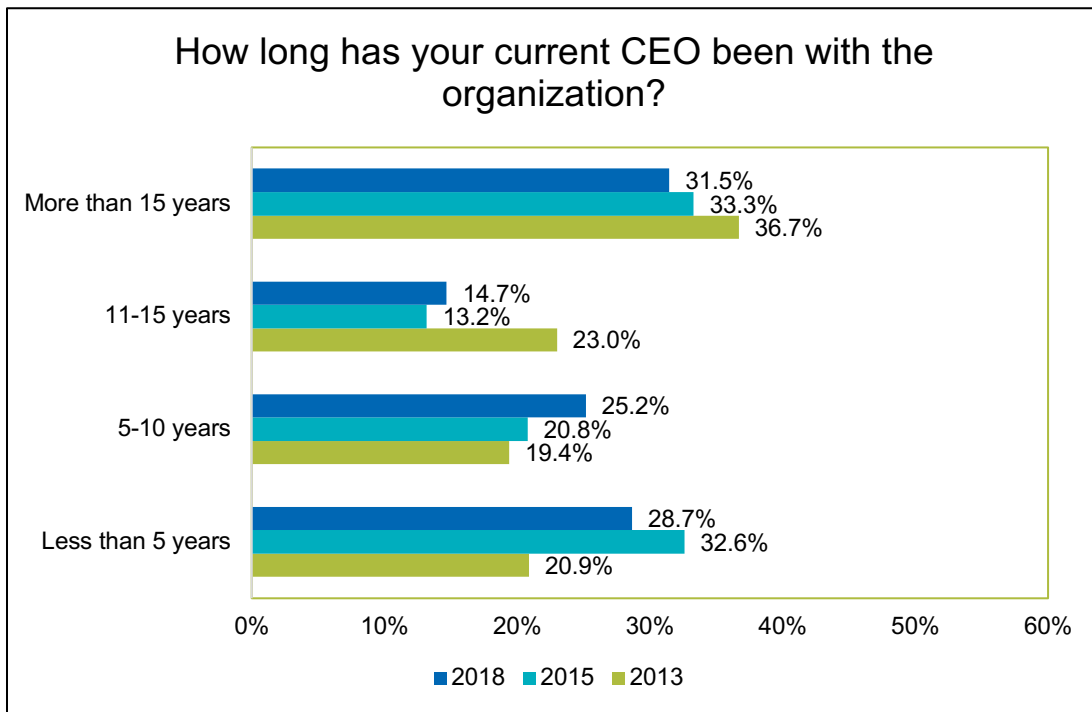


SUCCESSION PLANNING

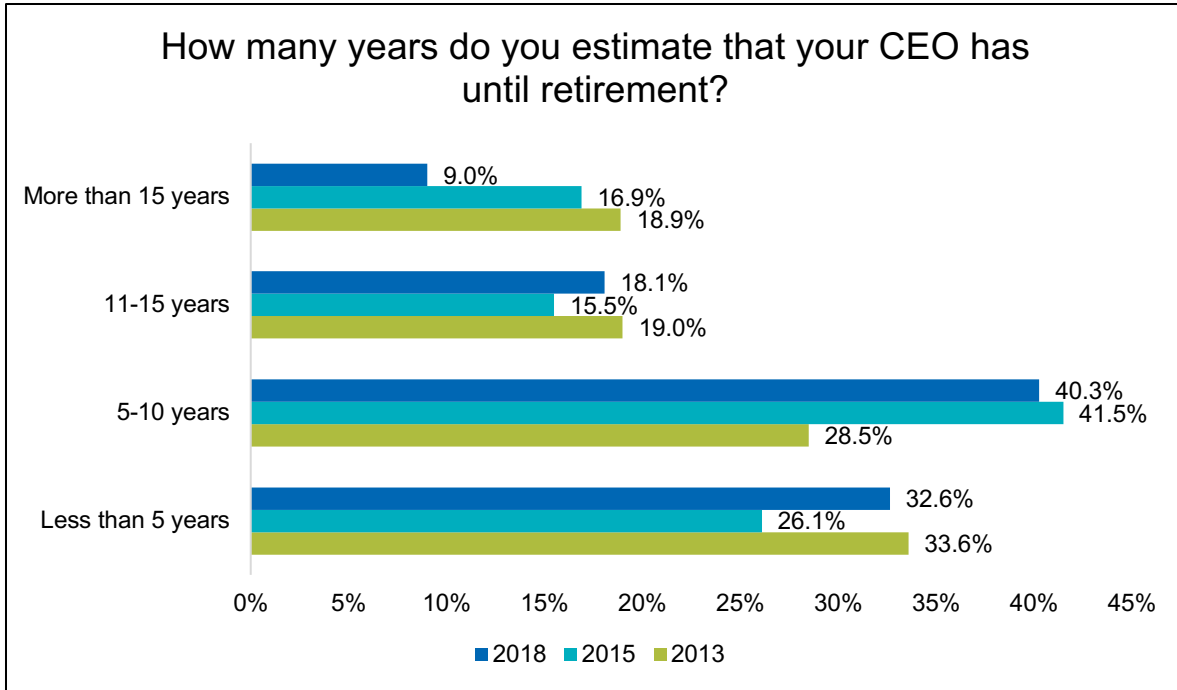
ZIEGLER CFO HOTLINESM

The March Ziegler *CFO Hotline*SM survey focused on the topic of Succession Planning. This topic was previously covered in 2013 and 2015, and allows for historical comparisons. Nearly 145 senior living Chief Financial Officers (CFOs) and financial professionals participated in the poll. Roughly 62% were from single-site organizations and 38% were from multi-site providers.

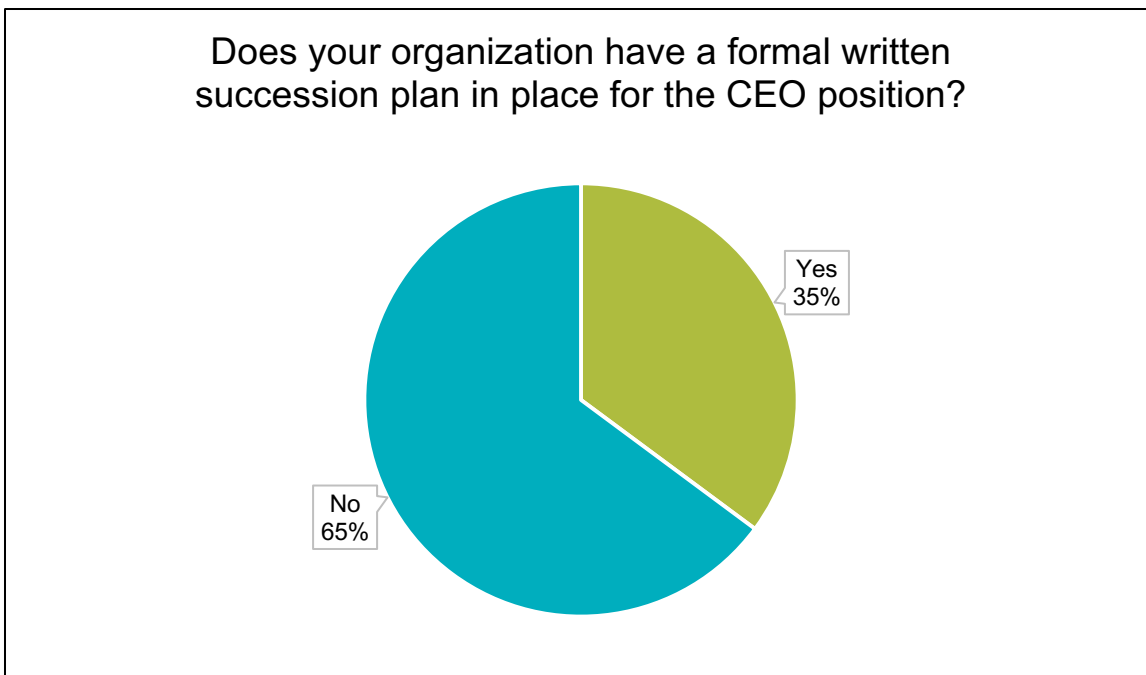
The initial survey question asked the tenure of the Chief Executive Officer of the organization. Below is a comparison of the 2018, 2015 and 2013 figures.



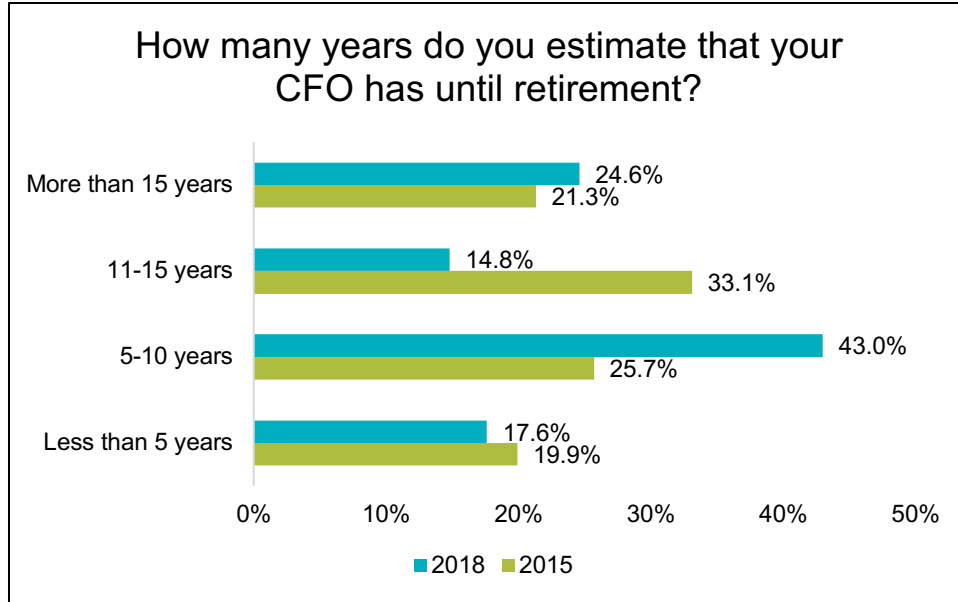
A follow-up question asked respondents to estimate how long the organization’s CEO has until retirement. As shown below, a third of the respondents indicated that their CEO likely will retire in less than five years. Another 40% noted estimates of retirement in the next 5 to 10 years. When looking at the next 10 years collectively, it is estimated that more than 70% of the CEOs will retire. This is up from the 68% reported in 2015 and 62% in 2013.



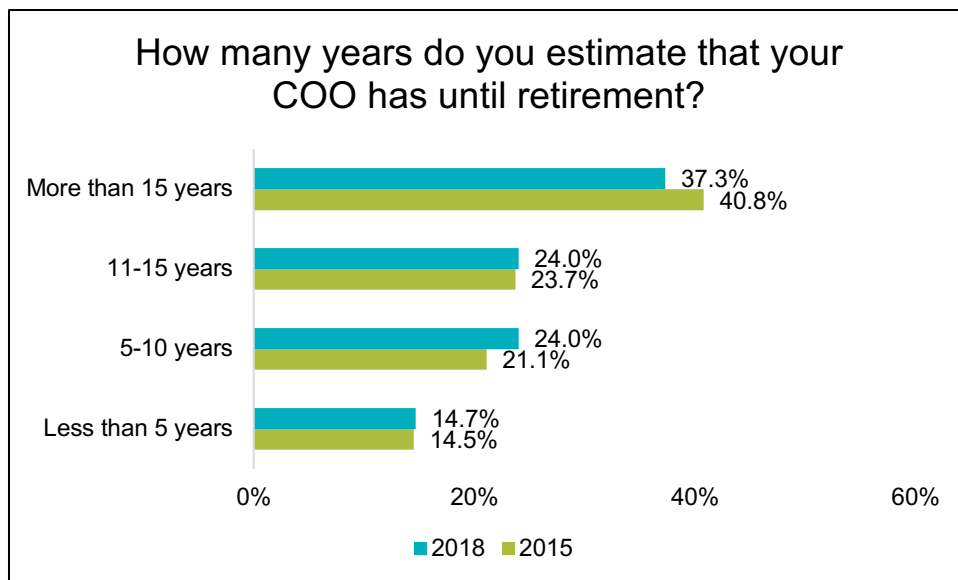
The survey also inquired about succession planning for future C-suite vacancies. Thirty-five percent of the organizations responded that they have a formal written succession plan in place for the CEO position. This is the same as 2015, and similar to the 39% of organizations who said they had a formal written succession plan in 2013. Multi-site organizations were more likely to have established a formal succession plan compared to single-site organizations. Nearly 40% of the multi-site respondents indicated that a formal succession plan is in place compared to 33% of the single-site providers.



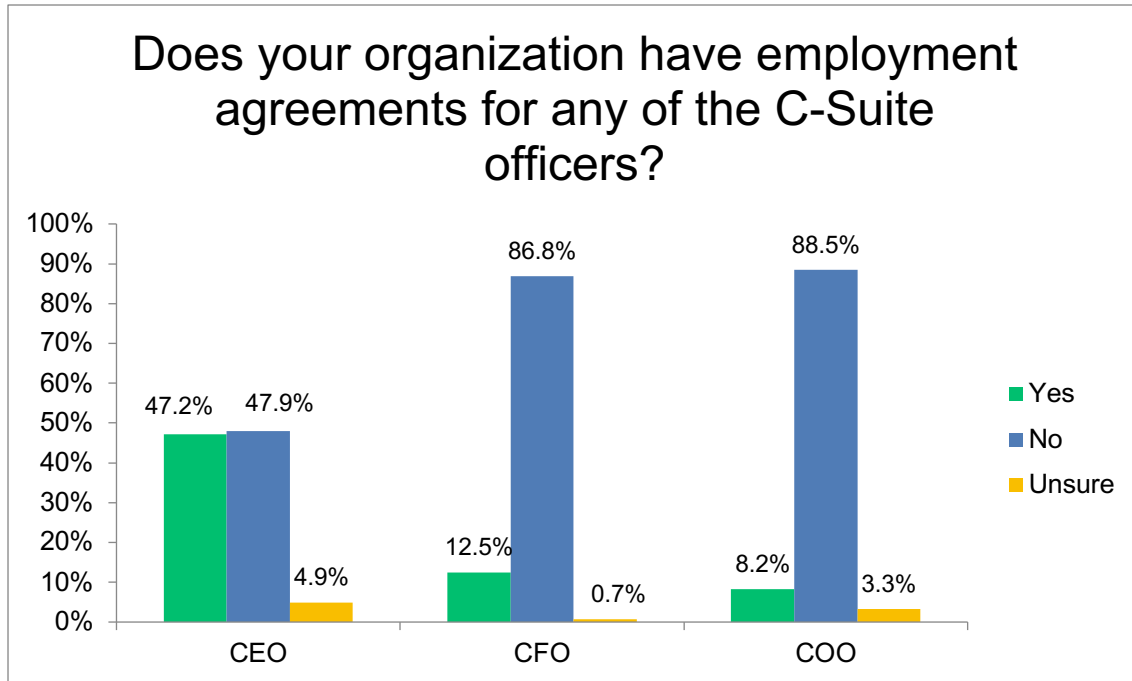
Similar succession planning questions were asked regarding the CFO and Chief Operation Officer (COO), for those organizations with those respective positions. These questions were new to the 2015 survey and therefore no 2013 comparison data are available. It is estimated that about 18% of the CFOs will retire within the next five years, and another 43% are expected to retire in five to 10 years.



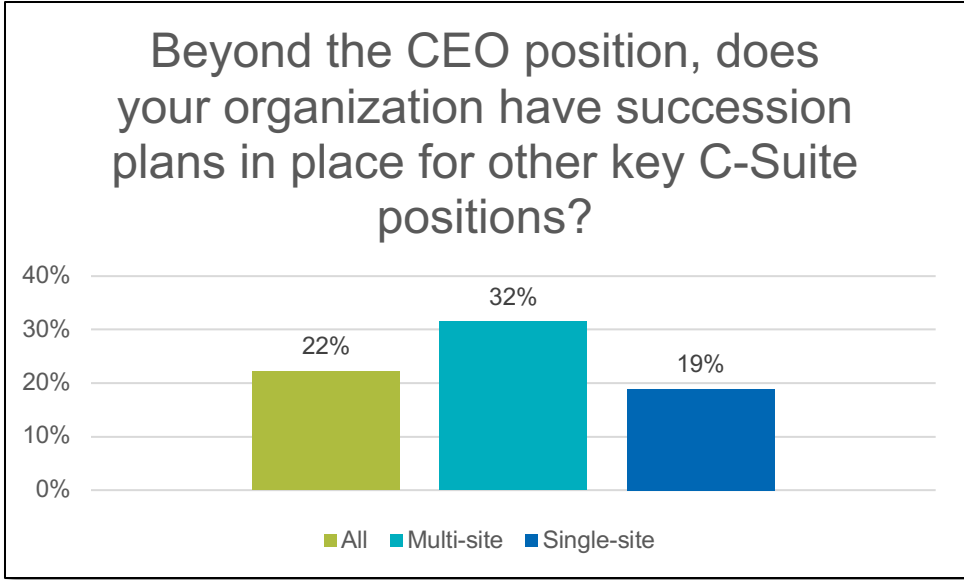
COO retirement plans are similar in 2018 as in 2015. About 15% are expected to retire in the next five years, with another 24% anticipating retirement both in five to 10 years, as well as in 11 to 15 years. As in 2015, nearly four in 10 (37.3%) have more than 15 years until retirement.



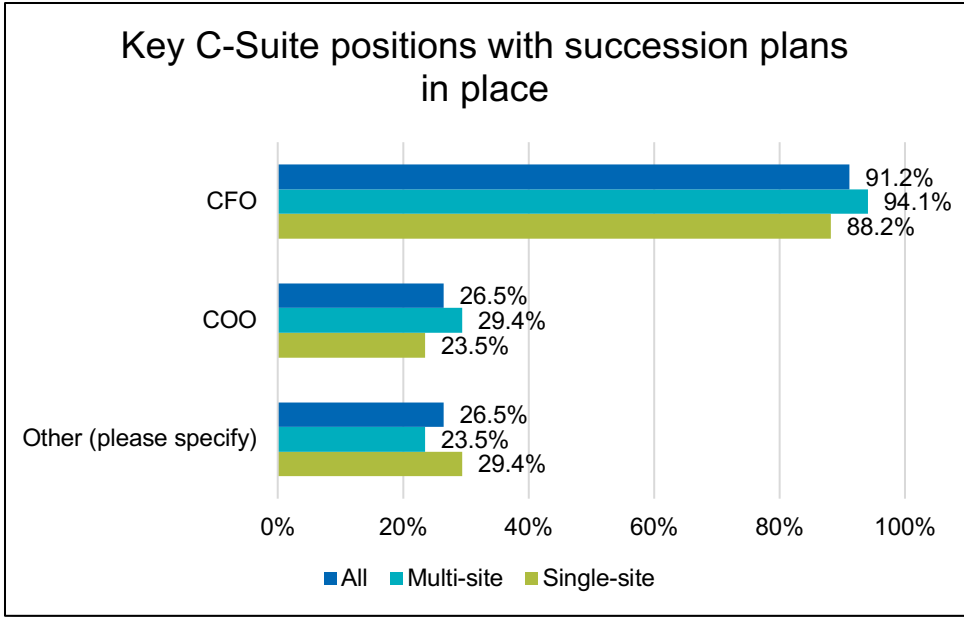
A new question for this year’s survey related to employment agreements for the C-Suite staff. While nearly half (47.2%) of those polled said their organizations have employment agreements for their CEOs, just 12.5% said they have agreements for their CFOs, and fewer than one in 10 (8.2%) said they have similar agreements for their COOs. Multi-site providers are more likely to have employment agreements for any of the three C-Suite staff, but particularly more likely for the CEO (55.6% versus 42.2% for single sites) and COO (16.7% for multis versus 2.7% for single sites). While the percentage for multi-site providers is also higher for CFOs, the difference was much closer, at 14.8% for multi-site providers compared to 11.1% for single-sites.



When asked whether the organization has succession plans in place for other key C-suite positions, 22.2% indicated that they did; this is lower than in 2015, when nearly 28% said yes to this question, and similar to the 23.4% of 2013. Multi-site providers were more likely to have succession plans in place for C-suite positions outside of the CEO. Approximately three of 10 (31.5%) multi-site organizations have succession plans in place for other C-suite positions compared to less than two in 10 (18.9%) among single-site organizations.

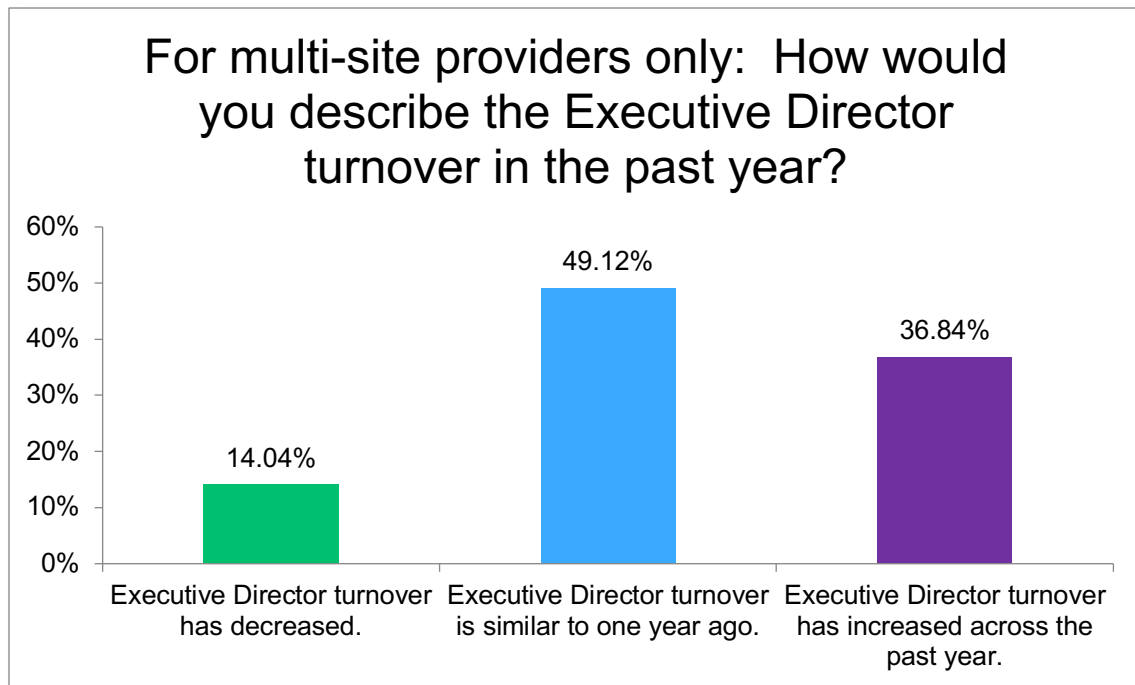


Of those with succession plans for other executive positions, the organizations were much more likely to have formal plans for CFO succession than COO succession. More than 90% said they have succession planning for the CFO position, while just over a quarter (26.5%) have succession plans for COOs or other positions. Among the other positions mentioned were key management and executive positions.



Less than a quarter of providers said they have “key man” life insurance policies. Roughly 23% indicated that they do have such a policy, similar to what was observed in the 2015 (about 24%) and 2013 (27%) polls.

Specific to the multi-site organizations, a survey question asked about Executive Director turnover. About half said that Executive Director turnover is similar to one year ago, while another 36.8% said it has increased in the past year. Less than 15% indicated that Executive Director turnover has decreased.



A number of respondents shared additional comments about succession planning at their organizations. Below is a compilation of selected quotes.

- *CEO has less than one year until retirement. Plan is underway for replacement.*
- *Our organization may have a succession plan for the CEO but it has not been communicated to anyone. I think that it is important for Boards to plan and our Board/CEO have been reluctant to do so.*
- *Succession plans for all senior level positions will be in place within the upcoming year.*
- *CFO succession plan is not in writing but company has a plan*
- *All directors have succession plan. If internal candidate, then that person is slated for training and development*
- *CEO/Executive Director is provided as part of our contract with management company.*
- *We do have a plan in place for catastrophic events, but nothing specific for C suite retirements.*
- *“Written” plans differ place to place. We’re always looking, interviewing informally and formally, inside and outside. Building inventory of in house skills.*
- *Limited supply of individuals with the skill set to run different types of organizations in different geographical locations remains a challenge. The high cost of living in my market, makes it also difficult to recruit from other States.*
- *We are currently developing succession planning program for all "key employee" positions. Awareness of potential for short duration to retirement of three of top four leadership has governance and senior management awareness. Informal steps have been undertaken for key position succession. Importance of formalization for incumbents and successors is a priority.*
- *Currently working on documenting a succession plan for CEO and CFO*

- *We are talking about it and are engaging a consultant - it is a priority in our strategic plan.*
- *Our organization is completely unprepared for succession planning at any level.*
- *Currently, succession planning is up to the individual and their pool of talent. The CFO was able to focus on a staff member with succession in mind and gear training toward that goal. We prefer to promote from within and operate in a rural setting where it's hard to find skilled workforce with the talent and aptitude for long-term care management.*
- *There is increasing pressure on the level of professionalism required to address the increasing complexity of the senior living environment, especially in large and multi-site providers. Not seeing an abundance of emerging leaders.*
- *CEO and CFO to retire at year end and designated CEO and CFO to assume positions at that time.*
- *We are actively engaged in first developing our Board structure from which we will then develop a succession plan for the CEO.*
- *An informal process at this time.*
- *We have a formal succession plan in place for the CEO.*
- *We do try and plan for the future for other positions but we are a single site and can't always have a qualified person available to step in.*
- *Two years ago our organization experienced a CEO turnover. The Board followed the succession plan. Our current CEO is considered a turn around CEO and is expected to serve here for 2 to 3 years.*
- *Despite the absence of a formal written plan, succession planning is in place and discussed with the Board of Directors.*

The senior living organizations' responses included in this report have been collated without verification of the accuracy of the data/comments therein. The results provided do not express an opinion of nor can they be guaranteed by Ziegler.

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