

ZIEGLER INVESTMENT BANKING

SENIOR LIVING FINANCE Z-NEWS

FEATURED ARTICLE

ZIEGLER CFO HOTLINESM: INCENTIVE COMPENSATION FOR SENIOR LIVING EXECUTIVES

In this week's *Z-News*, we are covering the results from a recent *Ziegler CFO HotlineSM* survey on executive compensation, specifically the prevalence of incentive-based bonus structures. Nearly 200 CFOs and finance professionals participated in the survey, with 57% representing single-site organizations and the remaining 43% from multi-site providers.

As detailed below, most of the senior living organizations offer some type of incentive-based compensation for at least one member of the executive team, most commonly the CEO.



When asked about incentive compensation/bonus structures outside of the C-Suite team, roughly 71% indicated that they have this such benefit. One of the questions on the survey asked about timing of the incentive compensation. Respondents indicated that incentive/bonus compensation is distributed annually 80% of the time, semi-annually 2% of the time. Of the 17 percent listing "Other" timing for payouts, quarterly payments and timing that aligned with attaining sales goals were mentioned most often, followed by meeting particular milestones such as budgets or project implementations.

More than 50% of the time incentive/bonus compensation is based on a percentage of overall salary. Percentages range from 2.5% to 100% depending on the position, with the median at 15% and average at 16.3% (based on an average of ranges). These percentages presume all goals are met and the individual is obtaining the maximum percentage allocated. The most common metrics utilized to determine the bonus/incentive compensation are outlined below.

Metric	Percent
Financial performance	75.5%
Occupancy goals	63.3%
Fulfilling growth goals (e.g. new developments, project completion)	64.0%
Workforce recruitment/retention metrics (turnover)	44.2%
Stakeholder satisfaction/engagement survey results	51.0%
Other	36.1%

The full report details additional findings from the survey and can be accessed by clicking [here](#) and visiting the Ziegler website. For any questions related to this issue of Z-News or other relate items, please contact the Ziegler banker in your region.

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NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

AS OF APRIL 29, 2019

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Berkshire Retirement Community dba Kimball Farms (MA)	Fitch	A+ Stable	Upgraded Rating	4/26/19

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INTEREST RATES/YIELDS

(AS OF APRIL 26, 2019)

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	2.59%	2.70%	2.99%
Senior Living 30-Yr "A"	3.29%	3.40%	3.86%
Senior Living 30-Yr "BBB"	3.59%	3.70%	4.13%
Senior Living Unrated	4.59%	4.70%	4.91%
Senior Living New Campus	6.50%	6.50%	6.50%
SIFMA Muni Swap Index	2.30%	2.04%	1.51%

	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
*ZSLMLB Index	4.69%	4.72%	2.09%

*Ziegler Senior Living Municipal Long Bond Index
 Source: Ziegler Capital Markets

FEATURED FINANCING

The Osborn

MIRIAM OSBORN MEMORIAL HOME ASSOCIATION (THE OSBORN)
 Rye, New York

Westchester County Local Development Corporation,
 Revenue Bonds, Series 2019

\$27,455,000

MARKET COMMENTARY

FROM A CAPITAL MARKETS PERSPECTIVE

Last week, the longest bull market in U.S. history brought the S&P 500 and the NASDAQ into record setting territory, as each index eclipsed their previous record highs set seven months earlier. In the context of the previous record high in September, it is remarkable that this new record was achieved due to the depth that equities sank to a mere four months ago. Since this recent low on December 24th, 2018, the S&P 500 has climbed almost 25% through the close of last Friday's trading session. For earnings, while quarterly profits were expected to decline this earnings season, many companies have surpassed analyst's expectations—nearly 80% of S&P 500 companies that have reported first-quarter results as of April 24th have exceeded expectations.

Last week, a handful of economic releases increased market sentiment, especially in regards to a better-than-expected U.S. GDP report. U.S. 1Q19 GDP rose 3.2% QoQ compared to an expected 2.3%, exceeding 4Q18's QoQ GDP growth of 2.2%. Additionally, new home sales came in at 692k, while existing home sales came in at 5.21MM, and consumer sentiment rose slightly from last quarter to 97.2. Globally, the U.S.-China trade deal may be entering its final phase, as negotiators from both countries are scheduled to meet in Beijing early this week, with talks of a finalization of the deal in early May.

Last week in Munis, total visible supply had a daily average of \$7.517B, ending the week at \$8.316B, its highest number in over two weeks when total visible supply was \$8.549B on April 9th. That said, supply on the yield side of municipals is still low, causing the buy side to sit on their excess cash from record first quarter inflows until more supply becomes available and municipals cheapen. Additionally, SIFMA's Muni Swap Rate was reset last week to 2.30%, up from the previous 7 day reset rate of 2.04%. This spike in SIFMA is unprecedented compared to its 5-Year average of 0.65%, and has caused shorter municipals to appear expensive in comparison, flattening out the yield curve as a result.

ADAM J. BUCHANAN
SENIOR VICE PRESIDENT

See pages 4-5 for current market rates

Market and other data within this report derived from Bloomberg and other sources deemed to be reliable.

MARKET REVIEW

MONEY MARKET RATES

	4/26/19	1 WEEK AGO	1 MONTH AGO	1 YEAR AGO
Prime Rate	5.50	5.50	5.50	4.75
Federal Funds (weekly average)	2.41	2.40	2.40	1.68
90 Day T-Bills	2.41	2.47	2.40	1.77
30-Day Commercial Paper (taxable)	2.41	2.49	2.43	1.83
Libor (30-day)	2.48	2.48	2.49	1.90
7 Day Tax-Exempt VRDB	2.30	2.04	1.50	1.75
Daily Rate Average	2.23	2.07	1.40	1.68

COMPARATIVE YIELDS

TAXABLE REVENUE

	GOVT	A		MMD	NR*	BB	BBB	A	AAA
1 Year	2.40	2.70	1 Year	1.55	3.05	2.75	2.15	1.70	1.55
5 Year	2.28	3.03	5 Year	1.65	3.25	3.00	2.45	2.05	1.80
7 Year	2.38	3.33	7 Year	1.73	3.53	3.23	2.68	2.28	1.93
10 Year	2.49	3.59	10 Year	1.90	3.90	3.50	2.90	2.60	2.10
30 Year	2.92	4.32	30 Year	2.59	4.59	4.19	3.59	3.29	2.79

(* Representative of institutional sales)

TAX-EXEMPT MARKET INDICATORS

	THIS WEEK	LAST WEEK	CHANGE	2019 HIGH	LOW
Bond Buyer					
20 Bond Index	3.79	3.86	-.07	4.24	3.79
11 Bond Index	3.31	3.36	-.05	3.71	3.30
Revenue Bond Index	4.27	4.33	-.06	4.71	4.26
30 Year MMD	2.59	2.70	-.11	3.11	2.59
Weekly Tax-Exempt Volume (Bil)	3.34	3.57	-.23	5.80	0.20
30 Day T/E Visible Supply (Bil)	4.08	5.60	-1.53	6.60	1.92
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	112.67	114.86	-2.19	134.42%	112.67%

INTEREST RATE COMPARISON

DATE	7-DAY T/E VRDB	PRIME RATE	FED FUNDS WEEKLY AVG.	13-WEEK T-BILL RATE	C.P.RATE TAXABLE	LIBOR (30-DAY)	30-YEAR T/E BONDS (A-AAA)		
04/26/19	2.30	5.50	2.41	2.41	2.41	2.48	3.29	-	2.79
04/19/19	2.04	5.50	2.43	2.47	2.43	2.48	3.40	-	2.90
04/12/19	1.54	5.50	2.40	2.44	2.43	2.48	3.38	-	2.88
04/05/19	1.48	5.50	2.40	2.42	2.47	2.47	3.40	-	2.90
03/29/19	1.50	5.50	2.40	2.40	2.43	2.49	3.30	-	2.80
03/22/19	1.53	5.50	2.40	2.46	2.46	2.49	3.44	-	2.94
03/15/19	1.61	5.50	2.40	2.43	2.46	2.48	3.77	-	3.32
03/08/19	1.67	5.50	2.40	2.44	2.43	2.49	3.82	-	3.37
03/01/19	1.74	5.50	2.40	2.43	2.43	2.49	3.88	-	3.43
02/22/19	1.75	5.50	2.40	2.44	2.44	2.48	3.91	-	3.46
02/15/19	1.72	5.50	2.40	2.42	2.44	2.48	4.00	-	3.45
02/08/19	1.51	5.50	2.40	2.41	2.45	2.51	4.00	-	3.45
02/01/19	1.43	5.50	2.40	2.39	2.40	2.51	4.02	-	3.47
01/04/19	1.63	5.50	2.40	2.42	2.47	2.52	3.93	-	3.38
12/07/18	1.65	5.25	2.19	2.39	2.30	2.38	4.08	-	3.55
11/02/18	1.61	5.25	2.18	2.25	2.25	2.31	3.83	-	3.38
10/05/18	1.53	5.25	2.16	2.21	2.21	2.28	4.11	-	3.76
09/07/18	1.49	5.00	1.91	2.13	2.04	2.12	3.86	-	3.51
08/03/18	1.29	5.00	1.90	2.00	1.94	2.08	3.80	-	3.50
07/06/18	1.19	5.00	1.90	1.91	1.96	2.09	3.67	-	3.37
06/01/18	1.06	4.75	1.69	1.91	1.86	1.98	3.62	-	3.32
05/04/18	1.61	4.75	1.68	1.83	1.85	1.92	3.80	-	3.50

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