

Lending to Skilled Nursing Centers from a community banking perspective

Rockland Trust Company – overview

Rockland Trust is a full-service commercial bank with a single party commercial lending limit of over \$100.0 million with total commercial banking commitments of \$4.3 billion. The Bank is headquartered in Massachusetts with \$5.9 billion in assets. The sole bank subsidiary of Independent Bank Corp. (NASDAQ:INDB), Rockland Trust provides a wide range of consumer, business, investment, and insurance products and services. Named a Boston Globe "Best Place to Work" for four consecutive years and one of America's "Best Banks" by Forbes for three consecutive years, Rockland Trust's network consists of 75 retail branches, 10 commercial lending offices, four investment management, and three residential lending centers throughout Eastern Massachusetts and Rhode Island.

Skilled Nursing Centers: Underwriting Standards/Key Considerations:

Cash flow coverage: EBITDA plus actual management fees minus contributions to reserves (3 to 5% of revenue) less cash CAPEX, less management fees of 5% divided by debt service in the period to be no less than 1.3:1

LTV: The lesser of 70% of RE value and business value combined or 80% of stand-alone RE value. No advance against FF&E.

Minimum care standards: 4 star

Resource - <http://www.skillednursingfacilities.org>

Minimum cash balances required

LOC to be needed only during State Medicaid payment interruption

Full recourse

Occupancy rates typically in the 90s

Sensitivity of Medicaid/Medicare reimbursement to cash flow coverage

Quality mix – reliance on Medicaid/Medicare/Private Pay

Employee turnover – skilled nursing / CNAs

Compare to care and financial benchmarks

Location - proximity to hospitals

Strong relationships with local geriatric professionals

Condition of RE and FF&E – deferred maintenance

Client types/considerations:

For-profit versus not-for-profit

For profit: Solid credit spread, loyalty, profit motive, focused management

Not for profit: Strong liquidity/endowment assets, thin credit spreads, RFP risk

Family owned and operated

- Years of operation

- Productive versus non-productive family members

- How does excess compensation compare to market management fee?

Professional management (investors)

- Leverage

- Liquidity

- Care standards

Turn-around professionals

Operating philosophy - care versus EBITDA?

Licensed beds controlled

Track record – intended hold period

Acquisition price per bed

Thin or zero EBITDA per bed at inception

Clear turnaround plan – compare to market benchmarks

Middle management stability