	175,000	175,000
8 3/4% Senior Notes due 2009	168,350	174,217
9% Senior Notes due 2012	191,821	191,821
Mortgage loans and other	1,551,501	1,567,668
Total	3,240,484	3,347,676
Unamortized fair value adjustment	17,216	19,669
Unamortized commission fees and discounts	(6,282)	(6,846)
Senior notes payable and other debt	$ 3,251,418	$ 3,360,499

As of June 30, 2008, our indebtedness had the following maturities (in thousands):

2008	$ 65,677
2009	636,164
2010	281,876
2011	302,845
2012	518,736
Thereafter	1,435,186
Total maturities	$ 3,240,484

As of June 30, 2008, our joint venture partners share of total debt was $167.2 million.

Unsecured Revolving Credit Facilities

On March 13, 2008, we amended our existing unsecured revolving credit facility (the U.S. credit facility) and entered into a new unsecured revolving credit facility (the Canadian credit facility) to expand our aggregate borrowing capacity to $850.0 million. Of this amount, up to $150.0 million is available to us under the Canadian credit facility in either U.S. or Canadian dollars. The U.S. credit facility also includes a $150.0 million accordion feature that permits us to further expand our aggregate borrowing capacity to $1.0 billion upon satisfaction of certain conditions. Borrowings under our unsecured revolving credit facilities bear interest at a fluctuating rate per annum (based on U.S. or Canadian LIBOR, Canadian Bankers Acceptance rate, or the U.S. or Canadian Prime rate) plus an applicable percentage based on our consolidated leverage. The applicable percentage was 0.75% at June 30, 2008. Both revolving credit facilities mature in April 2009, subject to a one year extension at our option, upon satisfaction of customary conditions.

Simultaneously with entering into the Canadian credit facility, we repaid in full all borrowings outstanding under our previous Cdn $105.0 million unsecured revolving credit facility and terminated that facility.

Senior Notes

In June 2008, we purchased $5.9 million principal amount of our 8 3/4% senior notes due 2009 in open market transactions. As a result of the purchases, we reported a loss on extinguishment of debt of $0.2 million during the three- and six-month periods ended June 30, 2008.

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NOTE 7 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 condition or results of operations, which, in turn, could have a Material Adverse Effect on us.

Litigation Related to the Sunrise REIT Acquisition

On May 3, 2007, we filed a lawsuit against HCP, Inc. (HCP) in the United States District Court for the Western District of Kentucky, entitled *Ventas, Inc. v. HCP, Inc.*, Case No. 07-cv-238-JGH. 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 Senior Living Real Estate Investment Trust (Sunrise REIT) and with the process for unitholder consideration of the purchase agreement. The complaint alleges, among other things, that HCP made certain improper and misleading offers to acquire Sunrise REIT 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, as well as 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 December 19, 2007, the District Court denied HCP s motion to dismiss. By order dated February 28, 2008, the District Court set December 31, 2008 as the deadline for discovery and ordered trial by jury to commence August 18, 2009. On April 8, 2008, HCP filed a motion requesting permission from the District Court to add a counterclaim against us. The counterclaim alleges that Sunrise REIT failed to conduct a fair auction when it put itself up for sale in 2006 and that we, as the alleged successor to Sunrise REIT, are now responsible for those actions. On July 25, 2008, the District Court granted HCP s motion to amend its answer to include the counterclaim. HCP is seeking compensatory and punitive damages. We intend to pursue our claims in the action and contest HCP s counterclaim vigorously, although we cannot assure you that we will prevail in the action, or, if we do prevail, of the amount of recovery that may be awarded to us. We are unable at this time to estimate the possible loss or range of loss for the potential counterclaim in this action, and therefore, no provision for liability, if any, resulting from this litigation has been made in our Consolidated Financial Statements as of June 30, 2008.

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 our 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 Consolidated Financial Statements as of June 30, 2008.

We are party to various other lawsuits, investigations and claims (some of which may not be insured) arising in the normal course of our business, including without limitation, in connection with the operations of our seniors housing communities managed by Sunrise. It is the opinion of management that, except as set forth in this Note 7, 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 8 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-month period ended June 30, 2008, 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 six-month periods ended June 30, 2008 was a deferred benefit of $4.2 million and $14.6 million, respectively, which was solely due to the TRS entities. The deferred benefit for the three- and six-month periods ended June 30, 2008 was reduced by income tax expense of $0.5 million and $0.8 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 $258.8 million at June 30, 2008 and related primarily to book and tax basis differences for fixed and intangible assets and to net operating losses. Additionally, we had a $23.3 million deferred tax liability as of June 30, 2008 to be utilized for any built-in gain tax related to the disposition of certain assets owned prior to our REIT election in 1999. The ten-year period in which these assets are subject to built-in gains tax will end on December 31, 2008. Accordingly, any remaining deferred tax liability related to the built-in gains tax will be reversed at December 31, 2008. The consolidated net deferred tax liability totaled $282.1 million at June 30, 2008.

Generally, we are subject to audit under the statute of limitations by the Internal Revenue Service for the year ended December 31, 2004 and subsequent years and are subject to audit by state taxing authorities for the year ended December 31, 2003 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 9 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 assurances 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 (i.e., through December 31, 2010) 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.

NOTE 10 CAPITAL STOCK

Our authorized capital stock at June 30, 2008 and December 31, 2007 consisted of 300,000,000 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.

In February 2008, we completed the sale of 4,485,000 shares of our common stock in an underwritten public offering pursuant to our existing universal shelf registration statement. We received $191.9 million in net proceeds from the sale, which we used to repay indebtedness outstanding under our revolving credit facility and for working capital and other general corporate purposes.

NOTE 11 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 June 30,		For the Six Months Ended June 30,	
	2008	2007	2008	2007
	(In thousands, except per share amounts)			
Numerator for basic and diluted earnings per share:				
Income from continuing operations	$ 43,407	$ 44,592	$ 74,505	$ 88,180
Preferred stock dividends and issuance costs		5,199		5,199
Income from continuing operations applicable to common shares	43,407	39,393	74,505	82,981
Discontinued operations	27,659	135,205	28,613	136,723
Net income applicable to common shares	$ 71,066	$ 174,598	$ 103,118	$ 219,704
Denominator:				
Denominator for basic earnings per share - weighted average shares	138,133	117,419	137,257	111,763
Effect of dilutive securities:				
Stock options	309	398	287	453
Restricted stock awards	38	8	24	18
Convertible notes	257		137	30
Denominator for diluted earnings per share - adjusted weighted average shares	138,737	117,825	137,705	112,264
Basic earnings per share:				
Income from continuing operations applicable to common shares	$ 0.31	$ 0.34	$ 0.54	$ 0.75
Discontinued operations	0.20	1.15	0.21	1.22
Net income applicable to common shares	$ 0.51	$ 1.49	$ 0.75	$ 1.97
Diluted earnings per share:				
Income from continuing operations applicable to common shares	$ 0.31	$ 0.33	$ 0.54	$ 0.74
Discontinued operations	0.20	1.15	0.21	1.22
Net income applicable to common shares	$ 0.51	$ 1.48	$ 0.75	$ 1.96

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NOTE 12 COMPREHENSIVE INCOME

Comprehensive income is comprised of the following:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2008	2007	2008	2007
	(In thousands)			
Net income applicable to common shares	$ 71,066	$ 174,598	$ 103,118	$ 219,704
Other comprehensive income:				
Unrealized loss on marketable debt securities	(139)		(139)	
Unrealized gain (loss) on interest rate hedges	27	315	(600)	259
Foreign currency translation	(2,582)	9,235	(4,977)	9,235
Reclassification adjustment for realized loss (gain) on interest rate hedges included in net income during the period	706	(159)	1,131	(320)
Other		(823)		(729)
	(1,988)	8,568	(4,585)	8,445
Net comprehensive income	$ 69,078	$ 183,166	$ 98,533	$ 228,149

NOTE 13 SEGMENT INFORMATION

As of June 30, 2008, 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 MOBs. Our MOB 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 MOBs, we separated them from the triple-net leased properties segment. However, the MOB segment is not individually reported and is included in All Other 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 income from loans and investments), income taxes, depreciation and amortization, foreign currency gains/losses, general, administrative and professional fees, merger-related expenses and minority interest. There are no intersegment sales or transfers.

All other revenues consist primarily of rental income related to the MOBs, income from loans and investments and other miscellaneous income.

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Summary information by business segment is as follows:

For the three months ended June 30, 2008:

	Triple-Net Leased Properties	Senior Living Operations	All Other	Total
	(In thousands)			
Revenues:				
Rental income	$ 117,700	$	$ 6,189	$ 123,889
Resident fees and services		107,312		107,312
Income from loans and investments			1,480	1,480
Interest and other income	395	59	378	832
Total revenues	$ 118,095	$ 107,371	$ 8,047	$ 233,513
Segment net operating income	$ 117,700	$ 38,011	$ 5,128	$ 160,839
Interest and other income	395	59	378	832
Merger-related expenses		(1,234)		(1,234)
Interest expense	(27,743)	(23,727)	(974)	(52,444)
Depreciation and amortization	(31,412)	(24,712)	(1,851)	(57,975)
General, administrative and professional fees			(9,610)	(9,610)
Foreign currency (loss) gain	(34)	61		27
Loss on extinguishment of debt	(195)			(195)
Minority interest, net of tax		(613)	68	(545)
Net income (loss) before taxes and discontinued operations	$ 58,711	$ (12,155)	$ (6,861)	$ 39,695

For the three months ended June 30, 2007:

	Triple-Net Leased Properties	Senior Living Operations	All Other	Total
	(In thousands)			
Revenues:				
Rental income	$ 115,345	$	$ 2,907	$ 118,252
Resident fess and services		71,400		71,400
Income from loans and investments			1,679	1,679
Interest and other income	137	193	256	586
Total revenues	$ 115,482	$ 71,593	$ 4,842	$ 191,917
Segment net operating income	$ 115,345	$ 22,379	$ 3,200	$ 140,924
Interest and other income	137	193	256	586
Merger-related expenses		(792)		(792)
Interest expense	(36,479)	(17,491)	(444)	(54,414)
Depreciation and amortization	(31,650)	(25,000)	(817)	(57,467)
General, administrative and professional fees			(8,023)	(8,023)
Foreign currency gain		18,575		18,575
Minority interest, net of tax		(408)		(408)
Net income (loss) before taxes and discontinued operations	$ 47,353	$ (2,544)	$ (5,828)	$ 38,981

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For the six months ended June 30, 2008:

	Triple-Net Leased Properties	Senior Living Operations	All Other	Total
		(In thousands)		
Revenues:				
Rental income	$ 234,297	$	$ 12,299	$ 246,596
Resident fees and services		215,038		215,038
Income from loans and investments			1,947	1,947
Interest and other income	675	268	753	1,696
Total revenues	$ 234,972	$ 215,306	$ 14,999	$ 465,277
Segment net operating income	$ 234,297	$ 71,446	$ 9,039	$ 314,782
Interest and other income	675	268	753	1,696
Merger-related expenses		(1,880)		(1,880)
Interest expense	(55,675)	(47,986)	(1,647)	(105,308)
Depreciation and amortization	(62,951)	(63,063)	(3,621)	(129,635)
General, administrative and professional fees			(17,867)	(17,867)
Foreign currency gain	9	97		106
(Loss) gain on extinguishment of debt	(195)	79		(116)
Minority interest, net of tax		(1,132)	109	(1,023)
Net income (loss) before taxes and discontinued operations	$ 116,160	$ (42,171)	$ (13,234)	$ 60,755

For the six months ended June 30, 2007:

	Triple-Net Leased Properties	Senior Living Operations	All Other	Total
		(In thousands)		
Revenues:				
Rental income	$ 229,486	$	$ 5,111	$ 234,597
Resident fees and services		71,400		71,400
Income from loans and investments			2,502	2,502
Interest and other income	254	193	388	835
Total revenues	$ 229,740	$ 71,593	$ 8,001	$ 309,334
Segment net operating income	$ 229,486	$ 22,379	$ 5,286	$ 257,151
Interest and other income	254	193	388	835
Merger-related expenses		(792)		(792)
Interest expense	(74,929)	(17,491)	(803)	(93,223)
Depreciation and amortization	(63,608)	(25,000)	(1,138)	(89,746)
General, administrative and professional fees			(15,604)	(15,604)
Foreign currency gain		24,361		24,361
Minority interest, net of tax		(408)	(5)	(413)
Net income (loss) before taxes and discontinued operations	$ 91,203	$ 3,242	$ (11,876)	$ 82,569

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2008	2007	2008	2007
	(In thousands)			
Capital expenditures:				
Triple-net leased properties	$	$ 597	$ 5,100	$ 30,948
Senior living operations	1,024	1,191,067	2,533	1,191,067
All other expenditures	2,269	66	2,563	102
Total capital expenditures	$ 3,293	$ 1,191,730	$ 10,196	$ 1,222,117

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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 June 30, 2008	For the Three Months Ended June 30, 2007	For the Six Months Ended June 30, 2008	For the Six Months Ended June 30, 2007
	(In thousands)			
Revenue:				
United States	$ 214,032	$ 180,496	$ 426,812	$ 297,913
Canada	19,481	11,421	38,465	11,421
Total revenues	$ 233,513	$ 191,917	$ 465,277	$ 309,334

	June 30, 2008	December 31, 2007
	(In thousands)	
Long-lived assets:		
United States	$ 4,922,697	$ 5,023,560
Canada	441,961	450,453
Total long-lived assets	$ 5,364,658	$ 5,474,013

NOTE 14 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 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 June 30, 2008 and December 31, 2007 and for the three- and six-month periods ended June 30, 2008 and 2007:

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CONDENSED CONSOLIDATING BALANCE SHEET

As of June 30, 2008

	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	$ 10,468	$ 50,854	$ 2,039,840	$ 913,610	$ 2,468,451	$	$ 5,483,223
Cash and cash equivalents			6,290	5,446	17,532		29,268
Escrow deposits and restricted cash	217		9,308	6,409	24,104		40,038
Deferred financing costs, net	369		867	12,671	6,835		20,742
Notes receivable-related parties	1,752						1,752
Investment in and advances to affiliates	1,175,223	9,039		1,072,287		(2,256,549)	
Other	14	1,015	49,435	62,792	28,782		142,038
Total assets	$ 1,188,043	$ 60,908	$ 2,105,740	$ 2,073,215	$ 2,545,704	$ (2,256,549)	$ 5,717,061
Liabilities and stockholders' equity							
Liabilities:							
Senior notes payable and other debt	$ 226,763	$ 393	$ 496,057	$ 1,390,926	$ 1,137,279	$	$ 3,251,418
Intercompany loans	(171)	7,500	542,426	(549,755)			
Deferred revenue	16		538	4,364	3,132		8,050
Accrued interest		154	4,069	14,009	2,029		20,261
Accounts payable and other accrued liabilities	13,823	198	53,082	26,522	48,774		142,399
Deferred income taxes	282,080						282,080
Total liabilities	522,511	8,245	1,096,172	886,066	1,191,214		3,704,208
Minority interest	393				30,564		30,957
Total stockholders' equity	665,139	52,663	1,009,568	1,187,149	1,323,926	(2,256,549)	1,981,896
Total liabilities and stockholders' equity	$ 1,188,043	$ 60,908	$ 2,105,740	$ 2,073,215	$ 2,545,704	$ (2,256,549)	$ 5,717,061

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CONDENSED CONSOLIDATING BALANCE SHEET

As of December 31, 2007

	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	$ 10,793	$ 51,923	$ 2,086,143	$ 874,031	$ 2,471,121	$	$ 5,494,011
Cash and cash equivalents			5,388	494	22,452		28,334
Escrow deposits and restricted cash	214		23,703	6,341	23,819		54,077
Deferred financing costs, net	419		401	14,101	7,915		22,836
Notes receivable-related parties	1,717			375			2,092
Investment in and advances to affiliates	1,114,775	9,039		956,394		(2,080,208)	
Other		714	49,510	15,433	49,621		115,278
Total assets	$ 1,127,918	$ 61,676	$ 2,165,145	$ 1,867,169	$ 2,574,928	$ (2,080,208)	$ 5,716,628
Liabilities and stockholders' equity							
Liabilities:							
Senior notes payable and other debt	$ 226,323	$ 400	$ 539,812	$ 1,457,168	$ 1,136,796	$	$ 3,360,499
Intercompany loans	(44,347)	7,500	578,502	(541,655)			
Deferred revenue	(8)		568	5,463	3,042		9,065
Accrued interest	(796)	3	2,886	16,621	2,076		20,790
Accounts payable and other accrued liabilities	12,264	112	61,891	45,567	53,742		173,576
Deferred income taxes	297,590						297,590
Total liabilities	491,026	8,015	1,183,659	983,164	1,195,656		3,861,520
Minority interest	393			2,115	28,946		31,454
Total stockholders' equity	636,499	53,661	981,486	881,890	1,350,326	(2,080,208)	1,823,654
Total liabilities and stockholders' equity	$ 1,127,918	$ 61,676	$ 2,165,145	$ 1,867,169	$ 2,574,928	$ (2,080,208)	$ 5,716,628

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CONDENSED CONSOLIDATING STATEMENT OF INCOME

For the Three Months Ended June 30, 2008

	Ventas, Inc.	ETOP and ETOP Subsidiary Guarantors	Wholly Owned Subsidiary Guarantors	Issuers	Non-Guarantor Subsidiaries	Consolidated Elimination	Consolidated
				(In thousands)			
Revenues:							
Rental income	$ 574	$ 1,447	$ 31,955	$ 71,112	$ 18,801	$	$ 123,889
Resident fees and services			27,701				