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**INNOVATIVE CAPITAL CLOSSES \$40.6 MILLION FHA 242 REFINANCING
20-YR GNMA LOAN SAVES COMMUNITY HOSPITAL \$5 MILLION
MOREHEAD MEMORIAL HOSPITAL'S INTEREST COSTS CUT BY 21%**

SPRINGFIELD, PA and EDEN, NC: (December 14, 2012) -- InnoVative Capital, LLC, a HUD-licensed FHA mortgage lender and healthcare financial advisory firm, has closed a \$40.6 million FHA 242 loan refinancing for Morehead Memorial Hospital (MMH) located in Eden, North Carolina. The proceeds of the Ginnie Mae collateralized 19-year fixed rate loan advance refunds MMH's outstanding municipal bonds and produces significant short and long-term cost savings for the hospital. Financial highlights of the refinancing include a reduction of \$380,000 in MMH's 2013 interest expense and total debt service savings of \$5 million.

In mid 2012, InnoVative Capital was retained by MMH to determine the practicality of developing a cash flow improvement and balance sheet enhancement plan achievable through the refinancing or restructuring of its Series 2005 tax-exempt bonds. Upon the completion of its review of the hospital's bond documents, reserve fund balances and market pricing of its guaranteed investment contracts, InnoVative Capital presented an FHA mortgage insured debt refinancing proposal to MMH, which projected upwards of \$4 million in interest savings to be realized with a taxable Ginnie Mae loan refinancing of its tax-exempt bonds. "The unprecedented drop in GNMA rates as a result of the Fed's program of monthly purchases of mortgages, would allow InnoVative Capital to refinance MMH's tax-exempt bonds from the lowest interest rate funding source at the time, which is the placement of a taxable GNMA collateralized FHA insured mortgage loan," said Alan P. Richman, InnoVative Capital's President and CEO.

As MMH's FHA mortgage banker, InnoVative Capital applied for FHA Section 223 a-7 mortgage insurance, a streamlined debt refinancing program infrequently used for hospitals. "Due to the uncertainty of interest rates, time was of the essence and we relied on HUD meeting its stated goal to deliver a credit decision (commitment) within 30 days. We were grateful for the efforts of HUD's Office of Hospital Facilities in delivering its commitment as scheduled and facilitating a loan closing less than one month later," said Mr. Richman.

"I cannot overemphasize the profound impact this refinancing will deliver to Morehead's bottom-line and its ability to reinvest in our hospital and its personnel. An opportunity like this is rare for a community hospital," said W. Carl Martin, CEO of Morehead Memorial Hospital. "To lower our interest rate by almost one-percent, improve our twelve-month cash flow by \$630,000, and produce debt service savings of \$240,000 per year for each of the next nineteen years, without any increase in our loan amount or cash outlay is the ultimate win-win," added Martin.

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INNOVATIVE CAPITAL CLOSSES \$40.6 MILLION FHA 242 REFINANCING**MOREHEAD MEMORIAL HOSPITAL REDUCES DEBT SERVICE BY \$5 MILLION - pg 2****FHA Mortgage Insurance for Debt Refinancings**

Pursuant to Section 242 of the National Housing Act, on behalf of HUD-approved mortgage lenders, HUD underwrites FHA mortgage insurance for loans made to eligible nonprofit, publicly-owned and for-profit hospitals to fund facility renovation, replacement and equipment purchases. While the FHA 242 Program has long been recognized as a construction-oriented financing platform, the Program offers multiple refinancing options for hospitals seeking to reduce their current loan rates.

FHA 242 - Debt refinancing of both FHA and non-FHA debt in conjunction with an FHA 242 capital project loan. Requires 20% of the total loan proceeds be used for capital project purposes.

FHA 242/223(f) - Debt refinancings of non-FHA debt is permitted without a capital project component. No more than 20% of the 223(f) loan may be used for new capital expenditures and financing costs.

FHA 223 (a) 7 - Debt refinancing of existing FHA insured loans. At HUD's discretion, the inclusion of certain refinancing costs may be capitalized within the new loan amount, as well as an extension of the loan maturity.

Morehead Memorial Hospital

Founded in 1924, and located in Eden, North Carolina, MMH is a nonprofit community hospital licensed for 108 acute-care, and 121 long-term care beds. The main campus is home to inpatient and outpatient services, a state-of-the-art emergency department, birthing center, nursing center, cancer treatment, and three physician office buildings. MMH maintains two off-campus sites. The Wright Diagnostic Center houses laboratory and diagnostic imaging, a Wound Healing Center, the Lou McMichael Miracle Breast Imaging Suite, and the Morehead Memorial Hospital Foundation. Morehead Physical Rehabilitation offers physical, occupational, speech, language and massage therapy, plus functional capacity evaluations. MMH is managed under a long standing, contractual relationship with Quorum Health Resources (QHR), the largest manager of independent acute-care hospitals in the U.S.

About InnoVative Capital

InnoVative Capital, LLC is a HUD licensed FHA mortgage lender and SEC/MSRB-registered municipal advisor providing capital funding to rural, community and critical access hospitals nationwide. InnoVative Capital delivers cost-effective access to capital and multiple financing options for facility replacements, renovations and working capital, as well as debt refinancings and corporate restructurings. With a multidisciplinary approach, InnoVative Capital finances hospital loans through the FHA 242 Mortgage Insurance Program, tax-exempt and taxable bonds, bank debt, USDA, and equity strategies. InnoVative Capital's consulting practice generates **CFO HELPER**[®] hospital and municipal analytics to education management and governance, as well as lobby tax-support and government loan guarantees. As an industry leading FHA 242 mortgage banker to rural hospitals, InnoVative Capital has completed FHA financings totaling over \$450 million, out of its client transaction portfolio of \$750 million. Building upon a reputation for creative financing solutions, InnoVative Capital has served hospital and healthcare providers in 35 states. InnoVative Capital is pleased to recognize QHR's contribution to the MMH refinancing as the hospital's management firm. This transaction represents the eighth FHA 242 financing InnoVative Capital has completed in collaboration with QHR hospital clients, resulting in projected debt service savings under the FHA 242 Program exceeding \$70 million for these facilities.

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