

Statute file



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ARIZONA CORPORATION COMMISSION

SECURITIES DIVISION
1300 West Washington
Third Floor
TELEPHONE: (602) 542-4241
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November 9, 1993

Martin R. Miller, Esq.
Orrick, Herrington & Sutcliffe
599 Lexington Avenue
New York, NY 10022

RE: California Health Facilities Financing Authority
Insured Health Facility Refunding Revenue Bonds
(Catholic Healthcare West) 1993 Series A 1993 Series B
A.R.S. §§ 44-1843(A)(1), 44-1843.01(A)(5)

Dear Mr. Miller:

On the basis of the facts set forth in your letters of November 2 and 3, 1993, and in reliance upon your opinion as counsel, the Securities Division will not recommend enforcement action for violation of the Securities Act of Arizona should the transaction take place as set forth in your letters.

As this position is premised upon the facts set forth in your letters, it should not be relied on for any other set of facts or by any other person. Please also note that this position applies only to the registration requirements of the Act; the anti-fraud provisions of the Act continue to be applicable.

Please be aware that dealer registration is required for securities exempt under A.R.S. § 44-1843(A)(1), as set forth in the provisions of A.A.C. R14-4-104(A)(5).

We have attached photocopies of your letters. By doing this we are able to avoid having to recite or summarize the facts set forth therein.

Very truly yours,

DEE RIDDELL HARRIS
Director of Securities

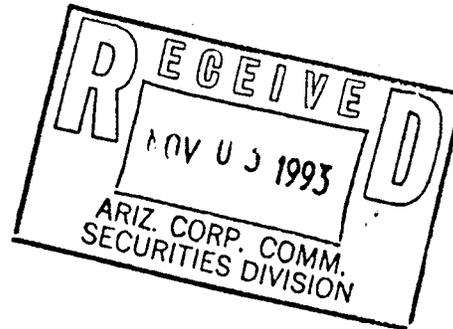
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Attachment

ORRICK, HERRINGTON
& SUTCLIFFE

November 2, 1993

FEDERAL EXPRESS

Ms. Leslie Block
Corporation Commission,
Securities Division
1200 West Washington Street
Suite 201
Phoenix, Arizona 85007



Re: California Health Facilities Financing Authority
Insured Health Facility Refunding Revenue Bonds
(Catholic Healthcare West) 1993 Series A 1993 Series B

Dear Ms. Block:

After a review of the Arizona Securities Act (the "Act"), and the published no action letters and policy statements we request that you issue a no action letter that the offering would be exempt from registration in Arizona because the above referenced Bonds would be exempt pursuant to Section 44-1843.A.1 of the Act as those of a public instrumentality of the State of California.

Please be advised that this past summer we requested that your office take a "no-action" position in connection with an offering by the Industrial Development County of Maricopa and the California Statewide Communities Development Authority on behalf of the Catholic Healthcare West. That request was granted. We believe the relevant facts are similar to this offering.

The Series A Bonds will be issued pursuant to an indenture, dated as of November 1, 1993 (the "Series A California Indenture"), between the California Authority and First Interstate Bank of California, as trustee (the "California Trustee"). The proceeds of the Series A Bonds will be loaned to Catholic Healthcare West (the "Corporation") pursuant to a loan agreement, dated as of November 1, 1993 (the "Series A California Loan Agreement"), between the California Health Facilities Financing Authority (the "California Authority") and the

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Corporation. The proceeds of such loan will be used along with other available funds to refund the California Authority's Mercy Health System Insured Variable Rate Demand Revenue Bonds, 1985 Series A, B and C and City of Mt. Shasta Hospital Revenue Certificates of Participation (Mercy Medical Center Mt. Shasta) Series 1989A. See "PLAN OF REFUNDING -- The 1985 Series A and B California Bonds," "-- The 1985 Series C California Bonds" and "- The 1989 Shasta Bonds" in the draft preliminary official statement.

The Series B Bonds will be issued pursuant to an indenture, dated as of November 1, 1993 (the "Series B California Indenture"), between the California Authority and the California Trustee. The proceeds of the Series B Bonds will be loaned to the Corporation pursuant to a loan agreement, dated as of November 1, 1993 (the "Series B California Loan Agreement"), between the California Authority and the Corporation. The proceeds of such loan will be used along with other available funds to refund the California Authority's Insured Health Facility Revenue Bonds (Catholic Healthcare West) 1989 Series A and Insured Health Facility Revenue Bonds (Catholic Healthcare West) 1991 Series D. See "PLAN OF REFUNDING -- The 1989 California Bonds" and "-- The 1991 California Bonds" in the draft preliminary official statement.

The Series A California Indenture and the Series B California Indenture are collectively referred to herein as the "California Indentures" and the Series A California Loan Agreement and the Series B California Loan Agreement are collectively referred to herein as the "California Loan Agreements."

The California Authority is a public instrumentality of the State of California organized and existing under the California Health Facilities Financing Authority Act (the "California Act"). The California Authority was created in 1979 to provide financing to health facilities and to pass along to the consuming public all or part of any savings realized by a participating health institution as a result of tax-exempt financing. The California Authority is authorized to issue the

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Bonds by virtue of the power granted to it under the California Act.

Payment of the principal of and interest on the Series A Bonds and when due (other than by reason of any redemption, except for mandatory sinking fund redemption, or any acceleration of the due date of principal) insured by a financial guaranty insurance policy (the "MBIA Bond Insurance Policy") issued by Municipal Bond Investors Assurance Corporation ("MBIA"). See "BOND INSURANCE -- MBIA in the draft preliminary official statement."

Payment of the principal of and interest on the Series B Bonds and when due (other than by reason of any redemption, except for mandatory sinking fund redemption, or any acceleration of the due date of principal) is insured by a financial guaranty insurance policy (the "AMBAC Bond Insurance Policies") issued by AMBAC Indemnity Corporation ("AMBAC"). See "BOND INSURANCE -- AMBAC in the draft preliminary official statement."

The Bonds are secured under the provisions of the respective Indentures and Agreements and will be payable from payments made by the Corporation under the respective Agreements, from payments made by the Members of an Obligated Group described below on certain Obligations described below issued by the Corporation under the Master Indenture described below and from certain funds held under the respective Indentures. The Obligations will be issued by the Corporation on behalf of the Members of the Obligated Group under and pursuant to the terms of the Master Indenture, whereunder the Members of the Obligated Group jointly and severally are obligated to make payments on the Obligations according to the terms thereof when due. Payments on the respective Obligations are required to be in an amount sufficient to pay when due the principal of and premium, if any, and interest on the respective Bonds which such Obligation secures. The Series A Bonds and the Series B Bonds, are each secured solely by the respective Indenture pursuant to which they are issued and payable solely from payments under their respective Agreement and Obligation.

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The Corporation is presently the parent (directly or indirectly) of nine California nonprofit public benefit corporations, which presently operate fifteen acute care hospitals in California. The Corporation is also the sole corporate member of an Arizona nonprofit corporation (the "Arizona Obligated Group Member") which operates an acute care hospital, and is the sole corporate member of a Nevada nonprofit corporation (the "Nevada Obligated Group Member") which operates an acute care hospital. The Corporation and such corporations are and, upon the issuance of the Bonds, Mercy Hospital of Mt. Shasta, will be, joint and several obligors and guarantors of obligations issued pursuant to a Master Indenture (the "Master Indenture"), as more fully described in Appendix A of the enclosed draft preliminary statement. The Corporation and such other corporations will be referred to herein collectively as the "Obligated Group" or "Obligated Group Members," and, each individually, as an "Obligated Group Member."

The Bonds are to be issued by the California Authority a public instrumentality of California, therefore we would argue the Certificates are exempt under Section 44-1843.A.1 of the Act.

The Bonds will also be secured by a municipal bond insurance policy to be provided by Municipal Bond Investors Assurance Corporation for the Series A Bonds and by AMBAC on the Series B Bonds.

The Bonds are payable from Revenues from the Obligated Group, nonprofit entities. The purpose of the offerings is to refund previously issued indebtedness.

Under Section 44-1843.01 5 of the Act, the exemption is taken away for securities of political subdivisions used to provide monies for constructing, improving, equipping or furnishing . . . skilled nursing facilities or other peripheral services, for use by entities other than municipal. The Obligated Group Members hospitals may have some "skilled nursing facilities" or other excluded types of facilities. However, the exclusion continues on to provide that such securities are excluded only if they are not fully secured by payments to be

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made by an entity owning or operating or repurchasing or leasing a hospital from a political subdivision. We would argue that the offer or sale of the Bonds would be within the language of the last phrase in paragraph 5., because we are informed that all the members of the Obligated Group, whose revenues secure payment of the Bonds, operate "hospitals." We would argue that this offering comes within the "spirit" and the specific language of that section in that the Obligated Group Members do operate public purpose acute care hospital facilities. The Bonds are also secured by municipal bond insurance policies, so they are not secured only by entities operating hospitals. However, we feel that the exemption was not meant to be taken away because an insurance policy, which provides greater security for the bondholder, is added to the offering.

Additionally, in connection with the previous offering involving the Corporation for which we asked and were granted no-action by your office, you asked us to check as to whether the members of the Obligated Group which are obligated to pay on the Bonds issued are all involved in operating or owning hospitals. Please see Appendix A page A-1 in the draft preliminary official statement, the eleven corporation in the Obligated Group operate sixteen acute care hospitals. I have confirmed with attorneys in our office in Sacramento that the Catholic Healthcare West is the parent either directly or indirectly of various not for profits in California which own the acute care hospitals. Upon issuance of the Bonds, Mercy Hospital, a nonprofit, will join the obligated group and it also operates an acute care hospital in Mt. Shasta. This is also stated on page 1 of the Draft Preliminary Official Statement. These not for profit corporations the Obligated Group Members are involved in other businesses, however, they do own and/or operate these acute care hospitals. The same is true with the Arizona subsidiary and the Nevada subsidiary of Catholic Healthcare West.

This office requests that you take a no-action position in writing with regard to the offering of the Bonds.

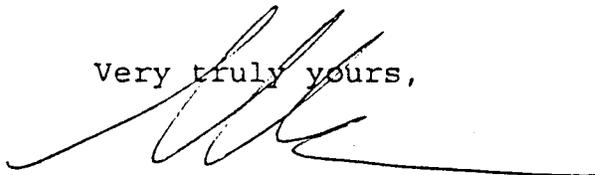
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Enclosed is a check in the amount of \$200 for the fee for our request. A draft of the preliminary official statement is enclosed for your review.

Please feel free to contact me with any comments or questions you may have.

Very truly yours,



Martin R. Miller

Enclosure

**ORRICK, HERRINGTON
& SUTCLIFFE**

November 3, 1993

BY FAX (602) 542-3583

Ms. Leslie Block
Corporation Commission,
Securities Division
1200 West Washington Street
Suite 201
Phoenix, Arizona 85007

- Re: California Health Facilities Financing Authority
Insured Health Facility Refunding Revenue Bonds
(Catholic Healthcare West) 1993 Series A 1993 Series B
- Re: The Industrial Development Authority
of the County of Maricopa
Insured Health Facility Revenue Bonds
(Catholic Healthcare West) 1993 Series A
- Re: City of Henderson, Nevada Insured
Health Facility Refunding Revenue Bonds
(Catholic Healthcare West) 1993 Series A

Dear Ms. Block:

After a review of the Arizona Securities Act (the "Act"), and the published no action letters and policy statements we submitted on behalf of the three above referenced offerings requests that you issue "no-action" letters that such offerings would be exempt from registration in Arizona because the above referenced Bonds would be exempt pursuant to Section 44-1843.A.1 of the Act.

Those applications should have been delivered to your office today by federal express.

As we discussed on the telephone yesterday, in answer to your request, what follows are the "California Test" question and answer sheets filled out, to the best of their information, by attorneys at our firm on each of the three issuers involved in these simultaneous offerings.

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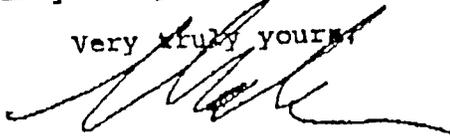
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I would appreciate your review of these applications in an expeditious manner. The questions presented in these requests are very similar to those posed in two offerings for which we received "no action" letters this past summer.

Thank you very much for all your assistance with regard to this matter. Please feel free to call me at (212) 326-8834 with any comments or questions you may have.

Very truly yours,



Martin R. Miller

Enclosures

California Health Facilities Financing Authority

California Test

1. The statute or other law under which the corporation is formed;

California Health Facilities Financing Authority Act
(constituting Part 7.2 of Division 3 of Title 2 of the Government Code of the State of California)

2. the non-profit nature of the corporation;

not a non-profit corporation, a public instrumentality of State of California.

3. the net earnings will not inure to any private individual but will be irrevocably dedicated to the political entity;

required for all non-profit corp. bond financings.

4. upon dissolution, liquidation or winding up, the assets will be distributed to the political entity;

yes - to State of California

5. the political entity approved the formation, articles of incorporation, bylaws, and the officers and directors of the corporation, as well as the proposed method of financing;

yes

6. the political entity will be notified of meetings of the directors or members of the corporation and that representatives of the political unit can attend and make comments at those meetings.

yes - subject to open meeting laws

Additional Factors

7. the business of the corporation;

to provide financing to health facilities and to pass along to the consuming public all or part of any savings received by a participating health institution as a result of tax-exempt finance

8. the political unit must approve any amendments to the articles of incorporation or bylaws as well as any new officers or directors (sufficient if the political entity has right of disapproval;

yes

9. whether the corporation has received a ruling from the IRS that the interest received on the bonds will be tax-exempt;

no

10. whether the SEC has taken a no-action position as to the sale of the bonds without registration under the federal securities laws.

don't know