

## Case Study: Financing Rural, Community & Critical Access Hospitals

### DeSoto Memorial Hospital Arcadia, Florida



### **Client Obtains Historic USDA Direct Loan The Largest Ever**

**Client:**

DeSoto Memorial Hospital

**Location:**

Arcadia, Florida

**Project Budget:**

\$20 Million

**Type of Project:**

Substantial Renovation

**Financing Source:**

USDA Direct Loan

**Role of InnoVative Capital:**

Financial Consultant

#### **An Aging Community Hospital and a County Ravaged by Hurricanes Must Rebuild Their Facility**

DeSoto Memorial Hospital ("DeSoto") a 49-bed community hospital, located in Arcadia, Florida, serving an economically challenged and growing county, faced an almost biblical challenge in 2006. Having survived three hurricanes, its overdue renovation project, could no longer wait. Their first challenge: determine how much they could afford to spend on the project. While they were confident that the USDA would provide an unprecedented Direct Loan to rebuild their hurricane ravaged hospital, the hospital had no idea what they could afford to borrow and therefore couldn't even begin its project design or submit a USDA loan application.

#### **A Debt Capacity Analysis is a Must InnoVative Capital Retained to Provide its Proprietary CFO HELPER<sup>SM</sup> Consulting Services**

DeSoto engages InnoVative Capital to immediately assist in the preparation of their financial forecasts, which

would become the basis for InnoVative Capital's determination of DeSoto's debt capacity and maximum project budget. Based upon alternative capital structures, debt capacity was calculated utilizing different sensitivity tests. Under multiple scenarios, the feasibility of a \$20 million project budget was confirmed, while adhering to conservative forecasts, financial ratio benchmarks and loan underwriting standards. On the basis of InnoVative Capital's debt capacity analysis, DeSoto's Board approved a project budget to be financed with a \$20 million USDA Direct Loan. The next step was to submit a formal loan application to USDA and present the forecasted financial feasibility of the project and affordability of the loan. InnoVative Capital's analysis would support this claim.

#### **Due to its Unique Situation, DeSoto Receives 100% Project Financing Through a USDA Direct Loan**

For many small hospitals, such as DeSoto, fierce competition for USDA Direct Loan allocations among hospital and non-hospital applicants,

make it almost impossible to fully finance with a USDA Direct Loan a major construction project. However, DeSoto's misfortunes were not overlooked by USDA and this project was a top funding priority. In 2006, DeSoto received a \$20 million USDA hospital Direct Loan, the largest to date.



Project opening is planned Aug 2007.

#### **About InnoVative Capital**

InnoVative Capital is a banking and financial advisory firm specializing in construction/permanent financing for hospitals. With tailored representation of rural, community and critical access hospitals we can best meet the unique financing challenges that differentiate small hospitals from tertiary care and health systems. Offering broad access to capital markets at attractive rates and terms; InnoVative Capital acts as financial advisor or mortgage banker for FHA 242 financings, USDA loans, municipal bond transactions, commercial loans and equity deals.

**InnoVative CAPITAL<sup>®</sup>**

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#### **Others promise..... WE DELIVER!**

- Turnkey InnoVative Capital Funding Delivery System<sup>SM</sup>
- Debt-Related Financial Advisory Services
- HUD Licensed FHA Mortgage Lender
- Construction and Permanent USDA Banking
- Proprietary CFO HELPER<sup>SM</sup> Hospital Analytics
- Public and Private High Yield Municipal Debt Placement
- Acquisition Financing, Equity and Working Capital
- Bond Restructurings and Financial Turnarounds