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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 10-Q**

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(Mark One)

☒ **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

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**Ventas, Inc.**

(Exact Name of Registrant as Specified in Its Charter)

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**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**61-1055020**  
(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)

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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 ☒ 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 ☒  
Non-accelerated filer ☐

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 ☒

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:

Common Stock, \$0.25 par value

Outstanding at August 1, 2008:

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,<br>2008<br>(Unaudited) | December 31,<br>2007<br>(Audited) |
|---------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|-----------------------------------|
| <b>Assets</b>                                                                                                                                     |                                 |                                   |
| 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                                                                                                                                      | <u>\$5,717,061</u>              | <u>\$5,716,628</u>                |
| <b>Liabilities and stockholders' equity</b>                                                                                                       |                                 |                                   |
| 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                                                                                                                        | <u>1,981,896</u>                | <u>1,823,654</u>                  |
| Total liabilities and stockholders' equity                                                                                                        | <u>\$5,717,061</u>              | <u>\$5,716,628</u>                |

See notes to consolidated financial statements.

**VENTAS, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**(Unaudited)**  
**(In thousands, except per share amounts)**

|                                                                                                                                                                                                                                                                  | For the Three Months<br>Ended June 30, |                  | For the Six Months<br>Ended June 30, |                  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|------------------|--------------------------------------|------------------|
|                                                                                                                                                                                                                                                                  | 2008                                   | 2007             | 2008                                 | 2007             |
| <b>Revenues:</b>                                                                                                                                                                                                                                                 |                                        |                  |                                      |                  |
| 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          |
| <b>Expenses:</b>                                                                                                                                                                                                                                                 |                                        |                  |                                      |                  |
| 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                                                                                                                                                                                                                           | <u>\$ 71,066</u>                       | <u>\$174,598</u> | <u>\$103,118</u>                     | <u>\$219,704</u> |
| <b>Earnings per common share:</b>                                                                                                                                                                                                                                |                                        |                  |                                      |                  |
| 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                                                                                                                                                                                                                           | <u>\$ 0.51</u>                         | <u>\$ 1.49</u>   | <u>\$ 0.75</u>                       | <u>\$ 1.97</u>   |
| 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                                                                                                                                                                                                                           | <u>\$ 0.51</u>                         | <u>\$ 1.48</u>   | <u>\$ 0.75</u>                       | <u>\$ 1.96</u>   |
| <b>Weighted average shares used in computing earnings per common share:</b>                                                                                                                                                                                      |                                        |                  |                                      |                  |
| 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.



**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

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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, MOB's 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.

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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](http://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](http://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<br>Ended June 30, |                  | For the Six Months<br>Ended June 30, |                  |
|--------------------------------------------------|----------------------------------------|------------------|--------------------------------------|------------------|
|                                                  | 2008                                   | 2007             | 2008                                 | 2007             |
|                                                  | (In thousands)                         |                  |                                      |                  |
| <b>Revenues:</b>                                 |                                        |                  |                                      |                  |
| 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           |
| <b>Expenses:</b>                                 |                                        |                  |                                      |                  |
| 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                          | <u>\$27,659</u>                        | <u>\$135,205</u> | <u>\$28,613</u>                      | <u>\$136,723</u> |

### 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,<br>2008   | December 31,<br>2007 |
|----------------------------------------------------------------------------------------|--------------------|----------------------|
|                                                                                        | (In thousands)     |                      |
| Unsecured revolving credit facilities due 2009, subject to an extension option to 2010 | \$ 153,812         | \$ 238,970           |
| 3 <sup>7</sup> / <sub>8</sub> % Convertible Senior Notes due 2011                      | 230,000            | 230,000              |
| 6 <sup>3</sup> / <sub>4</sub> % Senior Notes due 2017                                  | 225,000            | 225,000              |
| 6 <sup>1</sup> / <sub>2</sub> % Senior Notes due 2016                                  | 200,000            | 200,000              |
| 6 <sup>3</sup> / <sub>4</sub> % Senior Notes due 2010                                  | 175,000            | 175,000              |
| 7 <sup>1</sup> / <sub>8</sub> % Senior Notes due 2015                                  | 170,000            | 170,000              |
| 6 <sup>5</sup> / <sub>8</sub> % Senior Notes due 2014                                  | 175,000            | 175,000              |
| 8 <sup>3</sup> / <sub>4</sub> % 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                                                    | <u>\$3,251,418</u> | <u>\$3,360,499</u>   |

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 | <u>\$3,240,484</u> |

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 <sup>3</sup>/<sub>4</sub> % 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

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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<br>Ended June 30, |                  | For the Six Months<br>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                                        | <u>\$ 71,066</u>                       | <u>\$174,598</u> | <u>\$103,118</u>                     | <u>\$219,704</u> |
| 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 | <u>138,737</u>                         | <u>117,825</u>   | <u>137,705</u>                       | <u>112,264</u>   |
| 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                                        | <u>\$ 0.51</u>                         | <u>\$ 1.49</u>   | <u>\$ 0.75</u>                       | <u>\$ 1.97</u>   |
| 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                                        | <u>\$ 0.51</u>                         | <u>\$ 1.48</u>   | <u>\$ 0.75</u>                       | <u>\$ 1.96</u>   |

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### NOTE 12 – COMPREHENSIVE INCOME

Comprehensive income is comprised of the following:

|                                                                                                                       | For the Three Months<br>Ended June 30, |                  | For the Six Months<br>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)            |
|                                                                                                                       | <u>(1,988)</u>                         | <u>8,568</u>     | <u>(4,585)</u>                       | <u>8,445</u>     |
| Net comprehensive income                                                                                              | <u>\$69,078</u>                        | <u>\$183,166</u> | <u>\$ 98,533</u>                     | <u>\$228,149</u> |

### 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:

|                                                            | <b>Triple-Net<br/>Leased<br/>Properties</b> | <b>Senior<br/>Living<br/>Operations</b> | <b>All<br/>Other</b> | <b>Total</b>     |
|------------------------------------------------------------|---------------------------------------------|-----------------------------------------|----------------------|------------------|
|                                                            | <b>(In thousands)</b>                       |                                         |                      |                  |
| <b>Revenues:</b>                                           |                                             |                                         |                      |                  |
| 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                                             | <u>\$118,095</u>                            | <u>\$107,371</u>                        | <u>\$ 8,047</u>      | <u>\$233,513</u> |
| <b>Segment net operating income</b>                        | <b>\$117,700</b>                            | <b>\$ 38,011</b>                        | <b>\$ 5,128</b>      | <b>\$160,839</b> |
| 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 | <u>\$ 58,711</u>                            | <u>\$ (12,155)</u>                      | <u>\$ (6,861)</u>    | <u>\$ 39,695</u> |

For the three months ended June 30, 2007:

|                                                            | <b>Triple-Net<br/>Leased<br/>Properties</b> | <b>Senior<br/>Living<br/>Operations</b> | <b>All<br/>Other</b> | <b>Total</b>     |
|------------------------------------------------------------|---------------------------------------------|-----------------------------------------|----------------------|------------------|
|                                                            | <b>(In thousands)</b>                       |                                         |                      |                  |
| <b>Revenues:</b>                                           |                                             |                                         |                      |                  |
| Rental income                                              | \$115,345                                   | \$ —                                    | \$ 2,907             | \$118,252        |
| Resident fees 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                                             | <u>\$115,482</u>                            | <u>\$ 71,593</u>                        | <u>\$ 4,842</u>      | <u>\$191,917</u> |
| <b>Segment net operating income</b>                        | <b>\$115,345</b>                            | <b>\$ 22,379</b>                        | <b>\$ 3,200</b>      | <b>\$140,924</b> |
| 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 | <u>\$ 47,353</u>                            | <u>\$ (2,544)</u>                       | <u>\$ (5,828)</u>    | <u>\$ 38,981</u> |

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For the six months ended June 30, 2008:

|                                                            | Triple-Net<br>Leased<br>Properties | Senior<br>Living<br>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                                             | <u>\$234,972</u>                   | <u>\$215,306</u>               | <u>\$ 14,999</u>   | <u>\$ 465,277</u> |
| 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 | <u>\$116,160</u>                   | <u>\$ (42,171)</u>             | <u>\$ (13,234)</u> | <u>\$ 60,755</u>  |

For the six months ended June 30, 2007:

|                                                            | Triple-Net<br>Leased<br>Properties | Senior<br>Living<br>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                                             | <u>\$229,740</u>                   | <u>\$ 71,593</u>               | <u>\$ 8,001</u>    | <u>\$309,334</u> |
| 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 | <u>\$ 91,203</u>                   | <u>\$ 3,242</u>                | <u>\$ (11,876)</u> | <u>\$ 82,569</u> |

| For the Three Months<br>Ended June 30, |      | For the Six Months<br>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   | <u>\$3,293</u> | <u>\$1,191,730</u> | <u>\$10,196</u> | <u>\$1,222,117</u> |

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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<br>Ended June 30, |                    | For the Six Months<br>Ended June 30, |                  |
|-------------------------|----------------------------------------|--------------------|--------------------------------------|------------------|
|                         | 2008                                   | 2007               | 2008                                 | 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          | <u>\$ 233,513</u>                      | <u>\$ 191,917</u>  | <u>\$465,277</u>                     | <u>\$309,334</u> |
|                         |                                        |                    |                                      |                  |
|                         | December 31,                           |                    |                                      |                  |
|                         | June 30,<br>2008                       | 2007               |                                      |                  |
|                         | (In thousands)                         |                    |                                      |                  |
| Long-lived assets:      |                                        |                    |                                      |                  |
| United States           | \$4,922,697                            | \$5,023,560        |                                      |                  |
| Canada                  | 441,961                                | 450,453            |                                      |                  |
| Total long-lived assets | <u>\$5,364,658</u>                     | <u>\$5,474,013</u> |                                      |                  |

### 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

|                                                | <u>Ventas, Inc.</u> | <u>ETOP and<br/>ETOP<br/>Subsidiary<br/>Guarantors</u> | <u>Wholly<br/>Owned<br/>Subsidiary<br/>Guarantors</u> | <u>Issuers</u><br>(In thousands) | <u>Non-<br/>Guarantor<br/>Subsidiaries</u> | <u>Consolidated<br/>Elimination</u> | <u>Consolidated</u> |
|------------------------------------------------|---------------------|--------------------------------------------------------|-------------------------------------------------------|----------------------------------|--------------------------------------------|-------------------------------------|---------------------|
| <b>Assets</b>                                  |                     |                                                        |                                                       |                                  |                                            |                                     |                     |
| 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                                   | <u>\$1,188,043</u>  | <u>\$ 60,908</u>                                       | <u>\$2,105,740</u>                                    | <u>\$2,073,215</u>               | <u>\$2,545,704</u>                         | <u>\$(2,256,549)</u>                | <u>\$5,717,061</u>  |
| <b>Liabilities and stockholders' equity</b>    |                     |                                                        |                                                       |                                  |                                            |                                     |                     |
| <b>Liabilities:</b>                            |                     |                                                        |                                                       |                                  |                                            |                                     |                     |
| 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     | <u>\$1,188,043</u>  | <u>\$ 60,908</u>                                       | <u>\$2,105,740</u>                                    | <u>\$2,073,215</u>               | <u>\$2,545,704</u>                         | <u>\$(2,256,549)</u>                | <u>\$5,717,061</u>  |

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### CONDENSED CONSOLIDATING BALANCE SHEET As of December 31, 2007

|                                                | <u>Ventas, Inc.</u> | <u>ETOP and<br/>ETOP<br/>Subsidiary<br/>Guarantors</u> | <u>Wholly<br/>Owned<br/>Subsidiary<br/>Guarantors</u> | <u>Issuers</u><br>(In thousands) | <u>Non-<br/>Guarantor<br/>Subsidiaries</u> | <u>Consolidated<br/>Elimination</u> | <u>Consolidated</u> |
|------------------------------------------------|---------------------|--------------------------------------------------------|-------------------------------------------------------|----------------------------------|--------------------------------------------|-------------------------------------|---------------------|
| <b>Assets</b>                                  |                     |                                                        |                                                       |                                  |                                            |                                     |                     |
| 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                                   | <u>\$1,127,918</u>  | <u>\$ 61,676</u>                                       | <u>\$2,165,145</u>                                    | <u>\$1,867,169</u>               | <u>\$2,574,928</u>                         | <u>\$(2,080,208)</u>                | <u>\$5,716,628</u>  |
| <b>Liabilities and stockholders' equity</b>    |                     |                                                        |                                                       |                                  |                                            |                                     |                     |
| <b>Liabilities:</b>                            |                     |                                                        |                                                       |                                  |                                            |                                     |                     |
| 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     | <u>\$1,127,918</u>  | <u>\$ 61,676</u>                                       | <u>\$2,165,145</u>                                    | <u>\$1,867,169</u>               | <u>\$2,574,928</u>                         | <u>\$(2,080,208)</u>                | <u>\$5,716,628</u>  |

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### CONDENSED CONSOLIDATING STATEMENT OF INCOME For the Three Months Ended June 30, 2008

|                                                                           | <u>Ventas, Inc.</u> | <u>ETOP and<br/>ETOP<br/>Subsidiary<br/>Guarantors</u> | <u>Wholly<br/>Owned<br/>Subsidiary<br/>Guarantors</u> | <u>Issuers</u><br>(In thousands) | <u>Non-<br/>Guarantor<br/>Subsidiaries</u> | <u>Consolidated<br/>Elimination</u> | <u>Consolidated</u> |
|---------------------------------------------------------------------------|---------------------|--------------------------------------------------------|-------------------------------------------------------|----------------------------------|--------------------------------------------|-------------------------------------|---------------------|
| <b>Revenues:</b>                                                          |                     |                                                        |                                                       |                                  |                                            |                                     |                     |
| Rental income                                                             | \$ 574              | \$ 1,447                                               | \$ 31,955                                             | \$ 71,112                        | \$ 18,801                                  | \$ —                                | \$ 123,889          |
| Resident fees and services                                                | —                   | —                                                      | 27,701                                                | —                                | 79,611                                     | —                                   | 107,312             |
| Income from loans and investments                                         | —                   | —                                                      | —                                                     | 1,480                            | —                                          | —                                   | 1,480               |
| Equity earnings in affiliates                                             | 68,376              | 51                                                     | 1,624                                                 | —                                | —                                          | (70,051)                            | —                   |
| Interest and other income                                                 | 18                  | —                                                      | 53                                                    | 668                              | 93                                         | —                                   | 832                 |
| Total revenues                                                            | 68,968              | 1,498                                                  | 61,333                                                | 73,260                           | 98,505                                     | (70,051)                            | 233,513             |
| <b>Expenses:</b>                                                          |                     |                                                        |                                                       |                                  |                                            |                                     |                     |
| Interest                                                                  | (62)                | 8                                                      | 7,354                                                 | 28,418                           | 16,726                                     | —                                   | 52,444              |
| Depreciation and amortization                                             | 162                 | 535                                                    | 20,595                                                | 11,470                           | 25,213                                     | —                                   | 57,975              |
| Property-level operating expenses                                         | —                   | —                                                      | 17,057                                                | 174                              | 54,611                                     | —                                   | 71,842              |
| General, administrative and professional fees                             | 1,494               | 96                                                     | 3,171                                                 | 3,551                            | 1,298                                      | —                                   | 9,610               |
| Foreign currency loss (gain)                                              | 36                  | —                                                      | (72)                                                  | —                                | 9                                          | —                                   | (27)                |
| Loss on extinguishment of debt                                            | —                   | —                                                      | —                                                     | 193                              | 2                                          | —                                   | 195                 |
| Merger-related expenses                                                   | —                   | —                                                      | 122                                                   | 1,112                            | —                                          | —                                   | 1,234               |
| Intercompany interest                                                     | (16)                | (82)                                                   | 12,153                                                | (12,287)                         | 232                                        | —                                   | —                   |
| Total expenses                                                            | 1,614               | 557                                                    | 60,380                                                | 32,631                           | 98,091                                     | —                                   | 193,273             |
| Income before income taxes, minority interest and discontinued operations | 67,354              | 941                                                    | 953                                                   | 40,629                           | 414                                        | (70,051)                            | 40,240              |
| Income tax benefit                                                        | 3,712               | —                                                      | —                                                     | —                                | —                                          | —                                   | 3,712               |
| Income before minority interest and discontinued operations               | 71,066              | 941                                                    | 953                                                   | 40,629                           | 414                                        | (70,051)                            | 43,952              |
| Minority interest, net of tax                                             | —                   | —                                                      | (459)                                                 | —                                | 1,004                                      | —                                   | 545                 |
| Income (loss) from continuing operations                                  | 71,066              | 941                                                    | 1,412                                                 | 40,629                           | (590)                                      | (70,051)                            | 43,407              |
| Discontinued operations                                                   | —                   | —                                                      | —                                                     | 27,659                           | —                                          | —                                   | 27,659              |
| Net income (loss) applicable to common shares                             | <u>\$ 71,066</u>    | <u>\$ 941</u>                                          | <u>\$ 1,412</u>                                       | <u>\$ 68,288</u>                 | <u>\$ (590)</u>                            | <u>\$ (70,051)</u>                  | <u>\$ 71,066</u>    |

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### CONDENSED CONSOLIDATING STATEMENT OF INCOME For the Three Months Ended June 30, 2007

|                                                                                  | <u>Ventas, Inc.</u> | <u>ETOP and<br/>ETOP<br/>Subsidiary<br/>Guarantors</u> | <u>Wholly<br/>Owned<br/>Subsidiary<br/>Guarantors</u> | <u>Issuers</u><br>(In thousands) | <u>Non-<br/>Guarantor<br/>Subsidiaries</u> | <u>Consolidated<br/>Elimination</u> | <u>Consolidated</u> |
|----------------------------------------------------------------------------------|---------------------|--------------------------------------------------------|-------------------------------------------------------|----------------------------------|--------------------------------------------|-------------------------------------|---------------------|
| <b>Revenues:</b>                                                                 |                     |                                                        |                                                       |                                  |                                            |                                     |                     |
| Rental income                                                                    | \$ 562              | \$ 1,438                                               | \$ 31,684                                             | \$ 69,138                        | \$ 15,430                                  | \$ —                                | \$ 118,252          |
| Resident fees and services                                                       | —                   | —                                                      | 15,344                                                | —                                | 56,056                                     | —                                   | 71,400              |
| Income from loans and investments                                                | —                   | —                                                      | —                                                     | 1,679                            | —                                          | —                                   | 1,679               |
| Equity earnings (loss) in affiliates                                             | 172,948             | (73)                                                   | 2,534                                                 | —                                | —                                          | (175,409)                           | —                   |
| Interest and other income                                                        | 21                  | —                                                      | 55                                                    | 251                              | 259                                        | —                                   | 586                 |
| Total revenues                                                                   | 173,531             | 1,365                                                  | 49,617                                                | 71,068                           | 71,745                                     | (175,409)                           | 191,917             |
| <b>Expenses:</b>                                                                 |                     |                                                        |                                                       |                                  |                                            |                                     |                     |
| Interest                                                                         | (1,246)             | 9                                                      | 7,880                                                 | 32,956                           | 14,815                                     | —                                   | 54,414              |
| Depreciation and amortization                                                    | 161                 | 537                                                    | 21,625                                                | 11,753                           | 23,391                                     | —                                   | 57,467              |
| Property-level operating expenses                                                | —                   | —                                                      | 10,310                                                | 89                               | 40,008                                     | —                                   | 50,407              |
| General, administrative and professional fees                                    | 430                 | 138                                                    | 2,050                                                 | 4,514                            | 891                                        | —                                   | 8,023               |
| Foreign currency gain                                                            | —                   | —                                                      | (8)                                                   | (18,528)                         | (39)                                       | —                                   | (18,575)            |
| Merger-related expenses                                                          | —                   | —                                                      | 559                                                   | 233                              | —                                          | —                                   | 792                 |
| Intercompany interest                                                            | —                   | (55)                                                   | 4,207                                                 | (4,359)                          | 207                                        | —                                   | —                   |
| Total expenses                                                                   | (655)               | 629                                                    | 46,623                                                | 26,658                           | 79,273                                     | —                                   | 152,528             |
| Income (loss) before income taxes, minority interest and discontinued operations | 174,186             | 736                                                    | 2,994                                                 | 44,410                           | (7,528)                                    | (175,409)                           | 39,389              |
| Income tax benefit                                                               | 5,611               | —                                                      | —                                                     | —                                | —                                          | —                                   | 5,611               |
| Income (loss) before minority interest and discontinued operations               | 179,797             | 736                                                    | 2,994                                                 | 44,410                           | (7,528)                                    | (175,409)                           | 45,000              |
| Minority interest, net of tax                                                    | —                   | —                                                      | —                                                     | —                                | 408                                        | —                                   | 408                 |
| Income (loss) from continuing operations                                         | 179,797             | 736                                                    | 2,994                                                 | 44,410                           | (7,936)                                    | (175,409)                           | 44,592              |
| Discontinued operations                                                          | —                   | —                                                      | —                                                     | 135,205                          | —                                          | —                                   | 135,205             |
| Net income (loss)                                                                | 179,797             | 736                                                    | 2,994                                                 | 179,615                          | (7,936)                                    | (175,409)                           | 179,797             |
| Preferred stock dividends and issuance costs                                     | 5,199               | —                                                      | —                                                     | —                                | —                                          | —                                   | 5,199               |
| Net income (loss) applicable to common shares                                    | <u>\$174,598</u>    | <u>\$ 736</u>                                          | <u>\$ 2,994</u>                                       | <u>\$179,615</u>                 | <u>\$ (7,936)</u>                          | <u>\$ (175,409)</u>                 | <u>\$ 174,598</u>   |

CONDENSED CONSOLIDATING STATEMENT OF INCOME  
For the Six Months Ended June 30, 2008

|                                                                                  | <u>Ventas, Inc.</u> | <u>ETOP and<br/>ETOP<br/>Subsidiary<br/>Guarantors</u> | <u>Wholly<br/>Owned<br/>Subsidiary<br/>Guarantors</u> | <u>Issuers</u><br>(In thousands) | <u>Non-<br/>Guarantor<br/>Subsidiaries</u> | <u>Consolidated<br/>Elimination</u> | <u>Consolidated</u> |
|----------------------------------------------------------------------------------|---------------------|--------------------------------------------------------|-------------------------------------------------------|----------------------------------|--------------------------------------------|-------------------------------------|---------------------|
| <b>Revenues:</b>                                                                 |                     |                                                        |                                                       |                                  |                                            |                                     |                     |
| Rental income                                                                    | \$ 1,141            | \$ 2,891                                               | \$ 64,021                                             | \$140,948                        | \$ 37,595                                  | \$ —                                | \$ 246,596          |
| Resident fees and services                                                       | —                   | —                                                      | 55,397                                                | —                                | 159,641                                    | —                                   | 215,038             |
| Income from loans and investments                                                | —                   | —                                                      | —                                                     | 1,947                            | —                                          | —                                   | 1,947               |
| Equity earnings (loss) in affiliates                                             | 91,387              | (43)                                                   | 2,826                                                 | —                                | —                                          | (94,170)                            | —                   |
| Interest and other income                                                        | 37                  | —                                                      | 132                                                   | 1,212                            | 315                                        | —                                   | 1,696               |
| Total revenues                                                                   | 92,565              | 2,848                                                  | 122,376                                               | 144,107                          | 197,551                                    | (94,170)                            | 465,277             |
| <b>Expenses:</b>                                                                 |                     |                                                        |                                                       |                                  |                                            |                                     |                     |
| Interest                                                                         | 57                  | 17                                                     | 15,007                                                | 56,492                           | 33,735                                     | —                                   | 105,308             |
| Depreciation and amortization                                                    | 324                 | 1,069                                                  | 45,208                                                | 23,063                           | 59,971                                     | —                                   | 129,635             |
| Property-level operating expenses                                                | —                   | —                                                      | 35,773                                                | 296                              | 112,730                                    | —                                   | 148,799             |
| General, administrative and professional fees                                    | 2,967               | 185                                                    | 6,145                                                 | 6,164                            | 2,406                                      | —                                   | 17,867              |
| Foreign currency gain                                                            | (9)                 | —                                                      | (36)                                                  | —                                | (61)                                       | —                                   | (106)               |
| Loss (gain) on extinguishment of debt                                            | —                   | —                                                      | 29                                                    | 193                              | (106)                                      | —                                   | 116                 |
| Merger-related expenses                                                          | —                   | —                                                      | 109                                                   | 1,771                            | —                                          | —                                   | 1,880               |
| Intercompany interest                                                            | (142)               | (157)                                                  | 24,314                                                | (24,472)                         | 457                                        | —                                   | —                   |
| Total expenses                                                                   | 3,197               | 1,114                                                  | 126,549                                               | 63,507                           | 209,132                                    | —                                   | 403,499             |
| Income (loss) before income taxes, minority interest and discontinued operations | 89,368              | 1,734                                                  | (4,173)                                               | 80,600                           | (11,581)                                   | (94,170)                            | 61,778              |
| Income tax benefit                                                               | 13,750              | —                                                      | —                                                     | —                                | —                                          | —                                   | 13,750              |
| Income (loss) before minority interest and discontinued operations               | 103,118             | 1,734                                                  | (4,173)                                               | 80,600                           | (11,581)                                   | (94,170)                            | 75,528              |
| Minority interest, net of tax                                                    | —                   | —                                                      | (826)                                                 | —                                | 1,849                                      | —                                   | 1,023               |
| Income (loss) from continuing operations                                         | 103,118             | 1,734                                                  | (3,347)                                               | 80,600                           | (13,430)                                   | (94,170)                            | 74,505              |
| Discontinued operations                                                          | —                   | —                                                      | —                                                     | 28,613                           | —                                          | —                                   | 28,613              |
| Net income (loss) applicable to common shares                                    | <u>\$103,118</u>    | <u>\$ 1,734</u>                                        | <u>\$ (3,347)</u>                                     | <u>\$109,213</u>                 | <u>\$ (13,430)</u>                         | <u>\$ (94,170)</u>                  | <u>\$ 103,118</u>   |

CONDENSED CONSOLIDATING STATEMENT OF INCOME  
For the Six Months Ended June 30, 2007

|                                                                                  | <u>Ventas, Inc.</u> | <u>ETOP and<br/>ETOP<br/>Subsidiary<br/>Guarantors</u> | <u>Wholly<br/>Owned<br/>Subsidiary<br/>Guarantors</u> | <u>Issuers</u><br>(In thousands) | <u>Non-<br/>Guarantor<br/>Subsidiaries</u> | <u>Consolidated<br/>Elimination</u> | <u>Consolidated</u> |
|----------------------------------------------------------------------------------|---------------------|--------------------------------------------------------|-------------------------------------------------------|----------------------------------|--------------------------------------------|-------------------------------------|---------------------|
| <b>Revenues:</b>                                                                 |                     |                                                        |                                                       |                                  |                                            |                                     |                     |
| Rental income                                                                    | \$ 1,114            | \$ 2,874                                               | \$ 63,638                                             | \$137,064                        | \$ 29,907                                  | \$ —                                | \$ 234,597          |
| Resident fees and services                                                       | —                   | —                                                      | 15,344                                                | —                                | 56,056                                     | —                                   | 71,400              |
| Income from loans and investments                                                | —                   | —                                                      | —                                                     | 2,502                            | —                                          | —                                   | 2,502               |
| Equity earnings (loss) in affiliates                                             | 218,190             | (90)                                                   | 3,680                                                 | —                                | —                                          | (221,780)                           | —                   |
| Interest and other income                                                        | 41                  | 3                                                      | 56                                                    | 379                              | 356                                        | —                                   | 835                 |
| Total revenues                                                                   | 219,345             | 2,787                                                  | 82,718                                                | 139,945                          | 86,319                                     | (221,780)                           | 309,334             |
| <b>Expenses:</b>                                                                 |                     |                                                        |                                                       |                                  |                                            |                                     |                     |
| Interest                                                                         | (986)               | 18                                                     | 12,735                                                | 61,027                           | 20,429                                     | —                                   | 93,223              |
| Depreciation and amortization                                                    | 324                 | 1,074                                                  | 35,527                                                | 23,619                           | 29,202                                     | —                                   | 89,746              |
| Property-level operating expenses                                                | —                   | —                                                      | 10,308                                                | 330                              | 40,710                                     | —                                   | 51,348              |
| General, administrative and professional fees                                    | 715                 | 233                                                    | 4,047                                                 | 8,871                            | 1,738                                      | —                                   | 15,604              |
| Foreign currency gain                                                            | —                   | —                                                      | (8)                                                   | (24,314)                         | (39)                                       | —                                   | (24,361)            |
| Merger-related expenses                                                          | —                   | —                                                      | 559                                                   | 233                              | —                                          | —                                   | 792                 |
| Intercompany interest                                                            | —                   | (102)                                                  | 4,207                                                 | (4,507)                          | 402                                        | —                                   | —                   |
| Total expenses                                                                   | 53                  | 1,223                                                  | 67,375                                                | 65,259                           | 92,442                                     | —                                   | 226,352             |
| Income (loss) before income taxes, minority interest and discontinued operations | 219,292             | 1,564                                                  | 15,343                                                | 74,686                           | (6,123)                                    | (221,780)                           | 82,982              |
| Income tax benefit                                                               | 5,611               | —                                                      | —                                                     | —                                | —                                          | —                                   | 5,611               |
| Income (loss) before minority interest and discontinued operations               | 224,903             | 1,564                                                  | 15,343                                                | 74,686                           | (6,123)                                    | (221,780)                           | 88,593              |
| Minority interest, net of tax                                                    | —                   | —                                                      | —                                                     | —                                | 413                                        | —                                   | 413                 |
| Income (loss) from continuing operations                                         | 224,903             | 1,564                                                  | 15,343                                                | 74,686                           | (6,536)                                    | (221,780)                           | 88,180              |
| Discontinued operations                                                          | —                   | —                                                      | —                                                     | 136,723                          | —                                          | —                                   | 136,723             |
| Net income (loss)                                                                | 224,903             | 1,564                                                  | 15,343                                                | 211,409                          | (6,536)                                    | (221,780)                           | 224,903             |
| Preferred stock dividends and issuance costs                                     | 5,199               | —                                                      | —                                                     | —                                | —                                          | —                                   | 5,199               |
| Net income (loss) applicable to common shares                                    | <u>\$219,704</u>    | <u>\$ 1,564</u>                                        | <u>\$ 15,343</u>                                      | <u>\$211,409</u>                 | <u>\$ (6,536)</u>                          | <u>\$ (221,780)</u>                 | <u>\$ 219,704</u>   |

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### CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS For the Six Months Ended June 30, 2008

|                                                                     | <u>Ventas, Inc.</u> | <u>ETOP and<br/>ETOP<br/>Subsidiary<br/>Guarantors</u> | <u>Wholly<br/>Owned<br/>Subsidiary<br/>Guarantors</u> | <u>Issuers</u><br>(In thousands) | <u>Non-<br/>Guarantor<br/>Subsidiaries</u> | <u>Consolidated<br/>Elimination</u> | <u>Consolidated</u> |
|---------------------------------------------------------------------|---------------------|--------------------------------------------------------|-------------------------------------------------------|----------------------------------|--------------------------------------------|-------------------------------------|---------------------|
| Net cash (used in) provided by operating activities                 | \$ (4,021)          | \$ 2,739                                               | \$ 19,127                                             | \$ 90,280                        | \$ 63,057                                  | \$ —                                | \$ 171,182          |
| Net cash used in investing activities                               | (35)                | —                                                      | (1,058)                                               | (90,444)                         | (3,258)                                    | —                                   | (94,795)            |
| Cash flows from financing activities:                               |                     |                                                        |                                                       |                                  |                                            |                                     |                     |
| Net change in borrowings under revolving credit facilities          | —                   | —                                                      | (22,916)                                              | (60,500)                         | —                                          | —                                   | (83,416)            |
| Repayment of debt                                                   | —                   | (7)                                                    | (13,783)                                              | (5,866)                          | (32,961)                                   | —                                   | (52,617)            |
| Proceeds from debt                                                  | —                   | —                                                      | —                                                     | —                                | 6,354                                      | —                                   | 6,354               |
| Payment of deferred financing costs                                 | —                   | —                                                      | (755)                                                 | (393)                            | 459                                        | —                                   | (689)               |
| Net change in intercompany debt                                     | 44,176              | —                                                      | (36,076)                                              | (8,100)                          | —                                          | —                                   | —                   |
| Issuance of common stock                                            | 191,668             | —                                                      | —                                                     | —                                | —                                          | —                                   | 191,668             |
| Cash distribution (to) from affiliates                              | (95,179)            | (2,716)                                                | 56,363                                                | 80,103                           | (38,571)                                   | —                                   | —                   |
| Cash distribution to common stockholders                            | (141,866)           | (16)                                                   | —                                                     | —                                | —                                          | —                                   | (141,882)           |
| Other                                                               | 5,257               | —                                                      | —                                                     | —                                | —                                          | —                                   | 5,257               |
| Net cash provided by (used in) financing activities                 | 4,056               | (2,739)                                                | (17,167)                                              | 5,244                            | (64,719)                                   | —                                   | (75,325)            |
| Net increase (decrease) in cash and cash equivalents                | —                   | —                                                      | 902                                                   | 5,080                            | (4,920)                                    | —                                   | 1,062               |
| Effect of foreign currency translation on cash and cash equivalents | —                   | —                                                      | —                                                     | (128)                            | —                                          | —                                   | (128)               |
| Cash and cash equivalents at beginning of period                    | —                   | —                                                      | 5,388                                                 | 494                              | 22,452                                     | —                                   | 28,334              |
| Cash and cash equivalents at end of period                          | \$ —                | \$ —                                                   | \$ 6,290                                              | \$ 5,446                         | \$ 17,532                                  | \$ —                                | \$ 29,268           |

### CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS For the Six Months Ended June 30, 2007

|                                                          | <u>Ventas, Inc.</u> | <u>ETOP and<br/>ETOP<br/>Subsidiary<br/>Guarantors</u> | <u>Wholly<br/>Owned<br/>Subsidiary<br/>Guarantors</u> | <u>Issuers</u><br>(In thousands) | <u>Non-<br/>Guarantor<br/>Subsidiaries</u> | <u>Consolidated<br/>Elimination</u> | <u>Consolidated</u> |
|----------------------------------------------------------|---------------------|--------------------------------------------------------|-------------------------------------------------------|----------------------------------|--------------------------------------------|-------------------------------------|---------------------|
| Net cash provided by operating activities                | \$ 1,548            | \$ 2,747                                               | \$ 40,459                                             | \$ 72,742                        | \$ 48,343                                  | \$ —                                | \$ 165,839          |
| Net cash (used in) provided by investing activities      | (35)                | —                                                      | (198,567)                                             | 150,883                          | (993,200)                                  | —                                   | (1,040,919)         |
| Cash flows from financing activities:                    |                     |                                                        |                                                       |                                  |                                            |                                     |                     |
| Net change in borrowings under revolving credit facility | —                   | —                                                      | —                                                     | 156,200                          | —                                          | —                                   | 156,200             |
| Issuance of bridge financing                             | —                   | —                                                      | —                                                     | 1,230,000                        | —                                          | —                                   | 1,230,000           |
| Repayment of bridge financing                            | —                   | —                                                      | —                                                     | (1,230,000)                      | —                                          | —                                   | (1,230,000)         |
| Repayment of debt                                        | —                   | (7)                                                    | (125,132)                                             | —                                | (6,577)                                    | —                                   | (131,716)           |
| Proceeds from debt                                       | —                   | —                                                      | 8,315                                                 | —                                | —                                          | —                                   | 8,315               |
| Net change in intercompany debt                          | 95,349              | —                                                      | (208,159)                                             | 112,810                          | —                                          | —                                   | —                   |
| Debt and preferred stock issuance costs                  | (4,300)             | —                                                      | —                                                     | —                                | —                                          | —                                   | (4,300)             |
| Payment of deferred financing costs                      | —                   | —                                                      | (361)                                                 | (411)                            | (4,631)                                    | —                                   | (5,403)             |

|                                                                     |             |             |                  |               |                  |             |                  |
|---------------------------------------------------------------------|-------------|-------------|------------------|---------------|------------------|-------------|------------------|
| Issuance of common stock                                            | 1,045,979   | —           | —                | —             | —                | —           | 1,045,979        |
| Cash distribution to preferred stockholders                         | (3,449)     | —           | —                | —             | —                | —           | (3,449)          |
| Cash distribution (to) from affiliates                              | (985,747)   | (2,403)     | 494,675          | (480,477)     | 973,952          | —           | —                |
| Cash distribution to common stockholders                            | (155,505)   | (337)       | —                | —             | —                | —           | (155,842)        |
| Other                                                               | 6,160       | —           | —                | (8,554)       | —                | —           | (2,394)          |
| Net cash (used in) provided by financing activities                 | (1,513)     | (2,747)     | 169,338          | (220,432)     | 962,744          | —           | 907,390          |
| Net increase in cash and cash equivalents                           | —           | —           | 11,230           | 3,193         | 17,887           | —           | 32,310           |
| Effect of foreign currency translation on cash and cash equivalents | —           | —           | —                | (3,418)       | —                | —           | (3,418)          |
| Cash and cash equivalents at beginning of period                    | —           | —           | —                | 779           | 467              | —           | 1,246            |
| Cash and cash equivalents at end of period                          | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 11,230</u> | <u>\$ 554</u> | <u>\$ 18,354</u> | <u>\$ —</u> | <u>\$ 30,138</u> |

**NOTE 15 – ETOP CONDENSED CONSOLIDATING INFORMATION**

ETOP 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 14 –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.

**CONDENSED CONSOLIDATING BALANCE SHEET**  
As of June 30, 2008

|                                                | <b>ETOP and<br/>ETOP<br/>Subsidiary<br/>Guarantors</b> | <b>ETOP Non-<br/>Guarantor<br/>Subsidiaries</b> | <b>Consolidated<br/>Elimination</b> | <b>Consolidated</b> |
|------------------------------------------------|--------------------------------------------------------|-------------------------------------------------|-------------------------------------|---------------------|
|                                                | (In thousands)                                         |                                                 |                                     |                     |
| <b>Assets</b>                                  |                                                        |                                                 |                                     |                     |
| Net real estate investments                    | \$ 50,854                                              | \$ 81,467                                       | \$ —                                | \$ 132,321          |
| Escrow deposits and restricted cash            | —                                                      | 7,615                                           | —                                   | 7,615               |
| Investment in and advances to affiliates       | 9,039                                                  | —                                               | —                                   | 9,039               |
| Other                                          | 1,015                                                  | 1,688                                           | —                                   | 2,703               |
| Total assets                                   | <u>\$ 60,908</u>                                       | <u>\$ 90,770</u>                                | <u>\$ —</u>                         | <u>\$ 151,678</u>   |
| <b>Liabilities and partners' capital</b>       |                                                        |                                                 |                                     |                     |
| Liabilities:                                   |                                                        |                                                 |                                     |                     |
| Notes payable and other debt                   | \$ 393                                                 | \$ 63,105                                       | \$ —                                | \$ 63,498           |
| Note payable to affiliate                      | 7,500                                                  | —                                               | —                                   | 7,500               |
| Accrued interest                               | 154                                                    | 401                                             | —                                   | 555                 |
| Accounts payable and other accrued liabilities | 198                                                    | 2,742                                           | —                                   | 2,940               |
| Total liabilities                              | 8,245                                                  | 66,248                                          | —                                   | 74,493              |
| Total partners' capital                        | 52,663                                                 | 24,522                                          | —                                   | 77,185              |
| Total liabilities and partners' capital        | <u>\$ 60,908</u>                                       | <u>\$ 90,770</u>                                | <u>\$ —</u>                         | <u>\$ 151,678</u>   |

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### CONDENSED CONSOLIDATING BALANCE SHEET As of December 31, 2007

|                                                | <b>ETOP and<br/>ETOP<br/>Subsidiary<br/>Guarantors</b> | <b>ETOP Non-<br/>Guarantor<br/>Subsidiaries</b> | <b>Consolidated<br/>Elimination</b> | <b>Consolidated</b> |
|------------------------------------------------|--------------------------------------------------------|-------------------------------------------------|-------------------------------------|---------------------|
|                                                | <b>(In thousands)</b>                                  |                                                 |                                     |                     |
| <b>Assets</b>                                  |                                                        |                                                 |                                     |                     |
| Net real estate investments                    | \$ 51,923                                              | \$ 82,974                                       | \$ —                                | \$ 134,897          |
| Escrow deposits and restricted cash            | —                                                      | 7,536                                           | —                                   | 7,536               |
| Investment in and advances to affiliates       | 9,039                                                  | —                                               | —                                   | 9,039               |
| Other                                          | 714                                                    | 1,534                                           | —                                   | 2,248               |
| Total assets                                   | <u>\$ 61,676</u>                                       | <u>\$ 92,044</u>                                | <u>\$ —</u>                         | <u>\$ 153,720</u>   |
| <b>Liabilities and partners' capital</b>       |                                                        |                                                 |                                     |                     |
| Liabilities:                                   |                                                        |                                                 |                                     |                     |
| Notes payable and other debt                   | \$ 400                                                 | \$ 63,891                                       | \$ —                                | \$ 64,291           |
| Note payable to affiliate                      | 7,500                                                  | —                                               | —                                   | 7,500               |
| Accrued interest                               | 3                                                      | 413                                             | —                                   | 416                 |
| Accounts payable and other accrued liabilities | 112                                                    | 3,071                                           | —                                   | 3,183               |
| Total liabilities                              | 8,015                                                  | 67,375                                          | —                                   | 75,390              |
| Total partners' capital                        | 53,661                                                 | 24,669                                          | —                                   | 78,330              |
| Total liabilities and partners' capital        | <u>\$ 61,676</u>                                       | <u>\$ 92,044</u>                                | <u>\$ —</u>                         | <u>\$ 153,720</u>   |

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### CONDENSED CONSOLIDATING STATEMENT OF INCOME For the Three Months Ended June 30, 2008

|                                               | ETOP and<br>ETOP<br>Subsidiary<br>Guarantors | ETOP<br>Non-Guarantor<br>Subsidiaries | Consolidated<br>Elimination | Consolidated |
|-----------------------------------------------|----------------------------------------------|---------------------------------------|-----------------------------|--------------|
|                                               | (In thousands)                               |                                       |                             |              |
| <b>Revenues:</b>                              |                                              |                                       |                             |              |
| Rental income                                 | \$ 1,447                                     | \$ 2,731                              | \$ —                        | \$ 4,178     |
| Interest and other income                     | —                                            | 34                                    | —                           | 34           |
| Equity income in affiliates                   | 51                                           | —                                     | (51)                        | —            |
| Total revenues                                | 1,498                                        | 2,765                                 | (51)                        | 4,212        |
| <b>Expenses:</b>                              |                                              |                                       |                             |              |
| Interest                                      | 8                                            | 1,212                                 | —                           | 1,220        |
| Depreciation and amortization                 | 535                                          | 810                                   | —                           | 1,345        |
| Property-level operating expenses             | —                                            | 380                                   | —                           | 380          |
| General, administrative and professional fees | 96                                           | 79                                    | —                           | 175          |
| Intercompany interest                         | (82)                                         | 233                                   | —                           | 151          |
| Total expenses                                | 557                                          | 2,714                                 | —                           | 3,271        |
| Net income                                    | \$ 941                                       | \$ 51                                 | \$ (51)                     | \$ 941       |

### CONDENSED CONSOLIDATING STATEMENT OF INCOME For the Three Months Ended June 30, 2007

|                                               | ETOP and<br>ETOP<br>Subsidiary<br>Guarantors | ETOP<br>Non-Guarantor<br>Subsidiaries | Consolidated<br>Elimination | Consolidated |
|-----------------------------------------------|----------------------------------------------|---------------------------------------|-----------------------------|--------------|
|                                               | (In thousands)                               |                                       |                             |              |
| <b>Revenues:</b>                              |                                              |                                       |                             |              |
| Rental income                                 | \$ 1,438                                     | \$ 2,699                              | \$ —                        | \$ 4,137     |
| Interest and other income                     | —                                            | 40                                    | —                           | 40           |
| Equity loss in affiliates                     | (73)                                         | —                                     | 73                          | —            |
| Total revenues                                | 1,365                                        | 2,739                                 | 73                          | 4,177        |
| <b>Expenses:</b>                              |                                              |                                       |                             |              |
| Interest                                      | 9                                            | 1,240                                 | —                           | 1,249        |
| Depreciation and amortization                 | 537                                          | 805                                   | —                           | 1,342        |
| Property-level operating expenses -           | —                                            | 413                                   | —                           | 413          |
| General, administrative and professional fees | 138                                          | 148                                   | —                           | 286          |
| Intercompany interest                         | (55)                                         | 206                                   | —                           | 151          |
| Total expenses                                | 629                                          | 2,812                                 | —                           | 3,441        |
| Net income (loss)                             | \$ 736                                       | \$ (73)                               | \$ 73                       | \$ 736       |

CONDENSED CONSOLIDATING STATEMENT OF INCOME  
For the Six Months Ended June 30, 2008

|                                               | ETOP and<br>ETOP<br>Subsidiary<br>Guarantors | ETOP<br>Non-Guarantor<br>Subsidiaries | Consolidated<br>Elimination | Consolidated    |
|-----------------------------------------------|----------------------------------------------|---------------------------------------|-----------------------------|-----------------|
|                                               | (In thousands)                               |                                       |                             |                 |
| <b>Revenues:</b>                              |                                              |                                       |                             |                 |
| Rental income                                 | \$ 2,891                                     | \$ 5,460                              | \$ —                        | \$ 8,351        |
| Interest and other income                     | —                                            | 80                                    | —                           | 80              |
| Equity loss in affiliates                     | (43)                                         | —                                     | 43                          | —               |
| Total revenues                                | 2,848                                        | 5,540                                 | 43                          | 8,431           |
| <b>Expenses:</b>                              |                                              |                                       |                             |                 |
| Interest                                      | 17                                           | 2,431                                 | —                           | 2,448           |
| Depreciation and amortization                 | 1,069                                        | 1,618                                 | —                           | 2,687           |
| Property-level operating expenses             | —                                            | 836                                   | —                           | 836             |
| General, administrative and professional fees | 185                                          | 241                                   | —                           | 426             |
| Intercompany interest                         | (157)                                        | 457                                   | —                           | 300             |
| Total expenses                                | 1,114                                        | 5,583                                 | —                           | 6,697           |
| Net income (loss)                             | <u>\$ 1,734</u>                              | <u>\$ (43)</u>                        | <u>\$ 43</u>                | <u>\$ 1,734</u> |

CONDENSED CONSOLIDATING STATEMENT OF INCOME  
For the Six Months Ended June 30, 2007

|                                               | ETOP and<br>ETOP<br>Subsidiary<br>Guarantors | ETOP<br>Non-Guarantor<br>Subsidiaries | Consolidated<br>Elimination | Consolidated    |
|-----------------------------------------------|----------------------------------------------|---------------------------------------|-----------------------------|-----------------|
|                                               | (In thousands)                               |                                       |                             |                 |
| <b>Revenues:</b>                              |                                              |                                       |                             |                 |
| Rental income                                 | \$ 2,874                                     | \$ 5,406                              | \$ —                        | \$ 8,280        |
| Interest and other income                     | 3                                            | 79                                    | —                           | 82              |
| Equity loss in affiliates                     | (90)                                         | —                                     | 90                          | —               |
| Total revenues                                | 2,787                                        | 5,485                                 | 90                          | 8,362           |
| <b>Expenses:</b>                              |                                              |                                       |                             |                 |
| Interest                                      | 18                                           | 2,479                                 | —                           | 2,497           |
| Depreciation and amortization                 | 1,074                                        | 1,608                                 | —                           | 2,682           |
| Property-level operating expenses             | —                                            | 791                                   | —                           | 791             |
| General, administrative and professional fees | 233                                          | 296                                   | —                           | 529             |
| Intercompany interest                         | (102)                                        | 401                                   | —                           | 299             |
| Total expenses                                | 1,223                                        | 5,575                                 | —                           | 6,798           |
| Net income (loss)                             | <u>\$ 1,564</u>                              | <u>\$ (90)</u>                        | <u>\$ 90</u>                | <u>\$ 1,564</u> |

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS  
For the Six Months Ended June 30, 2008

|                                                  | <u>ETOP and<br/>ETOP<br/>Subsidiary<br/>Guarantors</u> | <u>ETOP<br/>Non-<br/>Guarantor<br/>Subsidiaries</u> | <u>Consolidated<br/>Elimination</u> | <u>Consolidated</u> |
|--------------------------------------------------|--------------------------------------------------------|-----------------------------------------------------|-------------------------------------|---------------------|
|                                                  | (In thousands)                                         |                                                     |                                     |                     |
| Net cash provided by operating activities        | \$ 2,739                                               | \$ 1,044                                            | \$ —                                | \$ 3,783            |
| Net cash used in investing activities            | —                                                      | (111)                                               | —                                   | (111)               |
| Net cash used in financing activities            | (2,739)                                                | (933)                                               | —                                   | (3,672)             |
| Net decrease in cash and cash equivalents        | —                                                      | —                                                   | —                                   | —                   |
| Cash and cash equivalents at beginning of period | —                                                      | —                                                   | —                                   | —                   |
| Cash and cash equivalents at end of period       | <u>\$ —</u>                                            | <u>\$ —</u>                                         | <u>\$ —</u>                         | <u>\$ —</u>         |

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS  
For the Six Months Ended June 30, 2007

|                                                  | <u>ETOP and<br/>ETOP<br/>Subsidiary<br/>Guarantors</u> | <u>ETOP<br/>Non-<br/>Guarantor<br/>Subsidiaries</u> | <u>Consolidated<br/>Elimination</u> | <u>Consolidated</u> |
|--------------------------------------------------|--------------------------------------------------------|-----------------------------------------------------|-------------------------------------|---------------------|
|                                                  | (In thousands)                                         |                                                     |                                     |                     |
| Net cash provided by operating activities        | \$ 2,747                                               | \$ 1,044                                            | \$ —                                | \$ 3,791            |
| Net cash used in investing activities            | —                                                      | (99)                                                | —                                   | (99)                |
| Net cash used in financing activities            | (2,747)                                                | (1,281)                                             | —                                   | (4,028)             |
| Net decrease in cash and cash equivalents        | —                                                      | (336)                                               | —                                   | (336)               |
| Cash and cash equivalents at beginning of period | —                                                      | 336                                                 | —                                   | 336                 |
| Cash and cash equivalents at end of period       | <u>\$ —</u>                                            | <u>\$ —</u>                                         | <u>\$ —</u>                         | <u>\$ —</u>         |

**ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS****Cautionary Statements**

Unless otherwise indicated or except where the context otherwise requires, the terms “we,” “us” and “our” and other similar terms in this Quarterly Report on Form 10-Q refer to Ventas, Inc. and its consolidated subsidiaries.

*Forward-Looking Statements*

This Quarterly Report on Form 10-Q includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements regarding our expected future financial position, results of operations, cash flows, funds from operations, dividends and dividend plans, financing plans, business strategy, budgets, projected costs, capital expenditures, competitive positions, acquisitions, investment opportunities, merger integration, growth opportunities, expected lease income, continued qualification as a real estate investment trust (“REIT”), plans and objectives of management for future operations and statements that include words such as “anticipate,” “if,” “believe,” “plan,” “estimate,” “expect,” “intend,” “may,” “could,” “should,” “will” and other similar expressions are forward-looking statements. These forward-looking statements are inherently uncertain, and security holders must recognize that actual results may differ from our expectations. We do not undertake a duty to update these forward-looking statements, which speak only as of the date on which they are made.

Our actual future results and trends may differ materially depending on a variety of factors discussed in our filings with the Securities and Exchange Commission (the “Commission”). Factors that may affect our plans or results include without limitation:

- The ability and willingness of our operators, tenants, borrowers, managers and other third parties, as applicable, to meet and/or perform the obligations under their various contractual arrangements with us;
- The ability and willingness of Kindred Healthcare, Inc. (together with its subsidiaries, “Kindred”), Brookdale Living Communities, Inc. (together with its subsidiaries, “Brookdale”) and Alterra Healthcare Corporation (together with its subsidiaries, “Alterra”) to meet and/or perform their obligations to indemnify, defend and hold us harmless from and against various claims, litigation and liabilities under our respective contractual arrangements with Kindred, Brookdale and Alterra;
- The ability of our operators, tenants, borrowers and managers, as applicable, to maintain the financial strength and liquidity necessary to satisfy their respective obligations and liabilities to third parties, including without limitation obligations under their existing credit facilities;
- Our success in implementing our business strategy and our ability to identify, underwrite, finance, consummate and integrate diversifying acquisitions or investments, including those in different asset types and outside the United States;
- The nature and extent of future competition;
- The extent of future or pending healthcare reform and regulation, including cost containment measures and changes in reimbursement policies, procedures and rates;
- Increases in our cost of borrowing;
- The ability of our operators and managers, as applicable, to deliver high quality services, to attract and retain qualified personnel and to attract residents and patients;
- The results of litigation affecting us;
- Changes in general economic conditions and/or economic conditions in the markets in which we may, from time to time, compete;
- Our ability to pay down, refinance, restructure and/or extend our indebtedness as it becomes due;
- Our ability and willingness to maintain our qualification as a REIT due to economic, market, legal, tax or other considerations;

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- Final determination of our taxable net income for the year ended December 31, 2007 and for the year ending December 31, 2008;
- The ability and willingness of our tenants to renew their leases with us upon expiration of the leases and our ability to relet our properties on the same or better terms in the event such leases expire and are not renewed by the existing tenants;
- Risks associated with our seniors housing communities managed by Sunrise Senior Living, Inc. (together with its subsidiaries, “Sunrise”), including the timely delivery of accurate property-level financial results for our properties;
- Factors causing volatility in our revenues generated by our seniors housing communities managed by Sunrise, including without limitation national and regional economic conditions, costs of materials, energy, labor and services, employee benefit costs and professional and general liability claims;
- The movement of U.S. and Canadian exchange rates;
- Year-over-year changes in the Consumer Price Index and the effect of those changes on the rent escalators, including the rent escalator for Master Lease 2 with Kindred, and our earnings;
- The impact on the liquidity, financial condition and results of operations of our operators, tenants, borrowers and managers, as applicable, resulting from increased operating costs and uninsured liabilities for professional liability claims, and the ability of our operators, tenants, borrowers and managers to accurately estimate the magnitude of these liabilities;
- The impact of market or issuer events on the liquidity or value of our investments in marketable securities; and
- The impact of the Sunrise strategic review process and accounting, legal and regulatory issues.

Many of these factors are beyond our control and the control of our management.

### *Kindred and Brookdale Senior Living Information*

Each of Kindred and Brookdale Senior Living Inc. (together with its subsidiaries, which include Brookdale and Alterra, “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](http://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.

### *Sunrise Information*

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](http://www.sec.gov).

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### Background Information

We are a 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 our seniors housing communities that are managed by 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. Our primary business consists of financing, owning and leasing seniors housing and healthcare-related properties and leasing or subleasing those properties to third parties or operating those properties through independent third-party managers.

Our business strategy is comprised of two primary objectives: (1) diversifying our portfolio of properties and (2) increasing our earnings. We intend to continue to diversify our real estate portfolio by operator, property type, geography and reimbursement source through investments in, and acquisitions and/or development of, additional seniors housing and/or healthcare-related assets across a wide spectrum.

As of June 30, 2008, approximately 39.8%, 22.1% and 14.9% of our properties, based on gross book value, were operated by Sunrise, Brookdale Senior Living and Kindred, respectively. Approximately 12.9% and 25.5% of our total revenues (including amounts in discontinued operations) for the six months ended June 30, 2008 were derived from our leases with Brookdale Senior Living and our master lease agreements with Kindred (the “Kindred Master Leases”), respectively. 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.

### Recent Developments Regarding 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.

### Recent Developments Regarding Government Regulation

#### *Medicare Reimbursement; Long-Term Acute Care Hospitals*

On May 2, 2008, the Centers for Medicare & Medicaid Services (“CMS”) issued its final rule updating the prospective payment system for long-term acute care hospitals (LTAC PPS) for the 2009 rate year (July 1, 2008 through September 30, 2009). The final rule increases the standard federal payment rate for long-term acute care hospitals by 2.7% from the 2008 rate established by Congress in the Medicare, Medicaid, and SCHIP Extension Act of 2007 (the “Medicare Extension Act”). The final rule includes a 3.6% increase in the hospital market basket index, less a 0.9% adjustment to offset recent coding behavioral changes. The final rule also changes the annual rate update to October 1 (effective for the 2010 rate year) to coincide with the annual update to the severity-adjusted diagnosis-related group (MS-DRG) classifications and weights. CMS estimates that payments to long-term acute care hospitals under the final rule will increase by approximately \$110 million in the first twelve months of the 2009 extended fifteen-month rate year.

On May 19, 2008, CMS issued a final rule addressing two LTAC PPS payment policies mandated by the Medicare Extension Act. The rule delays the extension of the 25-percent rule to freestanding and grandfathered long-term acute care hospitals and increases the patient percentage thresholds for certain urban and rural long-term acute care “hospitals-within-hospitals” and “satellite” facilities for three years. The rule also sets forth policies on implementing the moratorium on new long-term acute care hospitals and beds imposed by the Medicare Extension Act.

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On July 31, 2008, CMS put on public display its final rule updating the inpatient prospective payment system (“IPPS”) for short-term and long-term acute care hospitals for the 2009 federal fiscal year (October 1, 2008 through September 30, 2009). The rule continues reforms intended to improve the accuracy of Medicare payments for inpatient acute care through the MS-DRG classifications and weights for short-term acute care hospitals and the severity-adjusted diagnosis-related group (MS-LTC-DRG) classification system for long-term acute care hospitals. CMS projects that aggregate annual spending under both classification systems will not change as a result of the reforms. However, CMS expects that payments would increase for hospitals serving more severely ill patients and decrease for hospitals serving patients who are less severely ill.

We are currently analyzing these rules to ascertain their financial implications for the long-term acute care hospitals operated by our tenants.

We cannot assure you that future updates to LTAC PPS or Medicare reimbursement for long-term acute care hospitals will not materially adversely affect our operators, which, in turn, could 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”).

### *Medicare Reimbursement; Skilled Nursing Facilities*

On July 15, 2008, Congress passed, over a Presidential veto, the Medicare Improvements for Patients & Providers Act of 2008 (“MIPPA”). Among other things, the MIPPA granted an eighteen-month extension of the Medicare Part B outpatient therapy cap exceptions process which expired on June 30, 2008. The Part B therapy cap exceptions process was created by Congress in the Deficit Reduction Act of 2005 (“DRA”) and became effective starting January 1, 2006. The Act requires CMS to adjust the caps annually and to implement an exception process for reviewing and paying medically necessary therapy claims in excess of the annual cap. The exception process, which was originally set to expire January 1, 2007, has been extended numerous times by Congress prior to being extended again pursuant to the MIPPA.

On July 31, 2008, CMS put on public display its final rule updating the prospective payment system and consolidated billing for skilled nursing facilities (SNF PPS) for the 2009 federal fiscal year (October 1, 2008 through September 30, 2009). The final rule, among other things, updates the Medicare payment rate to skilled nursing facilities for the 2009 federal fiscal year by increasing the market basket by 3.4%. The final rule also delays a proposed recalibration of the case-mix indices for the resource utilization groups (RUGs) used to determine the daily payment for beneficiaries in skilled nursing facilities. The proposed recalibration was intended to revise the RUG payment rates to more accurately reflect the needs of patients and would have reduced payments to skilled nursing facilities by an estimated 3.3% in federal fiscal year 2009. CMS has indicated it will continue to evaluate the underlying data carefully for possible future adjustments. CMS estimates that, as a result of the market basket increase, payments to skilled nursing facilities will increase by \$780 million in fiscal year 2009.

We cannot assure you that future updates to SNF PPS or Medicare reimbursement for skilled nursing facilities will not materially adversely impact our operators, which, in turn, could have a Material Adverse Effect on us.

### **Critical Accounting Policies and Estimates**

Our Consolidated Financial Statements included in Item 1 of this Quarterly Report on Form 10-Q have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”), which requires us to make estimates and judgments about future events that affect the reported amounts in the financial statements and the related disclosures. We base estimates on our experience and on various other assumptions believed to be reasonable under the circumstances. These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If our judgment or interpretation of the facts and circumstances relating to various transactions or other matters had been different, it is possible that different accounting would have been applied, resulting in a different presentation of our financial statements. From time to time, we re-evaluate our estimates and assumptions. In the event estimates or assumptions prove to be different from actual results, adjustments are made in subsequent periods to reflect more current estimates and assumptions about matters that are inherently uncertain. The critical accounting policies used in the preparation of our Consolidated Financial Statements included in Item 1 of this Quarterly Report on Form 10-Q are described in our consolidated financial statements and notes thereto included in our Current Report on Form 8-K filed with the Commission on May 23, 2008.

### **Certain Information Regarding ElderTrust Operating Limited Partnership**

Not later than the deadline prescribed by the Exchange Act, we will cause ETOP to file a Quarterly Report on Form 10-Q for the quarter ended June 30, 2008. Such Quarterly Report, upon filing, shall be deemed incorporated by reference in this Quarterly Report on Form 10-Q.

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### Results of Operations

#### Three Months Ended June 30, 2008 and 2007

The table below shows our results of operations for the three months ended June 30, 2008 and 2007 and the dollar and percentage changes in those results from period to period (dollars in thousands).

|                                                                                                                                                                                   | For the Three Months Ended June 30, |                  | Change             |                |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|------------------|--------------------|----------------|
|                                                                                                                                                                                   | 2008                                | 2007             | \$                 | %              |
| <b>Revenues:</b>                                                                                                                                                                  |                                     |                  |                    |                |
| Rental income                                                                                                                                                                     | \$123,889                           | \$118,252        | \$ 5,637           | 4.8%           |
| Resident fees and services                                                                                                                                                        | 107,312                             | 71,400           | 35,912             | 50.3           |
| Income from loans and investments                                                                                                                                                 | 1,480                               | 1,679            | (199)              | (11.9)         |
| Interest and other income                                                                                                                                                         | 832                                 | 586              | 246                | 42.0           |
| Total revenues                                                                                                                                                                    | 233,513                             | 191,917          | 41,596             | 21.7           |
| <b>Expenses:</b>                                                                                                                                                                  |                                     |                  |                    |                |
| Interest                                                                                                                                                                          | 52,444                              | 54,414           | (1,970)            | (3.6)          |
| Depreciation and amortization                                                                                                                                                     | 57,975                              | 57,467           | 508                | 0.9            |
| Property-level operating expenses                                                                                                                                                 | 71,842                              | 50,407           | 21,435             | 42.5           |
| 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) | 9,610                               | 8,023            | 1,587              | 19.8           |
| Foreign currency gain                                                                                                                                                             | (27)                                | (18,575)         | 18,548             | (99.9)         |
| Loss on extinguishment of debt                                                                                                                                                    | 195                                 | —                | 195                | nm             |
| Merger-related expenses                                                                                                                                                           | 1,234                               | 792              | 442                | 55.8           |
| Total expenses                                                                                                                                                                    | 193,273                             | 152,528          | 40,745             | 26.7           |
| Income before income taxes, minority interest and discontinued operations                                                                                                         | 40,240                              | 39,389           | 851                | 2.2            |
| Income tax benefit                                                                                                                                                                | 3,712                               | 5,611            | (1,899)            | (33.8)         |
| Income before minority interest and discontinued operations                                                                                                                       | 43,952                              | 45,000           | (1,048)            | (2.3)          |
| Minority interest, net of tax                                                                                                                                                     | 545                                 | 408              | 137                | 33.6           |
| Income from continuing operations                                                                                                                                                 | 43,407                              | 44,592           | (1,185)            | (2.7)          |
| Discontinued operations                                                                                                                                                           | 27,659                              | 135,205          | (107,546)          | (79.5)         |
| Net income                                                                                                                                                                        | 71,066                              | 179,797          | (108,731)          | (60.5)         |
| Preferred stock dividends and issuance costs                                                                                                                                      | —                                   | 5,199            | (5,199)            | (100.0)        |
| Net income applicable to common shares                                                                                                                                            | <u>\$ 71,066</u>                    | <u>\$174,598</u> | <u>\$(103,532)</u> | <u>(59.3)%</u> |

nm—Not meaningful

#### Revenues

The increase in our second quarter 2008 rental income, which is primarily related to our triple-net leased properties segment, over the same period in 2007 primarily reflects \$1.7 million of additional rent resulting from the annual escalator in the rent paid under the Kindred Master Leases effective May 1, 2008 and \$4.1 million in additional rent relating to properties acquired during 2007 and the first six months of 2008. Revenues related to our triple-net leased properties segment are received directly from the tenant operator of the property based on the terms of the lease and are generally fixed amounts, with annual escalators (subject to certain limitations). While occupancy information is relevant to the operations of the tenant, our revenues and financial results are not directly impacted by the overall occupancy levels at the properties and therefore are not presented herein.

Resident fees and services are a direct result of our acquisition of the assets of Sunrise Senior Living Real Estate Investment Trust (“Sunrise REIT”) in late April 2007 and currently account for our senior living operations segment. These

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amounts consist of all amounts earned from residents at our seniors housing communities that are managed by Sunrise, including rental fees related to resident agreements, extended health care fees and other ancillary service income. Occupancy at our seniors housing communities managed by Sunrise for the three months ended June 30, 2008 was 88.7%, compared to 89.5% for the period from May 1, 2007 through June 30, 2007.

Income from loans and investments decreased from last year primarily due to a gain on the sale of marketable equity securities recognized in the second quarter of 2007 and interest from three first mortgage loans we made during 2005 that were repaid in May 2007, partially offset by interest earned on a marketable debt security purchased in early April 2008.

The increase in our first quarter 2008 interest and other income over the same period in 2007 is primarily attributed to higher cash balances in 2008 relating to the properties managed by Sunrise and our common stock offering in February 2008. See “–Liquidity and Capital Resources.”

### *Expenses*

Total interest expense, including interest allocated to discontinued operations, decreased \$3.6 million in the second quarter of 2008 over 2007 primarily due to \$0.5 million of decreased interest from lower loan balances as a result of our 2008 common stock offering and a \$1.3 million reduction in interest from lower effective interest rates. The decrease is also due to a \$2.6 million loss on bridge financing in 2007 related to the Sunrise REIT acquisition. Interest expense includes \$1.9 million and \$1.3 million of amortized deferred financing costs for the three months ended June 30, 2008 and 2007, respectively. Our effective interest rate decreased to 6.6% for the three months ended June 30, 2008 from 6.7% for the same period in 2007.

Depreciation and amortization expense increased primarily due to additional depreciation relating to the properties acquired during the period from the second quarter of 2007 through June 30, 2008. Additionally, we incurred amortization expense of approximately \$7.4 million and \$14.2 million in 2008 and 2007, respectively, primarily related to in-place lease intangibles from our Sunrise REIT acquisition. These in-place lease intangibles were fully amortized during the second quarter of 2008.

Property-level operating expenses increased in the second quarter of 2008 over 2007 primarily due to the Sunrise REIT acquisition. Our results for the second quarter of 2007 reflect only two months of these expenses due to the late April 2007 acquisition date. Property-level operating expenses include all expenses related to our MOB operations and all amounts incurred for the operations of our seniors housing communities managed by Sunrise, such as labor, food, utilities, marketing, management and other property operating costs.

The increase in general, administrative and professional fees over last year is a result of our enterprise growth.

Foreign currency gain for the three months ended June 30, 2007 related to Canadian call option contracts that we entered into in conjunction with the Sunrise REIT acquisition. No similar contracts were in place during 2008.

The loss on extinguishment of debt in 2008 represents the purchase of \$5.9 million principal amount of our 8 <sup>3</sup>/<sub>4</sub> % senior notes due 2009 in open market transactions for a premium.

Merger-related expenses for the three months ended June 30, 2008 primarily consisted of expenses relating to our lawsuit against HCP, Inc. Merger-related expenses for the three months ended June 30, 2007 were incurred in connection with the Sunrise REIT acquisition and included incremental costs directly related to the acquisition.

### *Other*

Income tax benefit represents a deferred benefit which is due solely to our taxable REIT subsidiaries acquired or formed in connection with the Sunrise REIT acquisition. The decrease of \$1.9 million is attributable to less amortization expense from the in-place lease intangibles in 2008. See “Note 8 – Income Taxes” of the Notes to Consolidated Financial Statements included in Item 1 of this Quarterly Report on Form 10-Q.

Minority interest, net of tax primarily represents Sunrise’s share of net income from its ownership percentage in 61 of our seniors housing communities.

Discontinued operations for the first quarter of 2008 includes the net income of seven properties sold in April 2008, whereas discontinued operations for the same period in 2007 also includes the net income from 22 properties sold in June 2007. See “Note 4 – Dispositions” of the Notes to Consolidated Financial Statements included in Item 1 of this Quarterly Report on Form 10-Q.

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Preferred stock dividends and issuance costs in 2007 related to 700,000 shares of our Series A Senior Preferred Stock that were issued to partially fund the Sunrise REIT acquisition, all of which were redeemed in May 2007 using the proceeds from the sale of common stock.

### Six Months Ended June 30, 2008 and 2007

The table below shows our results of operations for the six months ended June 30, 2008 and 2007 and the dollar and percentage changes in those results from period to period (dollars in thousands).

|                                                                                                                                                                                 | For the Six Months<br>Ended June 30, |                  | Change             |         |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|------------------|--------------------|---------|
|                                                                                                                                                                                 | 2008                                 | 2007             | \$                 | %       |
| <b>Revenues:</b>                                                                                                                                                                |                                      |                  |                    |         |
| Rental income                                                                                                                                                                   | \$246,596                            | \$234,597        | \$ 11,999          | 5.1%    |
| Resident fees and services                                                                                                                                                      | 215,038                              | 71,400           | 143,638            | >100    |
| Income from loans and investments                                                                                                                                               | 1,947                                | 2,502            | (555)              | (22.2)  |
| Interest and other income                                                                                                                                                       | 1,696                                | 835              | 861                | 103.1   |
| Total revenues                                                                                                                                                                  | 465,277                              | 309,334          | 155,943            | 50.4    |
| <b>Expenses:</b>                                                                                                                                                                |                                      |                  |                    |         |
| Interest                                                                                                                                                                        | 105,308                              | 93,223           | 12,085             | 13.0    |
| Depreciation and amortization                                                                                                                                                   | 129,635                              | 89,746           | 39,889             | 44.4    |
| Property-level operating expenses                                                                                                                                               | 148,799                              | 51,348           | 97,451             | >100    |
| General, administrative and professional fees (including non-cash stock-based compensation expense of \$4,490 and \$3,834 for the six months ended 2008 and 2007, respectively) | 17,867                               | 15,604           | 2,263              | 14.5    |
| Foreign currency gain                                                                                                                                                           | (106)                                | (24,361)         | 24,255             | (99.6)  |
| Loss on extinguishment of debt                                                                                                                                                  | 116                                  | —                | 116                | nm      |
| Merger-related expenses                                                                                                                                                         | 1,880                                | 792              | 1,088              | >100    |
| Total expenses                                                                                                                                                                  | 403,499                              | 226,352          | 177,147            | 78.3    |
| Income before income taxes, minority interest and discontinued operations                                                                                                       | 61,778                               | 82,982           | (21,204)           | (25.6)  |
| Income tax benefit                                                                                                                                                              | 13,750                               | 5,611            | 8,139              | >100    |
| Income before minority interest and discontinued operations                                                                                                                     | 75,528                               | 88,593           | (13,065)           | (14.7)  |
| Minority interest, net of tax                                                                                                                                                   | 1,023                                | 413              | 610                | >100    |
| Income from continuing operations                                                                                                                                               | 74,505                               | 88,180           | (13,675)           | (15.5)  |
| Discontinued operations                                                                                                                                                         | 28,613                               | 136,723          | (108,110)          | (79.1)  |
| Net income                                                                                                                                                                      | 103,118                              | 224,903          | (121,785)          | (54.2)  |
| Preferred stock dividends and issuance costs                                                                                                                                    | —                                    | 5,199            | (5,199)            | nm      |
| Net income applicable to common shares                                                                                                                                          | <u>\$103,118</u>                     | <u>\$219,704</u> | <u>\$(116,586)</u> | (53.1)% |

nm—Not meaningful

### Revenues

The increase in rental income in the first six months of 2008 over the same period in 2007 primarily reflects \$3.1 million of additional rent resulting from the annual escalators in the rent paid under the Kindred Master Leases effective May 1, 2007 and 2008 and \$8.5 million in additional rent relating to properties acquired during 2007 and the first six months of 2008. Revenues related to our triple-net leased properties segment are received directly from the tenant operator of the property based on the terms of the lease and are generally fixed amounts, with annual escalators (subject to certain limitations). While occupancy information is relevant to the operations of the tenant, our revenues and financial results are not directly impacted by the overall occupancy levels at the properties and therefore are not presented herein.

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The increase in resident fees and services in the first six months of 2008 can be attributed primarily to the fact that we did not acquire the Sunrise REIT properties until late April 2007. Occupancy at our seniors housing communities managed by Sunrise for the six months ended June 30, 2008 was 88.7%, compared to 89.5% for the period from May 1, 2007 through June 30, 2007.

Income from loans and investments decreased from last year primarily due to a gain on the sale of marketable equity securities recognized in the second quarter of 2007 and interest from three first mortgage loans we made during 2005 that were repaid in May 2007, partially offset by interest earned on a marketable debt security purchased in early April 2008.

The increase in our interest and other income during the first six months of 2008 over the same period in 2007 is primarily attributed to higher cash balances in 2008 relating to the properties managed by Sunrise and our common stock offering in February 2008. See “—Liquidity and Capital Resources.”

### *Expenses*

Total interest expense, including interest allocated to discontinued operations, increased \$9.3 million in the first six months of 2008 over 2007 primarily due to \$14.5 million of additional interest from higher loan balances as a result of our 2008 and 2007 acquisition and loan activity, partially offset by a \$4.2 million reduction in interest from lower effective interest rates and a \$2.6 million loss on bridge financing in 2007 related to the Sunrise REIT acquisition. Interest expense includes \$3.6 million and \$2.4 million of amortized deferred financing costs for the six months ended June 30, 2008 and 2007, respectively. Our effective interest rate decreased to 6.6% for the six months ended June 30, 2008 from 6.8% for the same period in 2007.

Depreciation and amortization expense increased primarily due to additional depreciation relating to the properties acquired during 2007 and the first six months of 2008. Additionally, we incurred amortization expense of approximately \$28.9 million and \$14.7 million in 2008 and 2007, respectively, primarily related to in-place lease intangibles from our Sunrise REIT acquisition. These in-place lease intangibles were fully amortized during the second quarter of 2008.

Property-level operating expenses increased in the first six months of 2008 primarily due to the Sunrise REIT acquisition. Our results for the first six months of 2007 reflect only two months of these expenses due to the late April 2007 acquisition date.

The increase in general, administrative and professional fees over the last year is attributed to our enterprise growth.

Foreign currency gain for the six months ended June 30, 2007 related to Canadian call option contracts that we entered into in conjunction with the Sunrise REIT acquisition. No similar contracts were in place during 2008.

The loss on extinguishment of debt in 2008 primarily represents the purchase of \$5.9 million principal amount of our 8 <sup>3</sup>/<sub>4</sub> % senior notes due 2009 in open market transactions for a premium.

Merger-related expenses for the six months ended June 30, 2008 primarily consisted of expenses relating to our lawsuit against HCP, Inc. Merger-related expenses for the six months ended June 30, 2007 were incurred in connection with the Sunrise REIT acquisition and included incremental costs directly related to the acquisition.

### *Other*

Income tax benefit represents a deferred benefit which is due solely to our taxable REIT subsidiaries acquired or formed in connection with the Sunrise REIT acquisition. See “Note 8 – Income Taxes” of the Notes to Consolidated Financial Statements included in Item 1 of this Quarterly Report on Form 10-Q.

Minority interest, net of tax primarily represents Sunrise’s share of net income from its ownership percentage in 61 of our seniors housing communities.

Preferred stock dividends and issuance costs in 2007 related to 700,000 shares of our Series A Senior Preferred Stock that were issued to partially fund the Sunrise REIT acquisition, all of which were redeemed in May 2007 using the proceeds from the sale of common stock.

Discontinued operations for the first six months of 2008 includes the net income of seven properties sold in April 2008, whereas discontinued operations for the same period in 2007 also includes the net income from 22 properties sold in June 2007. See “Note 4 – Dispositions” of the Notes to Consolidated Financial Statements included in Item 1 of this Quarterly Report on Form 10-Q.

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### Funds from Operations

Our funds from operations (“FFO”) for the three- and six-month periods ended June 30, 2008 and 2007 are summarized in the following table:

|                                                       | For the Three Months<br>Ended June 30, |                   | For the Six Months<br>Ended June 30, |                   |
|-------------------------------------------------------|----------------------------------------|-------------------|--------------------------------------|-------------------|
|                                                       | 2008                                   | 2007              | 2008                                 | 2007              |
|                                                       | (In thousands)                         |                   |                                      |                   |
| Net income applicable to common shares                | \$ 71,066                              | \$ 174,598        | \$103,118                            | \$ 219,704        |
| Adjustments:                                          |                                        |                   |                                      |                   |
| Real estate depreciation and amortization             | 57,791                                 | 57,300            | 129,271                              | 88,982            |
| Real estate depreciation related to minority interest | (1,578)                                | (938)             | (3,079)                              | (938)             |
| Discontinued operations:                              |                                        |                   |                                      |                   |
| Gain on sale of real estate assets                    | (25,869)                               | (129,478)         | (25,869)                             | (129,478)         |
| Depreciation on real estate assets                    | —                                      | 730               | 176                                  | 1,866             |
| FFO applicable to common shares                       | 101,410                                | 102,212           | 203,617                              | 180,136           |
| Preferred stock dividends and issuance costs          | —                                      | 5,199             | —                                    | 5,199             |
| FFO                                                   | <u>\$101,410</u>                       | <u>\$ 107,411</u> | <u>\$203,617</u>                     | <u>\$ 185,335</u> |

Historical cost accounting for real estate assets implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values, instead, have historically risen or fallen with market conditions, many industry investors have considered presentations of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. To overcome this problem, we consider FFO an appropriate measure of performance of an equity REIT, and we use the National Association of Real Estate Investment Trusts (“NAREIT”) definition of FFO. NAREIT defines FFO as net income (computed in accordance with GAAP), excluding gains (or losses) from sales of real estate property, plus real estate depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures.

FFO presented herein is not necessarily comparable to FFO presented by other real estate companies due to the fact that not all real estate companies use the same definition. FFO should not be considered as an alternative to net income (determined in accordance with GAAP) as an indicator of our financial performance or as an alternative to cash flow from operating activities (determined in accordance with GAAP) as a measure of our liquidity, nor is FFO necessarily indicative of sufficient cash flow to fund all of our needs. We believe that in order to facilitate a clear understanding of our consolidated historical operating results, FFO should be examined in conjunction with net income as presented in the Consolidated Financial Statements and data included elsewhere in this Quarterly Report on Form 10-Q.

### Liquidity and Capital Resources

During the six months ended June 30, 2008, our principal sources of liquidity were proceeds from our common stock offering, asset dispositions and cash flows from operations. We anticipate that cash flows from operations, debt refinancings, proceeds from sales of assets and borrowings under our unsecured credit facilities over the next twelve months will be adequate to fund our business operations, dividends to stockholders and debt amortization. Capital requirements for acquisitions, however, may require funding from additional borrowings, assumption of debt from the seller, and issuance of secured or unsecured long-term debt or other securities.

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.

The \$29.3 million of cash and cash equivalents held at June 30, 2008 consists primarily of cash related to our seniors housing communities that is deposited and held in property-level accounts. Funds maintained in the property-level accounts are used primarily for the payment of property-level expenses and certain capital expenditures. Our ownership share of property-level cash in excess of stipulated amounts set forth in the Sunrise management agreements is currently being distributed to us monthly.

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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.

We intend to continue to fund future investments through cash flows from operations, borrowings under our unsecured revolving credit facilities, assumption of indebtedness, disposition of assets (in whole or in part through joint venture arrangements with third parties) and issuance of secured or unsecured long-term debt or other securities. As of June 30, 2008, we had escrow deposits and restricted cash of \$40.0 million and unused credit availability of \$691.5 million under our unsecured revolving credit facilities.

### *Cash Flows from Operating Activities*

Net cash provided by operating activities was \$171.2 million and \$165.8 million for the six months ended June 30, 2008 and 2007, respectively. The increase primarily resulted from FFO that was higher for the six months ended June 30, 2008 as a result of our real estate acquisitions, rent escalations in our triple-net leases with tenants and changes in operating assets at June 30, 2008.

### *Cash Flows from Investing Activities*

Net cash used in investing activities was \$94.8 million and \$1.0 billion for the six months ended June 30, 2008 and 2007, respectively. These activities consisted primarily of our investments in real estate (\$6.4 million and \$1.2 billion in 2008 and 2007, respectively) and our loans receivable and investments (\$143.6 million in 2008), offset by proceeds from our mortgage loans (\$0.3 million and \$15.7 million in 2008 and 2007, respectively), the sale of equity securities (\$7.8 million in 2007) and proceeds from real estate disposals (\$58.4 million and \$157.4 million in 2008 and 2007, respectively).

### *Cash Flows from Financing Activities*

Net cash used in financing activities totaled \$75.3 million for the six months ended June 30, 2008. Proceeds primarily consisted of \$191.7 million from the issuance of common stock and \$6.4 million related to the issuance of debt. The uses primarily included \$83.4 million of payments made on our unsecured revolving credit facilities, \$141.9 million of cash dividend payments to common stockholders and \$52.6 million of aggregate principal payments on mortgage obligations.

Net cash provided by financing activities totaled \$907.4 million for the six months ended June 30, 2007. Proceeds consisted primarily of \$1.2 billion in bridge financing, \$1.0 billion from the issuance of common stock, \$156.2 million of net borrowings on our unsecured revolving credit facility and \$8.3 million related to the issuance of debt. The primary uses were \$1.2 billion for repayment of the bridge financing, \$159.3 million of cash dividend payments to common and preferred stockholders, \$131.7 million of aggregate principal payments on mortgage obligations and \$9.7 million of debt and preferred stock issuance and financing costs.

Capital expenditures to maintain and improve our triple-net leased properties generally will be incurred by our tenants. Accordingly, we do not believe that we will incur any major expenditures in connection with these triple-net leased properties. After the terms of the triple-net leases expire, or in the event that the tenants are unable or unwilling to meet their obligations under the triple-net leases, we anticipate that any expenditures relating to the maintenance of these triple-net leased properties for which we may become responsible will be funded by cash flows from operations or through additional borrowings. With respect to our senior living communities managed by Sunrise and our MOBs, we believe that capital expenditures will be funded by the cash flows from the properties or through additional borrowings. To the extent that unanticipated expenditures or significant borrowings are required, our liquidity may be affected adversely. Our ability to borrow funds may be restricted in certain circumstances by the terms of our unsecured revolving credit facilities and the indentures governing our outstanding senior notes.

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### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following discussion of our exposure to various market risks contains forward-looking statements that involve risks and uncertainties. These projected results have been prepared utilizing certain assumptions considered reasonable in light of information currently available to us. Nevertheless, because of the inherent unpredictability of interest rates as well as other factors, actual results could differ materially from those projected in such forward-looking information.

We receive a significant portion of our revenue by leasing our assets under long-term triple-net leases in which the rental rate is generally fixed with annual escalators, subject to certain limitations. We also earn revenue from our senior living operations and our real estate loan investments. Our obligations under our unsecured revolving credit facilities are floating rate obligations whose interest rate and related monthly interest payments vary with the movement in U.S. or Canadian LIBOR, Canadian Bankers' Acceptance rate, or the U.S. or Canadian Prime rate.

The general fixed nature of our assets subject to long-term triple-net leases and the variable nature of our obligations create interest rate risk. If interest rates were to rise significantly, our lease and other revenue might not be sufficient to meet our debt obligations. In order to mitigate this risk, we entered into an interest rate swap agreement in 2001 to hedge floating rate debt. The swap expired on June 30, 2008, and we do not expect to enter into any additional interest rate swap agreements at this time.

To highlight the sensitivity of our fixed rate debt to changes in interest rates, the following summary shows the effects of a hypothetical instantaneous change of 100 basis points (BPS) in interest rates as of June 30, 2008 and December 31, 2007:

|                                                                | June 30,<br>2008 | December 31,<br>2007 |
|----------------------------------------------------------------|------------------|----------------------|
| Gross book value                                               | \$3,240,483      | \$2,879,907          |
| Fair value <sup>(1)</sup>                                      | 3,201,736        | 3,002,090            |
| Fair value reflecting change in interest rates: <sup>(1)</sup> |                  |                      |
| -100 BPS                                                       | 3,313,968        | 3,134,816            |
| +100 BPS                                                       | 3,098,007        | 2,877,929            |

(1) The change in fair value of fixed rate debt was due to overall changes in interest rates.

N/A—Not applicable

We had approximately \$401.3 million of variable rate debt outstanding as of June 30, 2008 and approximately \$467.8 million of variable rate debt outstanding as of December 31, 2007. The decrease in our outstanding variable rate debt from December 31, 2007 is primarily attributable to payments on our unsecured revolving credit facilities. Pursuant to the terms of certain leases with one of our tenants, if interest rates increase on certain debt that we have totaling \$97.8 million as of June 30, 2008, our tenant is required to pay us additional rent (on a dollar-for-dollar basis) in an amount equal to the increase in interest expense resulting from the increased interest rates. Therefore, the increase in interest expense related to this debt is equally offset by an increase in additional rent due to us from the tenant. Assuming a one percentage point increase in the interest rate related to the variable-rate debt, and assuming no change in the outstanding balance as of June 30, 2008, interest expense for 2008 would increase by approximately \$3.0 million, or \$0.02 per common share on a diluted basis. The fair value of our fixed and variable rate debt is based on current interest rates at which we could obtain similar borrowings.

We are subject to fluctuations in U.S. and Canadian exchange rates which may, from time to time, have an impact on our financial position and results of operations. As we increase our international presence through investments in, and/or acquisitions or development of, seniors housing and/or healthcare-related assets outside the United States, we may also decide to transact additional business in currencies other than U.S. or Canadian dollars. Although we may decide to pursue hedging alternatives (including additional borrowings in local currencies) to protect against foreign currency fluctuations, we cannot assure you that any such fluctuations will not have a Material Adverse Effect on us.

We may engage in hedging strategies in the future, depending on management's analysis of the interest rate and foreign currency exchange rate environments and the costs and risks of such strategies. We do not enter into market risk sensitive instruments for trading purposes.

**ITEM 4. CONTROLS AND PROCEDURES**

*Evaluation of Disclosure Controls and Procedures*

As required by Rules 13a-15(b) and 15d-15(b) of the Exchange Act, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2008. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective as of June 30, 2008, at the reasonable assurance level.

*Internal Control Over Financial Reporting*

During the second quarter of 2008, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II—OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

The information contained in “Note 7—Litigation” of the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q is incorporated by reference into this Item 1. Except as set forth therein, there have been no material developments in the legal proceedings reported in our Annual Report on Form 10-K for the year ended December 31, 2007.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The table below summarizes repurchases of our common stock made during the quarter ended June 30, 2008:

|                          | Number of Shares | Average Price Per |
|--------------------------|------------------|-------------------|
|                          | Repurchased (1)  | Share             |
| April 1 through April 30 | —                | \$ —              |
| May 1 through May 31     | 108              | \$ 47.88          |
| June 1 through June 30   | 156              | \$ 42.57          |

(1) Repurchases represent shares withheld to pay taxes on the vesting of restricted stock granted to employees.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Our 2008 Annual Meeting of Stockholders (the “Annual Meeting”) was held on May 19, 2008.

Proxies for the Annual Meeting were solicited pursuant to Regulation 14A under the Exchange Act. There were no solicitations in opposition to management’s nominees for the Board of Directors as listed in our proxy statement or to any other proposals contained in the proxy statement. All such nominees were elected and all such other proposals were approved by our stockholders.

At the Annual Meeting, stockholders voted on the election of eight directors for the ensuing year. The number of votes cast for and withheld from each nominee for director is set forth below:

| Nominee            | For         | Withheld   |
|--------------------|-------------|------------|
| Debra A. Cafaro    | 121,269,622 | 1,611,616  |
| Douglas Crocker II | 121,998,358 | 882,880    |
| Ronald G. Geary    | 77,501,616  | 45,379,622 |
| Jay M. Gellert     | 122,600,528 | 280,710    |
| Robert D. Reed     | 122,685,984 | 195,254    |
| Sheli Z. Rosenberg | 86,592,382  | 36,288,857 |
| James D. Shelton   | 122,803,347 | 77,891     |
| Thomas C. Theobald | 120,445,290 | 2,435,948  |

At the Annual Meeting, stockholders voted on a proposal to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for fiscal year 2008. The number of votes cast for and against this proposal and the number of abstentions and broker non-votes are set forth below:

| For        | Against    | Abstentions and Broker Non-Votes |
|------------|------------|----------------------------------|
| 73,123,885 | 49,708,685 | 48,666                           |

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At the Annual Meeting, stockholders voted on a proposal to amend our Certificate of Incorporation to eliminate the Board’s ability to grant waivers from the constructive ownership limitations in Article X thereof relating to our status as a qualified REIT under U.S. federal income tax law. The number of votes cast for and against this proposal and the number of abstentions and broker non-votes are set forth below:

| For         | Against | Abstentions and Broker Non-Votes |
|-------------|---------|----------------------------------|
| 122,548,285 | 245,403 | 87,549                           |
|             | 43      |                                  |

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### ITEM 6. EXHIBITS

| <u>Exhibit<br/>Number</u> | <u>Description of Document</u>                                                                                                                                                                       | <u>Location of Document</u> |
|---------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| 3.1                       | Ventas, Inc. Amended and Restated Certificate of Incorporation, as amended.                                                                                                                          | Filed herewith.             |
| 31.1                      | Certification of Debra A. Cafaro, Chairman, President and Chief Executive Officer, pursuant to Rule 13a-14 (a) under the Securities Exchange Act of 1934, as amended.                                | Filed herewith.             |
| 31.2                      | Certification of Richard A. Schweinhart, Executive Vice President and Chief Financial Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.                     | Filed herewith.             |
| 32.1                      | Certification of Debra A. Cafaro, Chairman, President and Chief Executive Officer, pursuant to Rule 13a-14 (b) under the Securities Exchange Act of 1934, as amended, and 18 U.S.C. 1350.            | Filed herewith.             |
| 32.2                      | Certification of Richard A. Schweinhart, Executive Vice President and Chief Financial Officer, pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended, and 18 U.S.C. 1350. | Filed herewith.             |

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: August 6, 2008

V ENTAS , I NC .

By:                     / S / D EBRA A. C AFARO                      
**Debra A. Cafaro**  
**Chairman, President and**  
**Chief Executive Officer**

By:                     / S / R ICHARD A. S CHWEINHART                      
**Richard A. Schweinhart**  
**Executive Vice President and**  
**Chief Financial Officer**

**EXHIBIT INDEX**

| <b><u>Exhibit<br/>Number</u></b> | <b><u>Description of Document</u></b>                                                                                                                                                                | <b><u>Location of Document</u></b> |
|----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|
| 3.1                              | Ventas, Inc. Amended and Restated Certificate of Incorporation, as amended.                                                                                                                          | Filed herewith.                    |
| 31.1                             | Certification of Debra A. Cafaro, Chairman, President and Chief Executive Officer, pursuant to Rule 13a-14 (a) under the Securities Exchange Act of 1934, as amended.                                | Filed herewith.                    |
| 31.2                             | Certification of Richard A. Schweinhart, Executive Vice President and Chief Financial Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.                     | Filed herewith.                    |
| 32.1                             | Certification of Debra A. Cafaro, Chairman, President and Chief Executive Officer, pursuant to Rule 13a-14 (b) under the Securities Exchange Act of 1934, as amended, and 18 U.S.C. 1350.            | Filed herewith.                    |
| 32.2                             | Certification of Richard A. Schweinhart, Executive Vice President and Chief Financial Officer, pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended, and 18 U.S.C. 1350. | Filed herewith.                    |

**AMENDED AND RESTATED CERTIFICATE OF INCORPORATION  
OF  
VENTAS, INC.,  
AS AMENDED\***

**ARTICLE I**

**Name**

The name of the Corporation is Ventas, Inc.

**ARTICLE II**

**Registered Office; Registered Agent**

The address of the registered office of the Corporation in the State of Delaware is 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

**ARTICLE III**

**Purposes and Powers**

The purposes for which the Corporation is organized are to engage in any lawful act or activity for which corporations may be organized under, and to exercise any power that corporations may now or hereafter exercise under, the General Corporation Law of the State of Delaware, including the general business of establishing and operating hospitals and providing acute care and specialized treatment of patients with complex medical or respiratory disorders.

**ARTICLE IV**

**Capital Stock**

The total number of shares of stock that the Corporation shall have authority to issue is 310,000,000 shares, of which 300,000,000 shall be shares of common stock, having a par value of twenty-five cents per share (the "Common Shares"), and 10,000,000 shall be shares of preferred stock, having a par value of one dollar per share (the "Preferred Shares"). The designations, voting powers and relative rights and preferences of the two classes of shares of stock shall be as set forth below.

**A. Common Shares.**

**1. Powers, Rights and Preferences .** The Common Shares shall be without distinction as to powers, rights and preferences, and shall have one vote per share on all matters on which shareholders are generally entitled to vote.

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<sup>1</sup> Text of Amended and Restated Certificate of Incorporation filed with the Delaware Secretary of State on May 24, 2007, as subsequently amended on May 21, 2008 to eliminate the Board's ability to grant waivers from the constructive ownership limitations in Article X.

**2. Dividends .** After the requirements regarding preferential dividends on the Preferred Shares (fixed in accordance with the provisions of paragraph B of this Article IV), if any, have been met and after the Corporation has complied with all the requirements, if any, regarding the setting aside of sums as sinking funds or redemption or purchase accounts (fixed in accordance with the provisions of paragraph B of this Article IV) and subject further to any other conditions which may be fixed in accordance with the provisions of paragraph B of this Article IV, then, but not otherwise, the holders of Common Shares shall be entitled to receive such dividends, if any, as may be declared from time to time by the Board of Directors.

**3. Distributions .** After distribution in full of the preferential amount (as may be fixed in accordance with the provisions of paragraph B of this Article IV), if any, to be distributed to the holders of Preferred Shares, and subject to any further rights of the holders of Preferred Shares (as may be fixed in accordance with the provisions of paragraph B of this Article IV) to further participate in a liquidation, distribution or sale of assets, dissolution or winding-up of the Corporation, the holders of Common Shares shall be entitled to receive, upon the liquidation, distribution or sale of assets, dissolution or winding-up of the Corporation, all its remaining assets, tangible and intangible, of whatever kind available for distribution to the shareholders, ratably in proportion to the number of Common Shares held by each.

## **B. Preferred Shares.**

**1. Issuance by Board Resolution; Series .** The Board of Directors of the Corporation shall have authority by resolution to issue from time to time Preferred Shares on such terms as it may determine and for such consideration as fixed by the Board of Directors. The Preferred Shares may be issued in one or more series as may be determined from time to time by the Board of Directors. Each series shall be distinctly designated by number, letter or title. All Preferred Shares of any one series shall be alike in every particular, except that there may be different dates from which dividends thereon, if any, shall be cumulative, if made cumulative. The powers, preferences and relative, participating, optional and other rights of each such series, and the qualifications, limitations or restrictions thereof, if any, may differ from those of any and all other series at any time outstanding.

**2. Preferences and Rights .** Subject to the provisions of subparagraph 3 of this paragraph B of Article IV, the Board of Directors of the Corporation is hereby expressly granted authority to fix by resolution or resolutions adopted prior to the issuance of any Preferred Shares of each particular series, the designation, powers, preferences and relative, participating, optional and other rights, and the qualifications, limits and restrictions thereof, if any, of such series, including the following:

(a) The voting rights of which the holders of any series of Preferred Shares are entitled, if any, including the right to vote as a separate class or as one class with the holders of any other series of Preferred Shares or the Common Shares or both;

(b) The distinctive designation of, and the number and class of Preferred Shares which shall constitute the series, which number from time to time may be increased or decreased (but not below the number of shares thereof then outstanding) from time to time by action of the Board of Directors;

(c) The rate and times at which, and the terms and conditions upon which, dividends on the shares of the series will be paid, whether the dividends shall be cumulative or non-cumulative, and if cumulative, from what date or dates, and the preferences or relation, if any, of such dividends to the dividends payable on any shares of any other series or class of the Corporation;

(d) Whether Preferred Shares of the series shall be subject to redemption, and the redemption price or prices (including a redemption price or prices payable in Common Shares), and the time or times at which, and the terms and conditions on which, Preferred Shares of the series may be redeemed;

(e) Whether holders of any series of Preferred Shares shall be entitled to the benefit of a sinking fund or redemption or purchase account to be applied to the purchase or redemption of Preferred Shares of the series and, if so entitled, the amount of such fund and the terms and conditions relative to its operation;

(f) Whether any series of Preferred Shares shall be convertible into, or exchangeable for, any Common Shares or other series of Preferred Shares of the Corporation or any other securities and, if so convertible or exchangeable, the conversion price or prices, or the rates of exchange, and any adjustments thereof, at which such conversion or exchange may be made, and any other terms and conditions of such conversion or exchange;

(g) The rights, if any, of the holders of any series of Preferred Shares upon liquidation, merger, consolidation, distribution or sale of assets, dissolution or winding-up of the Corporation;

(h) Whether any series of Preferred Shares shall have priority over or parity with or be junior to Preferred Shares of any other series, or shall be entitled to the benefit of limitations restricting (i) the creation of indebtedness of the Corporation, (ii) the issuance of shares of any other class or series having priority over or being on a parity with the shares of such series, or (iii) the payment of dividends on, the making of other distributions with respect to, or the purchase or redemption of shares of any other class or series on parity with or ranking junior to Preferred Shares of any such series as to dividends or distributions, and the terms of any such restrictions, or any other restrictions with respect to shares of any class or series on parity with or ranking junior to Preferred Shares of such series in any respect; and

(i) Any other powers, preferences, privileges and relative, participating, optional or other special rights of such series, and the qualifications, limitations or restrictions thereof, to the full extent now and hereafter permitted by law.

**3. Issuance of Preferred Shares .** The relative powers, preferences and rights of each series of Preferred Shares in relation to the powers, preferences and rights of other series of Preferred Shares shall, in each case, be as fixed from time to time by the Board of Directors in resolutions adopted pursuant to authority granted in this paragraph B of Article IV, and the consent by series vote or otherwise, of the holders of such of the series of Preferred Shares as are from time to time outstanding shall not be required for the issuance by the Board of Directors of any other series of Preferred Shares, whether or not the powers, preferences and rights of such other series shall be fixed by the Board of Directors as senior to, or on a parity with, the powers, preferences and rights of such outstanding series, or any of them; provided , however , that the Board of Directors may provide in such resolutions regarding any series of Preferred Shares that the consent of the holders of a certain percentage, as fixed therein by the Board of Directors, of the outstanding Preferred Shares of such series shall be required for the issuance of any other series of Preferred Shares.

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## ARTICLE V

### Directors

**A. Number of Directors.** The affairs of the Corporation shall be managed and conducted by a Board of Directors, and unless otherwise provided in the By-Laws, the election of directors need not be by written ballot. The number of directors which shall constitute the whole Board of Directors shall be fixed by, or in the manner provided in, the By-Laws of the Corporation. A majority of the number of directors so fixed shall constitute a quorum for the transaction of business, except that any vacancy on the Board of Directors, whether created by an increase in the number of directors or otherwise, may be filled by a majority of directors then in office, although less than a quorum, or by a sole remaining director.

**B. Power and Authority of the Board of Directors.** The Board of Directors shall have such powers as are conferred on the Board of Directors by the laws of the State of Delaware. In furtherance of such powers, the Board of Directors is expressly authorized to adopt, amend or repeal the By-Laws of the Corporation, without the consent or vote of the stockholders.

## ARTICLE VI

### Elimination of Certain Liability of Directors

A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for a breach of a director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which a director derived an improper personal benefit.

## ARTICLE VII

### Indemnification of Directors and Officers

**A. Right to Indemnification.** To the fullest extent authorized by the General Corporation Law of the State of Delaware, the Corporation shall indemnify each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative ("Proceeding") because he is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee, trustee or agent of another corporation, partnership, joint venture, trust or other enterprise, against all expenses, liabilities and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) actually and reasonably incurred or suffered by him in connection with such Proceeding. The Corporation may provide, by action of its Board of Directors through agreement, resolution or by a provision in the By-Laws of the Corporation, indemnification of the Corporation's employees and agents with substantially the scope and effect as the indemnification provided in this Article VII.

**B. Advancement of Expenses.** Expenses incurred by such a person in his capacity as a director or officer of the Corporation (and not in any other capacity in which service was or is rendered by such person while a director or officer) in defending a Proceeding may be paid by the Corporation in advance of the final disposition of such Proceeding as authorized by the Board of Directors in a specific case upon receipt of an undertaking by or on behalf of that person to repay such amounts unless it is ultimately determined that that person is entitled to be indemnified by the Corporation as authorized by the General Corporation Law of the State of Delaware. Expenses incurred by a person in any capacity other than as an officer or director of the Corporation may be paid in advance of the final disposition of a Proceeding on such terms and conditions, if any, as the Board of Directors deems appropriate.

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### **C. Contract Right; Non-exclusivity of Rights.**

**1. Contract Right .** The indemnification provided for by this Article VII shall be a contract right and shall continue as to persons who cease to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person. No amendment to this Certificate of Incorporation or repeal of any Article of this Certificate of Incorporation shall increase the liability of any director or officer of the Corporation for acts or omissions of such persons occurring prior to such amendment or repeal.

**2. Non-exclusivity of Rights .** The right to indemnification conferred by this Article VII shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any by-law, agreement, vote of stockholders or disinterested directors or otherwise, both as to actions taken in his official capacity and in any other capacity while holding such office.

**D. Insurance.** The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, trustee, officer, partner, employee, or agent of another domestic or foreign corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him and incurred by him in such capacity or arising out of his status as such, whether or not the Corporation would have the power or be obligated to indemnify him against such liability under the provisions of this Article VII or the General Corporation Law of the State of Delaware.

**E. Right of Claimant to Bring Suit.** If a claim under paragraph A of this Article VII is not paid in full by the Corporation within thirty days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the Delaware General Corporation Law for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel or its stockholders) to have made a determination prior to the commencement of such action that indemnification of claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

## **ARTICLE VIII**

### **Consent Actions of Stockholders**

Any action required or permitted to be taken by the stockholders at any annual or special meeting of the stockholders may be taken without a meeting, without prior notice and without a vote, only if a consent in writing, setting forth the actions so taken, shall be signed by the holders of at least eighty percent of all the issued and outstanding shares of stock of the Corporation entitled to vote thereon.

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## ARTICLE IX

### **Restrictions of Ownership and Transfer; Designation of Excess Shares**

**A. (1) Definitions** . For the purposes of this Article IX, the following terms shall have the following meanings:

“Adoption Date” shall mean the date upon which the Corporation filed the Certificate of Amendment to the Certificate of Incorporation of the Corporation adding this Article IX with the Secretary of State of the State of Delaware.

“Beneficial Ownership” shall mean ownership of Shares by a Person who (i) would be treated as an owner of such Shares either directly or constructively through the application of Section 544 of the Code, as modified by Section 856(h) of the Code or (ii) would be treated as an owner of such Shares either directly or constructively through the application of Section 318(a) of the Code, as modified by Section 856(d)(5) of the Code. The terms “Beneficial Owner,” “Beneficially Own,” “Beneficially Owns” and “Beneficially Owned” shall have the correlative meanings.

“Beneficiary” shall mean an organization or organizations described in Sections 170(b)(1)(A) and 170(c) of the Code and identified by the Board of Directors as the beneficiary or beneficiaries of the Trust.

“Code” shall mean the Internal Revenue Code of 1986, as amended from time to time.

“Common Shares” shall mean outstanding Common Shares of the Corporation as may be authorized and issued from time to time pursuant to Article IV.

“Excess Shares” shall mean Shares resulting from an event described in Section 3 of this Article IX.

“Excess Common Shares” shall mean Common Shares that are designated as Excess Shares.

“Excess Preferred Shares” shall mean Preferred Shares that are designated as Excess Shares.

“Existing Holder” shall mean any Person who is the Beneficial Owner of Common Shares in excess of the Ownership Limit on the Adoption Date, so long as, but only so long as, such Person Beneficially Owns shares of Common Shares in excess of the Ownership Limit.

“Existing Holder Limit” for any Existing Holder shall mean, initially, the percentage of the outstanding Common Shares Beneficially Owned by such Existing Holder on the Adoption Date, and after any adjustment pursuant to Section A.(9) of this Article IX shall mean the percentage of the outstanding Common Shares so adjusted; provided, however, that the Existing Holder Limit shall be 9.9% in number of shares or value of the outstanding Common Shares of the Corporation unless, from the Adoption Date until the Ownership Limitation Termination Date, each Existing Holder does not Beneficially Own more than 9.9%, in number of shares or value, of the outstanding shares of any class or series of capital stock of one or more Tenants (other than Vencor, Inc., a Delaware corporation formerly known as Vencor Healthcare, Inc.) if the failure of rents received or accrued, directly or indirectly, by the Corporation from such Tenant(s) to qualify as “rents from real property” for purposes of Section 856(d) of the Code, would in the judgment of the Board of Directors, cause the Corporation to fail to qualify as a REIT for federal income tax purposes.

“Market Price” shall mean the last reported sales price reported on the New York Stock Exchange of Shares of the relevant class on the trading day immediately preceding the relevant date, or if the Shares of the relevant class are not then traded on the New York Stock Exchange, the last reported sales price of Shares of the relevant class on the trading day immediately preceding the relevant date as reported on any exchange or quotation system over which the Shares of the relevant class may be traded, or if the Shares of the relevant class are not then traded over any exchange or quotation system, then the market price of the Shares of the relevant class on the relevant date as determined in good faith by the Board of Directors of the Corporation.

“Ownership Limit” shall mean, with respect to the Common Shares for any Person other an Existing Holder, the Beneficial Ownership of nine percent (9.0%), in number of shares or value, of the outstanding Common Shares of the Corporation, and, with respect to the Preferred Shares for any Person, the Beneficial Ownership of nine and nine-tenths percent (9.9%), in number of shares or value, of the outstanding shares of any class or series of Preferred Shares of the Corporation. The value of any outstanding Common Shares or shares of any class or series of Preferred Shares of the Corporation shall be determined by the Board of Directors of the Corporation in good faith which determination shall be conclusive for all purposes hereof.

“Ownership Limit Termination Date” shall mean the first day after the date on which the Board of Directors determines that it is no longer in the best interests of the Corporation to attempt to, or continue to, qualify as a REIT.

“Person” shall mean an individual, corporation, partnership, limited liability company, estate, trust (including a trust qualified under Section 401(a) or 501(c)(17) of the Code), a portion of a trust permanently set aside for or to be used exclusively for the purposes described in Section 642(c) of the Code, association, private foundation within the meaning of Section 509(a) of the Code, joint stock company or other entity or any government or agency or political subdivision thereof and also includes a group as that term is used for purposes of Section 13(d) (3) of the Securities Exchange Act of 1934, as amended. “Person” does not include an underwriter which participates in a public offering of Shares for a period of 25 days following the purchase by such underwriter of those Shares.

“Preferred Shares” shall mean outstanding preferred shares of the Corporation as may be authorized and issued from time to time pursuant to Article IV.

“Purported Beneficial Transferee” shall mean, with respect to any purported Transfer which results in Excess Shares, the purported beneficial transferee for whom the Purported Record Transferee would have acquired Shares, if such Transfer had been valid under Section A. (2) of this Article IX.

“Purported Record Transferee” shall mean, with respect to any purported Transfer which results in Excess Shares, the record holder of the Shares, if such Transfer had been valid under Section A.(2) of this Article IX.

“REIT” shall mean a real estate investment trust under Section 856 of the Code.

“REIT Election Date” shall mean January 1, 1999 or such other date on which the Corporation elects to be taxed as a REIT under the Code.

“Shares” shall mean the shares of the Corporation as may be authorized and issued from time to time pursuant to Article IV.

“Tenant” shall mean any Person that leases (or subleases) real property from the Corporation.

“Transfer” shall mean any sale, transfer, gift, assignment, devise or other disposition of Shares (including (a) the granting of any option or entering into any agreement for the sale, transfer or other disposition of Shares or (b) the sale, transfer, assignment or other disposition of any securities or rights convertible into or exchangeable for Shares), whether voluntary or involuntary, whether of record or beneficially and whether by operation of law or otherwise.

“Trust” shall mean the trust created pursuant to Section C.(1) of this Article IX.

“Trustee” shall mean a Person, who shall be unaffiliated with the Corporation, any Purported Beneficial Transferee and any Purported Record Transferee, identified by the Board of Directors as the trustee of the Trust.

**(2) Restrictions on Ownership and Transfer .**

(a) Except as provided in Section A.(12) of this Article IX, from the Adoption Date and prior to the Ownership Limitation Termination Date, no Person (other than, in the case of Common Shares, an Existing Holder) shall Beneficially Own Shares of any class in excess of the Ownership Limit for such class of Shares and no Existing Holder shall Beneficially Own Common Shares in excess of the Existing Holder Limit for such Existing Holder.

(b) Except as provided in Section A.(12) of this Article IX, from the Adoption Date and prior to the Ownership Limitation Termination Date, any Transfer that, if effective, would result in any Person (other than, in the case of a Transfer of Common Shares, an Existing Holder) Beneficially Owning Shares of any class in excess of the Ownership Limit with respect to Shares of such class shall be void ab initio as to the Transfer of such Shares which would be otherwise Beneficially Owned by such Person in excess of such Ownership Limit; and the intended transferee shall acquire no rights to such Shares.

(c) Except as provided in Section A.(12) of this Article IX, from the Adoption Date and prior to the Ownership Limitation Termination Date, any Transfer that, if effective, would result in any Existing Holder Beneficially Owning Common Shares in excess of the applicable Existing Holder Limit shall be void ab initio as to the Transfer of such Common Shares which would be otherwise Beneficially Owned by such Existing Holder in excess of the applicable Existing Holder Limit; and such Existing Holder shall acquire no rights to such Common Shares.

(d) From the Adoption Date and prior to the Ownership Limitation Termination Date, any Transfer that, if effective, would result in Shares being Beneficially Owned by less than 100 Persons (determined without referring to any rules of attribution) shall be void ab initio as to the Transfer of such Shares which would be otherwise Beneficially Owned by the transferee; and the intended transferee shall acquire no rights in such Shares.

(e) From the Adoption Date and prior to the Ownership Limitation Termination Date, any Transfer that, if effective, would result in the Corporation being “closely held” within the meaning of Section 856(h) of the Code shall be void ab initio as to the Transfer of the Shares which would cause the Corporation to be “closely held” within the meaning of Section 856(h) of the Code; and the intended transferee shall acquire no rights in such Shares.

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### **(3) Designation of Excess Shares .**

(a) If, notwithstanding the other provisions contained in this Article IX, at any time from the Adoption Date and prior to the Ownership Limitation Termination Date, there is a purported Transfer such that any Person (other than, in the case of Common Shares, an Existing Holder) would Beneficially Own Shares of any class in excess of the applicable Ownership Limit with respect to such class, then, except as otherwise provided in Section A.(12) of this Article IX, such number of Shares in excess of such Ownership Limit (rounded up to the nearest whole Share) shall be automatically designated as Excess Shares. Such designation shall be effective as of the close of business on the business day prior to the date of the purported Transfer.

(b) If, notwithstanding the other provisions contained in this Article IX, at any time from the Adoption Date and prior to the Ownership Limitation Termination Date, there is a purported Transfer such that an Existing Holder would Beneficially Own Common Shares in excess of the applicable Existing Holder Limit, then, except as otherwise provided in Section A.(12) of this Article IX, such number of Common Shares in excess of such Existing Holder Limit (rounded up to the nearest whole Share) shall be automatically designated as Excess Shares. Such designation shall be effective as of the close of business on the business day prior to the date of the purported Transfer.

(c) If, notwithstanding the other provisions contained in this Article IX, at any time from the Adoption Date and prior to the Ownership Limitation Termination Date, there is a purported Transfer which, if effective, would cause the Corporation to become “closely held” within the meaning of Section 856(h) of the Code, then the Shares being Transferred which would cause the Corporation to be “closely held” within the meaning of Section 856(h) of the Code (rounded up to the nearest whole Share) shall be automatically designated as Excess Shares. Such designation shall be effective as of the close of business on the business day prior to the date of the purported Transfer.

(d) If, notwithstanding the other provisions contained in this Article IX, at any time from the Adoption Date and prior to the Ownership Limitation Termination Date, any Person other than, with respect to Common Shares, an Existing Holder (the “Purchaser”) purchases or otherwise acquires an interest in a Person which Beneficially Owns Shares (the “Purchase”) and, as a result, the Purchaser would Beneficially Own Shares of any class in excess of the applicable Ownership Limit with respect to such class, then, except as provided in Section A.(12) of this Article IX, such number of Shares in excess of such Ownership Limit (rounded up to the nearest whole Share) shall be automatically designated as Excess Shares. Such designation shall be effective as of the close of business on the business day prior to the date of Purchase. In determining which Shares are designated as Excess Shares, Shares of the relevant class Beneficially Owned by the Purchaser prior to the Purchase shall be treated as designated as Excess Shares before any Shares Beneficially Owned by the Person an interest in which is being so purchased or acquired are so treated.

(e) If, notwithstanding the other provisions contained in this Article IX, at any time from the Adoption Date and prior to the Ownership Limitation Termination Date, an Existing Holder purchases or otherwise acquires an interest in a Person which Beneficially Owns Shares (the “Purchase”) and, as a result, such Existing Holder would Beneficially Own Common

Shares in excess of the applicable Existing Holder Limit, then, except as provided in Section A.(12) of this Article IX, such number of Common Shares in excess of such Existing Holder Limit (rounded up to the nearest whole Share) shall be automatically designated as Excess Shares. Such designation shall be effective as of the close of business on the business day prior to the date of the Purchase. In determining which Common Shares are exchanged, Common Shares Beneficially Owned by the purchasing Existing Holder prior to the Purchase shall be treated as designated as Excess Shares before any Common Shares Beneficially Owned by the Person an interest in which is being so purchased or acquired are so treated.

(f) If, notwithstanding the other provisions contained in this Article IX, at any time from the Adoption Date and prior to the Ownership Limitation Termination Date, there is a redemption, repurchase, restructuring or similar transaction with respect to a Person that Beneficially Owns Shares (the "Entity") and, as a result, a Person (other than, in the case of Common Shares, an Existing Holder) holding an interest in the Entity would Beneficially Own Shares in excess of the applicable Ownership Limit with respect to such class, then except as provided in Section A.(12) of this Article IX, such number of Shares in excess of such Ownership Limit (rounded up to the nearest whole Share) shall be automatically designated as Excess Shares. Such designation shall be effective as of the close of business on the business day prior to the date of the redemption, repurchase, restructuring or similar transaction. In determining which Shares are designated as Excess Shares, Shares of the relevant class Beneficially Owned by the Entity shall be treated as designated as Excess Shares before any Shares Beneficially Owned by the Person holding an interest in Entity (independently of such Person's interest in the Entity) are so treated.

(g) If, notwithstanding the other provisions contained in this Article IX, at any time from the Adoption Date and prior to the Ownership Limitation Termination Date, there is a redemption, repurchase, restructuring or similar transaction with respect to a Person that Beneficially Owns shares of Common Shares (the "Entity") and, as a result, an Existing Holder would Beneficially Own Common Shares in excess of the applicable Existing Holder Limit, then, except as provided in Section A.(12) of this Article IX, such number of Common Shares in excess of such Existing Holder Limit (rounded up to the nearest whole Share) shall be automatically designated as Excess Shares. Such designation shall be effective as of the close of business on the business day prior to the date of the transfer. In determining which Common Shares are designated as Excess Shares, Common Shares Beneficially Owned by the Entity shall be treated as so designated before any Common Shares Beneficially Owned by the Existing Holder (independently of such Existing Holder's interest in the Entity) are so treated.

(h) If, notwithstanding the other provisions contained in this Article IX, at any time from the Adoption Date and prior to the Ownership Limit Termination Date, an event, other than an event described in Sections A.(3)(a) through (g) of this Article IX, occurs which would, if effective, results in any Person (other than, in the case of Common Shares, an Existing Holder) Beneficially Owning Shares in excess of the applicable Ownership Limit, then, except as provided in Section A.(12) of this Article IX, the smallest number of Shares Beneficially Owned by such Person which, if designated as Excess Shares, would result in such Person's Beneficial Ownership of Shares not being in excess of such Ownership Limit, shall be automatically designated as Excess Shares. Such designation shall be effective as of the close of business on the business day prior to the date of the relevant event.

(i) If, notwithstanding the other provisions contained in this Article IX, at any time from the Adoption Date and prior to the Ownership Limit Termination Date, an event, other than an event described in Section A.(3)(a) through (g) of this Article IX, occurs which

would, if effective, result in any Existing Holder Beneficially Owning Shares in excess of the applicable Existing Holder Limit, then, except as provided in Section A.(12) of this Article IX, the smallest number of Common Shares Beneficially Owned by such Existing Holder which, if designated as Excess Shares, would result in such Existing Holder's Beneficial Ownership of Common Shares not being in excess of such Existing Holder Limit, shall be automatically designated as Excess Shares. Such designation shall be effective as of the close of business on the business day prior to the date of the relevant event.

(j) In addition, if a Person (the "nonreporting Person") does not provide all of the information required by Section A.(6) of this Article IX and, as a result, the Corporation, but for the provisions of this paragraph, would not qualify as a REIT, then, as of the day prior to the date on which such aggregate ownership would have caused the Corporation to fail to qualify as a REIT, Shares Beneficially Owned by such Person shall be automatically designated as Excess Shares to the extent necessary to prevent the Corporation from failing to qualify as a REIT.

**(4) Remedies for Breach .** If the Board of Directors or its designees shall at any time determine in good faith that a Transfer has taken place in violation of Section A.(2) of this Article IX or that a Person intends to acquire or has attempted to acquire Beneficial Ownership of any Shares in violation of Section A.(2) of this Article IX, the Board of Directors shall take such actions as it deems advisable to refuse to give effect or to prevent such Transfer (or any Transfer related to such intent), including, but not limited to, refusing to give effect to such Transfer on the books of the Corporation or instituting proceedings to enjoin such Transfer; provided, however, that any Transfers or attempted Transfers in violation of Sections A.(2)(a) through (c) of this Article IX or Section A.(2)(e) of this Article IX shall automatically result in the designation of Excess Shares described in Section A.(3) of this Article IX, irrespective of any action (or non-action) by the Board of Directors.

**(5) Notice of Ownership or Attempted Ownership in Violation of Section A.(2) .** Any Person who acquires or attempts to acquire Beneficial Ownership of Shares in violation of Section A.(2) shall immediately give written notice to the Corporation of such event and shall provide to the Corporation such other information as the Corporation may request in order to determine the effect, if any, of such acquisition or attempted acquisition on the Corporation's status (or, if prior to the REIT Election Date, expected status) as a REIT.

**(6) Owners Required to Provide Information .** From the Adoption Date and prior to the Ownership Limitation Termination Date:

(a) every Beneficial Owner of more than 5.0% (or such other lower percentages as required pursuant to regulations under the Code) of the outstanding number or value of any class or series of Shares shall, within 30 days after January 1 of each year, give written notice to the Corporation stating the name and address of such Beneficial Owner, the number of Shares Beneficially Owned, and a description of how such Shares are held. Each such Beneficial Owner shall provide to the Corporation such additional information as the Corporation may request in order to determine the effect, if any, of such Beneficial Ownership on the Corporation's status (or, if prior to the REIT Election Date, expected status) as a REIT.

(b) each Person who is a Beneficial Owner of Shares and each Person (including the shareholder of record) who is holding Shares for a Beneficial Owner shall provide to the Corporation such information as the Corporation may request, in good faith, in order to determine the Corporation's status (or, if prior to the REIT Election Date, expected status) as a REIT or to comply with regulations promulgated under the REIT provisions of the Code.

**(7) Remedies Not Limited .** Except as provided in Section E. of this Article IX, nothing contained in this Article IX shall limit the authority of the Board of Directors to take such other action as it deems necessary or advisable to protect the Corporation and the interests of its stockholders by preservation of the Corporation's status (or, if prior to the REIT Election Date, expected status) as a REIT.

**(8) Ambiguity .** In the case of an ambiguity in the application of any of the provisions of this Article IX, including any definition contained in Section A.(1) of this Article IX and any ambiguity with respect to which Shares are to be designated as Excess Shares in a given situation, the Board of Directors shall have the power to determine the application of the provisions of this Article IX with respect to any situation based on the facts known to it.

**(9) Modification of Existing Holder Limit .** The Existing Holder Limit for any Existing Holder will be reduced after any transfer permitted in this Section A or any other event that reduces the percentage of the outstanding Common Shares Beneficially Owned by any Existing Holder of this Article IX by such Existing Holder to a Person other than an Existing Holder by the amount of Shares Transferred; but in no event shall such Existing Holder Limit be reduced to less than the Ownership Limit for Common Shares.

**(10) Modification of Ownership Limit .** Subject to the limitations provided in Section A.(11) of this Article IX, the Board of Directors may from time to time increase or decrease the Ownership Limit with respect to a class of Shares.

**(11) Limitations on Modifications .**

(a) Neither the Ownership Limit with respect to a class of Shares nor any Existing Holder Limit may be increased (nor may any additional Existing Holder Limit be created) if, after giving effect to such increase (or creation), five Beneficial Owners of Shares (including all of the then-existing Existing Holders) could Beneficially Own, in the aggregate, more than 49.9% of the outstanding Shares of the class of Shares to which such Ownership Limit or Existing Holder Limit relates.

(b) Prior to the modification of any Existing Holder Limit or Ownership Limit pursuant to Section A.(9) or Section A.(10) of this Article IX, the Board of Directors may require such opinions of counsel, affidavits, undertakings or agreements as it may deem necessary or advisable in order to determine or ensure the Corporation's status (or, if prior to the REIT Election Date, expected status) as a REIT.

(c) The Ownership Limit with respect to a class of Shares may not be increased to a percentage which is greater than 9.9%.

**(12) Exceptions.** The Board of Directors, with a ruling from the Internal Revenue Service or an opinion of counsel that such exemption will not cause the Corporation to fail to qualify as a REIT or such other evidence or documents as the Board of Directors deems appropriate, may exempt a Person from the Ownership Limit with respect to a class of Shares or an Existing Holder Limit, as the case may be, if the Board of Directors obtains such representations and undertakings from such Persons as the Board of Directors determines are reasonably necessary, and such Person agrees that any violation or attempted violation of such representations or undertakings will result in, to the extent necessary, the designation of Shares held by such Person as Excess Shares in accordance with Section A.(3) of this Article IX.

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**B. Legend. (1)** Each certificate for Common Shares shall bear the following legend:

“The Common Shares represented by this certificate are subject to restrictions on ownership and transfer for the purpose of the Corporation’s maintenance of its status (or, if prior to the REIT Election Date, expected status) as a real estate investment trust under the Internal Revenue Code of 1986, as amended (the “Code”). No Person may Beneficially Own Common Shares in excess of 9.0% (or such greater percentage as may be determined by the Board of Directors) of the outstanding Common Shares of the Corporation (unless such Person is an Existing Holder). Any Person who attempts to Beneficially Own Common Shares in excess of the above limitation must immediately notify the Corporation. All capitalized terms used in this legend have the meanings set forth in the Certificate of Incorporation of the Corporation, a copy of which, including the restrictions on ownership and transfer, will be sent without charge to each stockholder who so requests. If the restrictions on ownership and transfer are violated, the Common Shares represented hereby will be automatically designated as Excess Shares which will be held in trust by the Trustee for the benefit of the Beneficiary.”

Instead of the foregoing legend, the certificate may state that the Corporation will furnish a full statement about certain restrictions on transferability to a stockholder on request and without charge.

**(2)** Each certificate for Preferred Shares shall bear the following legend:

“The Preferred Shares represented by this certificate are subject to restrictions on ownership and transfer for the purpose of the Corporation’s maintenance of its status (or, if prior to the REIT Election Date, expected status) as a real estate investment trust under the Internal Revenue Code of 1986, as amended (the “Code”). No Person may Beneficially Own Preferred Shares of any class in excess of 9.9% of the outstanding Preferred Shares of such class. Any Person who attempts to Beneficially Own Shares in excess of the above limitation must immediately notify the Corporation. All capitalized terms used in this legend have the meanings set forth in the Certificate of Incorporation of the Corporation, a copy of which, including the restrictions on ownership and transfer, will be sent without charge to each stockholder who so requests. If the restrictions on ownership and transfer are violated, the Preferred Shares represented hereby will be automatically designated as Excess Shares which will be held in trust by the Trustee for the benefit of the Beneficiary.”

Instead of the foregoing legend, the certificate may state that the Corporation will furnish a full statement about certain restrictions on transferability to a stockholder on request and without charge.

**C. Excess Shares.**

**(1) Ownership in Trust .** Upon any purported Transfer or other event that results in the designation of Shares as Excess Shares pursuant to Section A.(3) of this Article IX, such Excess Shares shall be deemed to have been transferred to the Trustee, as trustee of the Trust for the exclusive benefit of the Beneficiary. The Trust shall name a Beneficiary if one does not already exist, within five days of the discovery of any designation of any Excess Shares; provided, however, that the failure to so name a Beneficiary shall not affect the designation of Shares as Excess Shares or the transfer thereof to the Trustee. Excess Shares so held in trust shall be issued and outstanding stock of the Corporation. The Purported Record Transferee shall have no rights in such Excess Shares except as provided in Section C.(5) of this Article IX.

**(2) Dividend Rights .** Any dividends (whether taxable as a dividend, return of capital or otherwise) on Excess Shares shall be paid to the Trust for the benefit of the Beneficiary. Upon liquidation, dissolution or winding up, the Purported Record Transferee shall receive, for each Excess Share, the lesser of (a) the amount per share of any distribution made upon liquidation, dissolution or winding up or (b) the price paid by the Purported Record Transferee for the Excess Shares, or if the Purported Record Transferee did not give value for the Excess Shares, the Market Price of the Excess Shares on the day of the event causing the Excess Shares to be held in trust. Any such dividend paid or distribution paid to the Purported Record Transferee in excess of the amount provided in the preceding sentence prior to the discovery by the Trust that the Shares with respect to which the dividend or distribution was made had been designated as Excess Shares shall be repaid, upon demand, to the Trust for the benefit of the Beneficiary.

**(3) Rights upon Liquidation .** In the event of any voluntary or involuntary liquidation, dissolution or winding up of, or any distribution of the assets of, the Corporation, (a) subject to the preferential rights of the Preferred Shares, if any, as may be determined by the Board of Directors of the Corporation and the preferential rights of the Excess Preferred Shares, if any, each holder of Excess Common Shares shall be entitled to receive, ratably with each other holder of Common Shares and Excess Common Shares, that portion of the assets of the Corporation available for distribution to the holders of Common Shares or Excess Common Shares which bears the same relation to the total amount of such assets of the Corporation as the number of Excess Common Shares held by such holder bears to the total number of Common Shares and Excess Common Shares then outstanding, and (b) each holder of Excess Preferred Shares shall be entitled to receive that portion of the assets of the Corporation which a holder of the Preferred Shares that were exchanged for such Excess Preferred Shares would have been entitled to receive had such Preferred Shares remained outstanding. The Corporation, as holder of the Excess Shares in trust shall distribute ratably to the Beneficiaries of the Trust, when determined, any such assets received in respect of the Excess Shares in any liquidation, dissolution or winding up of, or any distribution of the assets of the Corporation.

**(4) Voting Rights .** The Trustee shall be entitled to vote the Excess Shares on behalf of the Beneficiary on any matter. Subject to Delaware law, any vote cast by a Purported Record Transferee with respect to the Excess Shares prior to the discovery by the Corporation that the Excess Shares were held in trust will be rescinded ab initio ; provided , however , that if the Corporation has already taken irreversible action with respect to a merger, reorganization, sale of all or substantially all of the assets, dissolution of the Corporation or other action by the Corporation, then the vote cast by the Purported Record Transferee shall not be rescinded. The owner of the Excess Shares will be deemed to have given an irrevocable proxy to the Trustee to vote the Excess Shares for the benefit of the Beneficiary.

Notwithstanding the provisions of this Article IX, until the Corporation has received notification that Excess Shares have been transferred into a Trust, the Corporation shall be entitled to rely on its share transfer and other stockholder records for purposes of preparing lists of stockholders entitled to vote at meetings, determining the validity and authority of proxies and otherwise conducting votes of stockholders.

**(5) Restrictions on Transfer .** Excess Shares shall be transferable only as provided in this Section C.(5) of Article IX. At the direction of the Board of Directors, the Trustee shall transfer the Shares held in the Trust to a Person or Persons whose ownership of such Shares will not violate the Ownership Limit. If such a transfer is made to such a Person or Persons, the interest of the Beneficiary shall terminate and the proceeds of the sale shall be payable to the Purported Record Transferee and to the Beneficiary. The Purported Record Transferee shall receive the lesser of (a) the price paid by the Purported Record Transferee for the Shares or, if the Purported Record Transferee did not give value for

the Shares, the Market Price of the Shares on the day of the event causing the Shares to be held in trust, or (b) the price received by the Trust from the sale or other disposition of the Shares. Any proceeds in excess of the amount payable to the Purported Record Transferee will be paid to the Beneficiary. The Trustee shall be under no obligation to obtain the highest possible price for the Excess Shares. Prior to any transfer of any Excess Shares by the Trustee, the Corporation must have waived in writing its purchase rights under Section C.(6) of this Article IX. It is expressly understood that the Purported Record Transferee may enforce the provisions of this Section against the Beneficiary.

If any of the foregoing restrictions on transfer of Excess Shares is determined to be void, invalid or unenforceable by any court of competent jurisdiction, then the Purported Record Transferee may be deemed, at the option of the Corporation, to have acted as an agent of the Corporation in acquiring such Excess Shares in trust and to hold such Excess Shares on behalf of the Corporation.

**(6) Purchase Right in Excess Shares .** Excess Shares shall be deemed to have been offered for sale to the Corporation, or its designee, at a price per share equal to the lesser of (i) the price per share in the transaction that created such Excess Shares (or, in the case of a devise, gift or other transaction in which no value was given for such Excess Shares, the Market Price at the time of such devise, gift or other transaction) and (ii) the Market Price on the date the Corporation, or its designee accepts such offer (the “Redemption Price”). The Trust shall have the right to accept such offer for a period of ninety days after the later of (i) the date of the purported Transfer or other event which resulted in the designation of the Shares as Excess Shares and (ii) the date the Board of Directors determines in good faith that a purported Transfer or other event resulting in the designation of Excess Shares has occurred, if the Corporation does not receive a notice of any such Transfer pursuant to Section A.(5) of this Article IX. Unless the Board of Directors determines that it is in the interests of the Corporation to make earlier payments of all of the amounts determined as the Redemption Price per Share in accordance with the preceding sentence, the Redemption Price may be payable at the option of the Board of Directors at any time up to but not later than five years after the date the Corporation accepts the offer to purchase the Excess Shares. In no event shall the Corporation have an obligation to pay interest to the Purported Record Transferee.

**D. Severability.** If any provision of this Article IX or any application of any such provision is determined to be invalid by any Federal or state court having jurisdiction over the issues, the validity of the remaining provisions shall not be affected and other applications of such provision shall be affected only to the extent necessary to comply with the determination of such court.

**E. New York Stock Exchange Transactions.** Nothing in this Article IX shall preclude the settlement of any transaction entered into through the facilities of the New York Stock Exchange. The fact that the settlement of any transaction occurs or takes place shall not negate the effect of any other provision of this Article IX and any transferee in such a transaction shall be subject to all of the provisions and limitations set forth in this Article IX.

**F. Amendment of Article IX.** This Article IX may not be amended, modified or repealed except by the affirmative vote of not less than two-thirds (2/3) of the votes entitled to be cast by the holders of all Shares of the Corporation entitled to vote generally in the election of Directors voting together as one class.

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## ARTICLE X

### **Restrictions on Constructive Ownership Relating to REIT Status**

**A. (1) Definitions .** For the purposes of this Article X, the following terms shall have the following meanings:

“Constructive Ownership” shall mean ownership of Shares by a Person, whether the interest in such Shares is held directly or indirectly (including by a nominee), and shall include interests that would be treated as owned through the application of Section 318(a) of the Code, as modified by Section 856(d)(5) of the Code. The terms “Constructive Owner,” “Constructively Owns,” and “Constructively Owned” shall have the correlative meanings.

“Special Excess Shares” shall mean Shares resulting from an event described in Section A.(3) of this Article X.

All other capitalized terms used in this Article X shall have the meanings, and be defined as, set forth in Article IX of this Certificate of Incorporation.

**(2) Restrictions on Constructive Ownership .** From the Adoption Date and prior to the Ownership Limitation Termination Date, no Person shall Constructively Own any Shares to the extent that such Constructive Ownership would cause any income of the Corporation that would otherwise qualify as “rents from real property” for purposes of Section 856(d) of the Code to fail to qualify as such, and any Transfer that, if effective, would cause any income of the Corporation that would otherwise qualify as “rents from real property” for purposes of Section 856(d) of the Code to fail to qualify as such shall be void ab initio as to the Transfer of such Shares which would cause any income of the Corporation that would otherwise qualify as “rents from real property” for purposes of Section 856(d) of the Code to fail to qualify as such; and the intended transferee shall acquire no rights in such Shares.

**(3) Designation of Special Excess Shares .** If, notwithstanding the other provisions contained in this Article X or in Article IX, at any time from the Adoption Date and prior to the Ownership Limitation Termination Date, there is a purported Transfer or other event (including an event described in Section A.(3)(a) through (g) of Article IX) which would, if effective, result in any Person Constructively Owning Shares in violation of Section A.(2) of this Article X, then, except as provided in Section A.(12) of Article IX, such number of Shares (rounded up to the nearest whole Share) in excess of the greatest amount of Shares as would not result in a violation of Section A.(2) of this Article X shall be automatically designated as Special Excess Shares. Such designation shall be effective as of the close of business on the business day prior to the date of such purported Transfer or other event. In determining which Shares are designated as Special Excess Shares, Shares of the relevant class directly or indirectly owned (including by a nominee) by the Person prior to (or as a result of) the purported Transfer or other event shall be treated as designated as Special Excess Shares before any Shares that would be treated as owned through the application of Section 318(a) of the Code, as modified by Section 856(d)(5) of the Code, by the Person are so treated. Shares designated as Special Excess Shares pursuant to this Article X, shall be treated as shares that were converted to Excess Shares pursuant to and for purposes of Article IX.

**B. Severability.** If any provision of this Article X or any application of any such provision is determined to be invalid by any Federal or state court having jurisdiction over the issues, the validity of the remaining provisions shall not be affected and other applications of such provision shall be affected only to the extent necessary to comply with the determination of such court.

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**C. New York Stock Exchange Transactions.** Nothing in this Article X shall preclude the settlement of any transaction entered into through the facilities of the New York Stock Exchange. The fact that the settlement of any transaction occurs or takes place shall not negate the effect of any other provision of this Article X and any transferee in such a transaction shall be subject to all of the provisions and limitations set forth in this Article X.

**D. Ambiguity.** In the case of an ambiguity in the application of any of the provisions of this Article X, including any definition contained in this Article X and any ambiguity with respect to which Shares are to be designated as Special Excess Shares in a given situation or in the treatment of such shares pursuant to Article IX, the Board of Directors shall have the power to determine the application of the provisions of this Article X with respect to any situation based on the facts known to it.

I, Debra A. Cafaro, Chairman, President and Chief Executive Officer of Ventas, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ventas, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report, any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2008

/s/ Debra A. Cafaro

Debra A. Cafaro

Chairman, President and Chief Executive Officer

I, Richard A. Schweinhart, Executive Vice President and Chief Financial Officer of Ventas, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ventas, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report, any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2008

/s/ Richard A. Schweinhart

Richard A. Schweinhart

Executive Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Ventas, Inc. (the "Company") for the period ended June 30, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Debra A. Cafaro, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2008

/s/ Debra A. Cafaro

Debra A. Cafaro

Chairman, President and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Ventas, Inc. (the "Company") for the period ended June 30, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard A. Schweinhart, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2008

/s/ Richard A. Schweinhart

Richard A. Schweinhart

Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.