VENTAS INC
Form 424B4
December 18, 2002
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Filed Pursuant to Rule 424(b)(4)
Registration Nos. 333-101598
333-90756

**PROSPECTUS SUPPLEMENT**
**(To prospectus dated December 16, 2002)**

# 16,477,207 Shares

# Ventas, Inc.

## Common Stock

We are a healthcare real estate investment trust. As of November 29, 2002, our properties included 44 hospitals, 220 nursing facilities and nine other healthcare and senior housing facilities in 37 states. We also have investments in 25 healthcare and senior housing facilities located in Ohio and Maryland.

We are offering 9,000,000 shares of our common stock, par value $0.25 per share. The selling stockholders are offering 7,477,207 shares of our common stock. Our common stock is listed on the New York Stock Exchange under the symbol VTR. On December 16, 2002, the last reported sale price of our common stock on the New York Stock Exchange was $11.20 per share.

**Investing in our common stock involves risks that are described in Risk Factors beginning on page S-9 of this prospectus supplement.**

| | Per Share | Total |
|---|---|---|
| Public Offering Price | $ 11.00 | $ 181,249,277 |
| Underwriting discount | $.55 | $9,062,464 |
| Proceeds, before expenses, to us | $ 10.45 | $94,050,000 |
| Proceeds, before expenses, to selling stockholders | $ 10.45 | $78,136,813 |

The underwriters may also purchase up to 823,860 additional shares of our common stock from the selling stockholders and after such purchase, up to an additional 823,861 shares of our common stock from us at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus supplement to cover over-allotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares of common stock will be ready for delivery on or about December 20, 2002.

*Sole Book-Running Manager*

**Merrill Lynch & Co.**

**Banc of America Securities LLC**

**UBS Warburg**

**Legg Mason Wood Walker**
**Incorporated**

**CIBC World Markets**

**SunTrust Robinson Humphrey**

The date of this prospectus supplement is December 16, 2002.

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### Prospectus Supplement



### Prospectus



This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of this offering and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to the offering. This prospectus supplement and the accompanying prospectus are part of two registration statements. The first registration statement is one that we, Ventas Realty, Ventas LLC, and Ventas Capital filed with the Securities and Exchange Commission (the Commission ) using a shelf registration process. The second registration statement is one that we have filed with the Commission also using a shelf registration process for the sale by the selling stockholders of our common stock offered hereby.

**You should rely only on the information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different information. We are not, and the underwriters are not, making an offer of these securities in any state where the offer is not permitted. You should assume that the information contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of its respective date or on the date which is specified in those documents.**

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## CAUTIONARY STATEMENTS

**Forward-Looking Statements**

This prospectus supplement and the accompanying prospectus and the documents incorporated by reference herein and therein include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. 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, growth opportunities, expected lease income, continued qualification as a real estate investment trust, or a REIT, plans and objectives of management for future operations and statements that include words such as anticipate, if, believe, plan, estimate, expect, intend, should, will and other similar expressions are forward-looking statements. Such forward-looking statements are inherently uncertain, and you must recognize that actual results may differ from our expectations. We do not undertake a duty to update such forward-looking statements.

Actual future results and trends for us may differ materially depending on a variety of factors discussed in our filings with the Securities and Exchange Commission, or the Commission. Factors that may affect our plans or results include, without limitation:

the ability and willingness of Kindred Healthcare, Inc. and certain of its affiliates, which we refer to collectively as Kindred, to continue to meet and/or perform their obligations under their contractual arrangements with us, including without limitation the lease agreements and various agreements entered into by us and Kindred at the time of our spin-off of Kindred on May 1, 1998, as such agreements may have been amended and restated in connection with Kindred s emergence from bankruptcy on April 20, 2001;

the ability and willingness of Kindred to continue to meet and/or perform its obligation to indemnify and defend us for all litigation and other claims relating to the healthcare operations and other assets and liabilities transferred to Kindred in the 1998 spin off;

the ability of Kindred and our other operators to maintain the financial strength and liquidity necessary to satisfy their respective obligations and duties under the leases and other agreements with us, and under their existing credit agreements;

our success in implementing our business strategy;

the nature and extent of future competition;

the extent of future healthcare reform and regulation, including cost containment measures and changes in reimbursement policies and procedures;

increases in the cost of borrowing for us;

a downgrade in the rating of our debt securities by one or more rating agencies which could have the effect of, among other things, increasing our cost of borrowing;

the ability of our operators to deliver high quality care and to attract 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;

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the movement of interest rates and the resulting impact on the value of our interest rate swap agreements and our net worth and our ability to satisfy our obligation to post cash collateral if required to do so under one of these interest rate swap agreements;

the ability and willingness of Atria, Inc. to continue to meet and honor its contractual arrangements with us entered into in connection with our spin-off of our assisted living operations and related assets and liabilities to Atria in August 1996;

our ability and willingness to maintain our qualification as a REIT due to economic, market, legal, tax or other considerations, including without limitation the risk that we may fail to qualify as a REIT due to our ownership of common stock in Kindred;

the outcome of the audit being conducted by the Internal Revenue Service for our tax years ending December 31, 1997 and 1998;

the final determination of our taxable net income for the year ending December 31, 2002;

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;

the impact on the liquidity, financial condition and results of operations of Kindred and our other operators resulting from increased operating costs and uninsured liabilities for professional liability claims, particularly in the state of Florida, and the ability of Kindred and our other operators to accurately estimate the magnitude of such liabilities; and

the value of our common stock in Kindred and the limitations on our ability to sell, transfer or otherwise dispose of our common stock in Kindred arising out of the securities laws and the registration rights agreement we entered into with Kindred and certain of the holders of the common stock in Kindred.

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

We describe some of these risks and uncertainties in greater detail below under the caption Risk Factors. These risks could cause actual results of our industry or our actual results for the year 2002 and beyond to differ materially from those expressed in any forward-looking statement we make. Our future financial performance is dependent upon factors discussed elsewhere in this prospectus supplement and the accompanying prospectus and the documents incorporated by reference herein and therein. Forward-looking statements speak only as of the date on which they are made. For a discussion of factors that could cause actual results to differ, see Risk Factors below and the information contained in our publicly available filings with the Commission. These filings are described below under the captions Where You Can Find More Information and Incorporation by Reference.

**Kindred Information**

Kindred Healthcare, Inc. 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 provided in this prospectus supplement is derived from filings made with the Commission or other publicly available information, or has been provided by Kindred. We have not verified this information either through an independent investigation or by reviewing Kindred s public filings. We have no reason to believe that such information is inaccurate in any material respect, but there can be no assurance that all such information is accurate. We are providing this data for informational purposes only, and the reader of this prospectus is encouraged to obtain Kindred s publicly available filings from the Commission.

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**PROSPECTUS SUPPLEMENT SUMMARY**

*The summary contains basic information about us, our common stock and this offering. Because this is a summary, it does not contain all the information you should consider before investing in our common stock. You should carefully read this summary together with the more detailed information, financial statements and notes to the financial statements contained elsewhere or incorporated by reference into this prospectus supplement or the accompanying prospectus. To fully understand this offering, you should read all of these documents. To the extent there is a conflict between the information contained in this prospectus supplement, on the one hand, and the information contained in the accompanying prospectus, on the other hand, the information in this prospectus supplement shall control. Unless otherwise indicated, all references in this prospectus supplement to Ventas, we, us, our or similar terms refer to Ventas, Inc. together with its subsidiaries. Unless otherwise indicated, the information included in this prospectus supplement assumes no exercise of the underwriter s over-allotment option.*

**Ventas, Inc.**

We are a healthcare real estate investment trust. Our business consists of owning, leasing and financing healthcare facilities. As of November 29, 2002, our properties included 220 skilled nursing facilities in 32 states, 44 hospitals in 20 states and nine other healthcare and senior housing facilities. We also have investments in 25 healthcare and senior housing facilities located in Ohio and Maryland. Our primary tenant, Kindred, is one of the largest providers of long-term healthcare services in the United States. Kindred operates 43 of our hospitals and 210 of our skilled nursing facilities pursuant to five multi-facility master lease agreements. All of the master leases are structured as triple-net leases, under which Kindred is responsible for insurance, taxes, utilities, maintenance and repairs related to our properties.

Our business strategy is comprised of two primary objectives: diversification of our portfolio of properties and further reduction of our indebtedness in relation to our revenue. We intend to diversify our portfolio by operator, facility type and reimbursement source in order to reduce our dependence on Kindred and government reimbursement. We intend to acquire additional healthcare properties, which could include hospitals, nursing centers, assisted or independent living facilities and ancillary healthcare facilities, that are operated by leading providers in their industries. We also intend to further reduce our indebtedness in relation to our revenue.

We conduct substantially all of our business through two wholly owned subsidiaries, Ventas Realty, Limited Partnership and Ventas Finance I, LLC. As of November 29, 2002, Ventas Finance I owned 40 skilled nursing facilities and we and Ventas Realty owned all of our other properties.

Our principal executive offices are located at 4360 Brownsboro Road, Suite 115, Louisville, Kentucky 40207-1642, and our telephone number is (502) 357-9000.

**Recent Developments**

***THI Transaction.*** On November 5, 2002, we completed a $120 million transaction with Trans Healthcare, Inc., or THI, a privately owned long-term care and hospital company. The transaction was structured as a $53 million sale leaseback transaction and $67 million loan, which is comprised of a first mortgage loan and a mezzanine loan.

Under the sale leaseback, we purchased five properties and are leasing them back to THI under a master lease. The properties subject to the sale leaseback are four skilled nursing facilities and one continuing care retirement community that is comprised of one skilled nursing facility, one rehabilitation hospital, and one assisted living facility. Three of the properties are located in Maryland and two are located in Ohio. These properties contain a total of 770 beds. The master lease, which has an initial term of ten years, provides for annual base rent of $5.9 million. The master lease provides that if THI meets specified revenue parameters, the annual base rent will escalate by the greater of (i) three percent or (ii) 50% of the consumer price index.

The loan to THI is divided into two components: a $45 million first mortgage loan and a $22 million mezzanine loan to subsidiaries of THI. The first mortgage loan is secured by 17 skilled nursing facilities and one related assisted living facility. Fourteen of these facilities are located in Ohio and four are located in Maryland. These properties contain a total of 1,402 beds. The first mortgage loan is structured as a collateralized mortgage backed security that we have originated for investment purposes, but may later sell. The first mortgage loan bears interest at LIBOR plus 367 basis points, inclusive of upfront fees (with a LIBOR floor of three percent). The first mortgage loan matures in three years, and THI holds options to exercise two one-year extensions upon satisfaction of certain conditions.

The mezzanine loan bears interest, inclusive of upfront fees, of 18% per annum and is secured by a pledge of the ownership interests in the entities that own the 18 facilities that also collateralize the first mortgage loan, liens on four additional healthcare/senior housing properties and interests in three additional properties operated by THI.

The THI transaction covers a total of 32 facilities: 18 skilled nursing facilities, four assisted living facilities, and one rehabilitation hospital containing 1,546 beds in Ohio; and nine skilled nursing facilities containing 1,206 beds in Maryland.

***Kindred s Increased Professional Liability Expense in Florida.*** On October 10, 2002, Kindred announced that it will record a substantial increase in costs related to professional liability claims, primarily claims related to skilled nursing facility operations conducted in Florida. Kindred leases 15 skilled nursing facilities in Florida from us. The cash rent from the 15 Florida skilled nursing facilities we lease to Kindred is approximately $8.5 million annually, which constitutes approximately 4.5% of the total $187 million in annualized rent payable to us by Kindred. We believe that under the terms of our leases with Kindred, Kindred is not entitled to abandon the leased properties, reduce the rent, or receive other concessions based on the increases in professional liability costs.

On December 11, 2002, Kindred publicly announced that it had entered into a non-binding letter of intent with Senior Health Management, LLC to transfer the operations of Kindred s 18 skilled nursing facilities in Florida, including the 15 skilled nursing facilities in Florida that Kindred leases from us, and to sublease our 15 facilities to Senior Health Management or its designee. The announcement indicated that consummation of the proposed transaction is subject to a number of material closing conditions, including approval from Kindred s lenders and regulatory and governmental approvals. Kindred stated that the lease payments under the proposed subleases would be equal to the lease payments under the primary leases and that Kindred will remain a primary guarantor under the lease with us.

Based on the information available to us, we believe our consent is required for the proposed sublease of the 15 skilled nursing facilities by Kindred. However, in its December 11, 2002 announcement, Kindred stated, among other things, that it has the ability to sublease 12 of the skilled nursing facilities in Florida without our consent and that our consent cannot be unreasonably withheld on the remaining 3 skilled nursing facilities in Florida. Kindred further stated that if we improperly interfere with the completion of the proposed transaction, it will seek appropriate legal remedies against us as well as damages for the continuing losses it is sustaining with respect to these facilities. We believe that we have the right to consent to the proposed sublease of the 15 skilled nursing facilities in Florida held by Kindred, and intend to defend any legal actions arising out of our withholding of such consent vigorously. However, there can be no assurance as to what the outcome of any such action on the part of Kindred might be or the ultimate effects it might have on our financial condition, results of operations, or the share price of our common stock.

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We have been discussing strategic alternatives regarding the skilled nursing facilities in Florida with Kindred, and are currently considering Kindred s proposed transfer of its Florida skilled nursing operations to Senior Health Management and the proposed sublease of the facilities to a designee of Senior Health Management. We currently intend to work with Kindred to permit it to exit the Florida skilled nursing facility market on terms acceptable to us. However, there can be no assurance as to the outcome of our discussions with Kindred or when or if any exit by Kindred from the Florida skilled nursery facility market will occur.

As a result of Kindred s October 10, 2002 announcement of its increased costs in Florida and other events, the market value of the Kindred common stock we own has declined substantially from $34.1 million as of September 30, 2002 to approximately $17.5 million as of December 13, 2002. Our investment in Kindred common stock is classified as available for sale in accordance with SFAS No. 115 Accounting for Certain Investments in Debt and Equity Securities. Accordingly, the Kindred common stock is measured and reported on our balance sheet at fair value. Our unrealized gains and losses on our Kindred common stock are reported as a component of Accumulated Other Comprehensive Income on our balance sheet.

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**The Offering**

For a description of our common stock, see Description of Common Stock and Description of Outstanding Capital Stock in the accompanying prospectus. For a description of stockholder rights attached to our shares of common stock, see Note 13 to our Consolidated Financial Statements for the year ended December 31, 2001, which is incorporated by reference in this prospectus supplement and the accompanying prospectus.

Securities offered:

| | |
|---|---|
| By us | 9,000,000 shares of common stock, plus up to an additional 823,861 shares if the underwriters exercise their over-allotment option in full. |
| By the selling stockholders | 7,477,207 shares of common stock, plus up to an additional 823,860 shares if the underwriters exercise their over-allotment option. |
| Shares to be outstanding after this offering | 78,849,055, assuming no exercise of the underwriters over-allotment option. |
| Use of proceeds | We estimate that our net proceeds from this offering without exercise of the over-allotment option will be approximately $93.1 million. We intend to use these net proceeds to reduce certain of our outstanding indebtedness. We will not receive any of the proceeds from the sale of shares by the selling stockholders. See Use of Proceeds. |
| Restrictions on ownership and transfer | Our certificate of incorporation contains restrictions on ownership and transfer of our common stock intended to assist us in maintaining our status as a REIT for federal and/or state income tax purposes. For example, our certificate of incorporation generally restricts any person from acquiring beneficial ownership of more than 9% of our outstanding shares of common stock, as more fully described in the section entitled Description of Outstanding Capital Stock in the accompanying prospectus. |
| Risk factors | See Risk Factors and other information included in this prospectus supplement and the accompanying prospectus for a discussion of factors you should carefully consider before deciding to invest in the common stock. |
| New York Stock Exchange symbol | VTR |

Our Board of Directors has declared a regular quarterly dividend of $0.2375 per share of common stock, payable in cash on January 3, 2003 to stockholders of record of our common stock on December 17, 2002. Purchasers of shares of common stock in this offering will not receive the January 3, 2003 dividend on shares purchased in this offering. The number of shares to be outstanding after this offering as shown above is based on the shares of our common stock outstanding as of November 26, 2002.

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## SUMMARY SELECTED FINANCIAL DATA

The selected consolidated financial data as of December 31, 1999, 2000 and 2001 and for the years then ended presented below is derived from our audited financial statements and accompanying notes. The selected financial data presented below as of and for the nine months ended September 30, 2001 and 2002 has been derived from our unaudited financial statements. In the opinion of management, the unaudited financial statements have been prepared on the same basis as the audited financial statements and include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the financial position and results of operation as of such dates and for such periods. The data presented below should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations, our Consolidated Financial Statements as of December 31, 2000 and 2001 and for the years ended December 31, 1999, 2000 and 2001 and accompanying notes, and our unaudited Condensed Consolidated Financial Statements for the nine months ended September 30, 2001 and 2002 and as of September 30, 2002 incorporated by reference in this prospectus supplement. The results for the interim period do not necessarily indicate the results to be expected for the full fiscal year.

**(dollars in thousands, except per share data)**

| | Year Ended December 31, | | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| | **1999** | **2000** | **2001** | **2001** | **2002** |
| | | | | (unaudited) | |
| **Operating Data:** | | | | | |
| Rental income | $ 224,405 | $ 228,569 | $ 183,329 | $ 137,242 | $ 140,903 |
| Loss on uncollectible amounts due from tenants | 33,829 | 47,394 | | | |
| Gain on sale of Kindred common stock | | | 15,425 | | 5,014 |
| General and administrative expenses | 21,566 | 20,781 | 14,902 | 11,335 | 9,723 |
| United States Settlement (1) | | 96,493 | | | |
| Interest expense | 87,124 | 93,570 | 86,175 | 64,540 | 57,661 |
| Net loss on swap breakage | | | | | 5,407 |
| Interest on United States Settlement | | | 4,592 | 3,053 | 4,204 |
| Discontinued operations (including gain on sale of assets) | 1,673 | 1,283 | 681 | 954 | 23,831 |
| Net income (loss) before extraordinary charge | 42,535 | (61,245) | 51,888 | 27,841 | 63,181 |
| Net income (loss) | 42,535 | (65,452) | 50,566 | 27,841 | 56,262 |
| **Other Data:** | | | | | |
| Net cash provided by operating activities | 103,580 | 85,338 | 79,893 | 61,324 | 96,687 |
| Net cash provided by (used in) investing activities | 371 | 5,359 | 2,760 | 283 | 34,783 |
| Net cash provided by (used in) financing activities | 35,305 | (142,890) | (151,458) | (125,181) | (145,945) |
| FFO (2) | 85,023 | 76,479 | 93,502 | 58,978 | 70,915 |
| Normalized FFO, excluding gain on Kindred common stock (3) | 85,023 | 76,479 | 78,077 | 58,978 | 71,308 |
| Net income per common share (basic) | 0.63 | (0.96) | 0.74 | 0.41 | 0.82 |
| Net income per common share (diluted) | 0.63 | (0.96) | 0.73 | 0.40 | 0.80 |
| Dividends declared per common share (4) (5) | 0.39 | 0.91 | 0.92 | 0.66 | 0.7125 |
| Basic weighted average number of common shares outstanding | 67,754 | 68,010 | 68,409 | 68,375 | 68,895 |
| Diluted weighted average number of common shares outstanding | 67,989 | 68,131 | 69,363 | 69,255 | 69,978 |

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| | (dollars in thousands) | | |
|---|---|---|---|
| | December 31, | | September 30, 2002 |
| | 2000 | 2001 | |
| | | | (unaudited) |
| **Balance Sheet Data:** | | | |
| Real estate investments, net | $ 848,545 | $ 806,336 | $ 769,981 |
| Cash and cash equivalents | 87,401 | 18,596 | 4,121 |
| Kindred common stock | | 55,118 | 34,098 |
| Total assets | 981,145 | 941,859 | |