

Case Study: Financing Rural, Community & Critical Access Hospitals

Summit Hospital Phenix City, Alabama



For-Profit Borrower Obtains Low Interest Financing for a Start-up Hospital

Borrower:

Summit Hospital (Ameris Health Systems)

Location:

Phenix City, Alabama

Loan Amount:

\$32.6 Million

Type of Project:

Start-up 70-bed Community Hospital

Financing Structure:

FHA Section 242 Mortgage Insurance
Ginnie Mae Direct Loan

Role of InnoVative Capital:

FHA Mortgage Banker and Financial Advisor

Ameris Health Returns Hospital Care to Phenix City with its New Community Hospital

In 2002, Phenix City's only hospital was closed by its owner, a tertiary care hospital located in Columbus, GA. Left without a hospital; Phenix City citizens found access to Georgia hospital care a nearly impossible task. In an effort to provide better hospital access to its residents, Phenix City's municipal leaders, doctors, and state officials, selected Ameris Health Systems, a Nashville-based, for-profit hospital company to finance, develop and manage a new 70-bed community hospital.

Ameris Seeks FHA 242 Insurance to Guarantee Low Interest Taxable Construction/Permanent Loan

Ameris recognized that the FHA Section 242 Mortgage Insurance Program offered the lowest cost financing option for their project, as well as other benefits, including, the ability to borrow more than 90% of the project cost, long-term debt, and no personal debt guarantees. Further, as the U.S. Div. of Engineering Services oversees the project team, Ameris

would have strong controls over the project budget and change orders.

While Ameris had clearly done its homework in choosing the FHA 242 Program as credit enhancement and financing source, their inexperience with HUD almost proved disastrous, having initially selected consultants who lacked technical expertise with the rules, regulations and specifics of the FHA 242 process.

InnoVative Capital is Engaged as Deal Manager and Takes Corrective Action

Upon the start of its engagement, InnoVative Capital's mission was clear; to educate Ameris and its team regarding the tasks at hand; align expectations, revise reports, redraft prior HUD analyses and resubmit the FHA Application. The goals were two-fold, first, to get the financing and the project back on schedule and then, to obtain HUD's mortgage insurance commitment. This meant establishing credibility with HUD by completely overhauling and reissuing its HUD feasibility study; initially prepared by an Ameris consultant unfamiliar with

the FHA 242 Program, who had been unable to demonstrate the essentiality and financial viability of a new hospital to the dissatisfaction HUD's credit officers. InnoVative Capital needed to develop new feasibility assumptions, directing the CPA firm's generation of revised financial forecasts supporting the demand for the hospital project in a manner acceptable to HUD. Success was achieved; HUD issued its \$33 million mortgage insurance policy in Sept. 2005. Summit Hospital opened in August 2006.

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

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