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**INNOVATIVE CAPITAL ANNOUNCES FIRST FHA 242 CAH MORTGAGE  
INSURANCE COMMITMENT UNDER THE NEW CMS REGULATIONS**

**SPRINGFIELD, PA and WHITEFISH, MT:** (October 3, 2005) -- InnoVative Capital LLC has obtained a \$29.25 million HUD mortgage insurance commitment for North Valley Hospital, located in Whitefish, Montana to guarantee the construction and permanent financing of its replacement facility. This transaction represents the first mortgage insurance commitment issued on behalf of a necessary provider critical access hospital ("CAH") by the US Department of Housing and Urban Development under the FHA 242 Mortgage Insurance Program since the enactment of the new CMS regulations in August 2005.

North Valley Hospital is a community-based nonprofit corporation that operates a 25-bed critical access hospital serving 29,000 residents of Northern Flathead County and the surrounding communities of Whitefish, Montana since 1947. As the only hospital in its rural primary service area, North Valley applied to the state of Montana and was deemed a "necessary provider of healthcare services" due to the fact that more than 50% of its inpatient days served Medicare/Medicaid patients and was designated a CAH on November 1, 2003. North Valley also owns and operates a medical office building in Whitefish; provides seasonal medical clinic services at Big Mountain Ski Resort; offers physical therapy and laboratory services in Columbia Falls, Montana and operates a medical clinic in Eureka, Montana. "Building a new hospital on a very prominent site to replace our antiquated 32-year old facility, which is presently in a land-locked location is our way of repaying our community for their unwavering support, especially over the past few years, when we began discussions to upgrade our physical plant," said Craig Aasved, CEO of North Valley Hospital. "This new hospital will be the catalyst for economic development, real estate appreciation and improved healthcare for our community, that could not have been realized without support from the community, our neighbors at Kalispell Regional Medical Center, North Valley Hospital Foundation's fundraising activities, InnoVative Capital and of course HUD," added Mr. Aasved.

InnoVative Capital led the team that helped NVH develop and execute the financing plan for its new replacement facility, which commenced site preparation in August 2005 and is anticipated to be completed the third quarter of 2007. Other team members include hospital management advisory services company QHR; owner's representative American Health Facilities Development (a subsidiary of QHR); Johnson, Johnson, Crabtree Architects and construction manager Swank Enterprises.

The FHA Section 242 mortgage insurance commitment for the North Valley Hospital loan was approved under HUD's CAH underwriting guidelines and the CMS regulations governing the relocation of necessary provider CAHs. The financing is anticipated to close on or about December 2005 and will take the form of a Ginnie Mae collateralized direct loan structure.

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According to Alan P. Richman, InnoVative Capital's President & CEO, "This is another positive step for rural healthcare in the United States; it is the reaffirmation of the Federal Government's commitment through HUD and Health and Human Services to offer low-cost loan guarantees that facilitate the viability of much-needed replacement hospitals. Rural hospitals serving populations throughout the country will now have the ability to offer a full compliment of primary care services in modern new facilities. The ability to deliver these hospital services will enhance the attractiveness of rural areas for prospective business relocation, economic development and home building. As the local hospital is the cornerstone of most rural communities, a new facility can restore the financial vibrancy of many small towns across America."

"I was very impressed that from the beginning, HUD had the best interest of our community at heart," said Craig Aasved, CEO of North Valley. "HUD worked diligently to help us through the application process," added Marilyn Hays, CFO of North Valley. Richman stated, "on a going forward basis, it will be our goal through the joint efforts of InnoVative Capital, North Valley Hospital and QHR to serve as an asset to any hospital, critical access, or otherwise, evaluating the replacement of their facility. Hopefully, sharing our experience will help shorten the process and save money for any hospital applying to HUD."

InnoVative Capital, an FHA-licensed mortgage banking company and healthcare financial advisory firm, specializes in capital project financing for rural, community and critical access hospitals utilizing the FHA 242 Mortgage Insurance Program, USDA, tax-exempt bonds, and equity financing strategies. InnoVative Capital provides cost effective and expedient access to the capital markets for real estate backed transactions, as well as mergers and acquisitions representation and turnaround support.

In its capacity as the FHA Mortgagee, InnoVative Capital manages the FHA 242 Mortgage Insurance process between the hospital and HUD, while formulating funding sources through the use of taxable and tax-exempt bonds, GNMA collateralized direct loans, and commercial bank credit facilities. InnoVative Capital LLC has engagements with hospitals nationwide, serving critical access hospitals, community hospitals; tertiary care urban providers, and health systems. Past FHA Section 242 financings InnoVative Capital has completed, include the \$18 million financing of the newly-opened 25-bed replacement facility for Shoshone Medical Center, a critical access hospital in Kellogg, Idaho and, in May 2005, the \$30 million financing of Summit Hospital, a start-up 70-bed community hospital, now under construction in Phenix, City, Alabama.

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