

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

### Ohio Valley General Hospital McKees Rocks, Pennsylvania



#### *Hospital Benefits From the Services of a Financial Advisor for its Tax Exempt Bond Financing*

**Borrower:**

Ohio Valley General Hospital

**Location:**

McKees Rocks, Pennsylvania

**Loan Amount:**

\$24 Million

**Type of Project:**

Major Expansion and Rehabilitation

**Financing Structure:**

Tax Exempt Hospital Revenue Bonds

**Role of InnoVative Capital:**

Debt-Related Financial Advisor

#### **A Community Hospital Engages the Services of InnoVative Capital as its Financial Advisor to Determine How to Finance its Capital Project**

In mid 2004, Ohio Valley General Hospital ("Ohio Valley"), an 85-bed community hospital in McKees Rocks, PA, was finalizing plans for its new 32,000 sq ft maternity and surgical services wing. But uncertainty over the financing choice clouded the project. Sale/leasebacks, variable rate notes and FHA 242 insured bonds had already been proposed by bankers. To assess all financing options, the InnoVative Capital Funding Delivery System<sup>SM</sup> was employed to deliver its matrix of recommendations. The conclusion: tax-exempt hospital revenue bonds backed solely by the investment grade rating of Ohio Valley would be the best financing strategy.

#### **Experienced Hospital Management Confronted with Conflicting Banking Proposals Requires the Oversight of a Financial Advisor**

While no stranger to the capital markets, having previously used tax-exempt and taxable debt to finance its

hospital, long-term care and real estate projects, Ohio Valley was uncertain of the right mix of debt and equity to commit to the project. Complicating matters were contradicting data and methodologies being presented by competing banking firms, and the added uncertainty relating to its current Moody's credit rating. To address these questions and successfully execute the financing, Ohio Valley called upon InnoVative Capital's debt-related financial advisory services. As financial advisor, InnoVative Capital served as the hospital's bodyguard, protecting its interests throughout the development and implementation of the financing. This was emphasized in delicate negotiations with its investment bankers regarding proposed covenants and bond terms. Maintaining a balance in the marketing of Ohio Valley's bonds with investors and setting user-friendly hospital covenants was a priority.

#### **InnoVative Capital's Assignments Throughout the Financing Process**

- Selecting a financing structure to balance the hospital's debt to equity

- Soliciting, interviewing and advising on the selection of investment bankers and other working group members
- Authoring the hospital-related section of the Official Statement (Appendix A)
- Preparing and leading the hospital in Rating Agency presentations
- Negotiating bond covenants
- Overseeing marketing of the bonds
- Providing transparency in bond pricing and sale
- Coordinating the bond closing

#### **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