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ARIZONA CORPORATION COMMISSION

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SECURITIES DIVISION
(602) 542-4242
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March 16, 1993

Tom Arthur, Esq.
Gardner, Carton & Douglas
Suite 3400-Quaker Tower
321 North Clark Street
Chicago, ILL 60610-4795

RE: Colorado Health Facilities Authority Hospital Revenue
Bonds/ No-Action Request
A.R.S. §§ 44-1843(A)(1) and 44-1843.01(A)(5)

Dear Mr. Arthur:

On the basis of the facts set forth in your letter of March 5, 1993, and Jacqueline Quinn's letter of March 12, 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,

A handwritten signature in dark ink, appearing to read "Dee Ridgell Harris".

DEE RIDDELL HARRIS
Director of Securities

DRH:JB

Attachment

NOACH11.LTR

GARDNER, CARTON & DOUGLAS

SUITE 3400-QUAKER TOWER

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WRITER'S DIRECT DIAL NUMBER

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WASHINGTON, D.C.

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March 5, 1993

Dee Riddell Harris
Director of Securities
Corporation Commission
Securities Division
234 North Central Avenue
Suite 425
Phoenix, Arizona 68504

Attention: Ms. Wanda Williams

Re: \$53,000,000 Colorado Health Facilities
Authority Hospital Revenue Bonds, Series 1993
(P/SL Healthcare System Project)

Ladies and Gentlemen:

On behalf of the managing underwriter of the captioned Colorado Health Facilities Authority Hospital Revenue Bonds (the "Bonds"), we respectfully request a determination by the staff of the Securities Division (i.e.: a "no-action letter") with respect to the offer and sale of the Bonds to the public in Arizona by duly registered broker-dealers. The determination requested would be to the effect that the Securities Division will not recommend enforcement action for violation of the Securities Act of Arizona (the "Act") should the transaction take place as set forth in this letter.

Enclosures

You will find enclosed our check in the amount of \$200 together with a draft of the Preliminary Official Statement with respect to the Bonds.

Relevant Sections of the Act

The Sections of the Act of direct concern include Sec. 44-1843 A., paragraph 1, which exempts government securities; and Sec. 44-1843.01 which describes certain "nonexempt government securities" and provides, in subsection B, for a

Ms. Wanda Williams
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notice filing. The gist of this letter is that the activities of the underlying Corporation with respect to the Bonds (described below) are not covered by Sec. 44-1843.01 B, paragraph (5). Indirectly, Sec. 44-1841 also applies.

Description of the Authority

The Colorado Health Facilities Authority (the "Authority") is an independent public body politic and corporate constituting a public instrumentality of the State of Colorado (the "State") which was created and is existing under the Colorado Health Facilities Authority Act, as amended (the "CoHFA Act"). Under the CoHFA Act, the Authority has the power, among others, (a) to borrow money and to issue bonds, notes, bond anticipation notes and other obligations, (b) to acquire, lease, as lessee or lessor, and regulate any health facility or designate a participating health institution as its agent to perform such acts, (c) to lease facilities to a participating health institution, (d) to mortgage and pledge facilities, (e) to make mortgage loans or other secured or unsecured loans to any participating health institution not to exceed the cost of the facilities, (f) to make mortgage loans or other secured or unsecured loans to any participating health institution to refund outstanding obligations incurred for the cost of its facilities, and (g) to charge and apportion equitably among participating health institutions the administrative costs and expenses of the Authority. The CoHFA Act provides that the Authority is deemed to perform a public function in behalf of the State and to be a public instrumentality of the State. The CoHFA Act further provides that the income of the Authority and all properties at any time owned by the Authority shall be exempt from all taxation in the State.

The Authority is comprised of seven members appointed by the Governor of the State with the consent of the Colorado Senate. The purpose of the Authority is to provide financing for health facilities and to provide alternative methods by which health institutions in Colorado may refund or refinance outstanding indebtedness incurred for health facilities.

Pursuant to the By-laws of the Authority, notice of all meetings shall be sent by mail to each director of the Authority at least five days prior to the date of the meeting and shall be posted at the Authority's offices at least five days prior to the date of the meeting. If notice pursuant to the foregoing sentence is not possible, the Executive Director or Chairman shall give notice of the meeting by whatever means he deems reasonable under the circumstances.

We believe the Authority is a public body that fits within the exemption of Section 44-1843(A)(1) of the Act as an instrumentality of a state.

Description of the Financing

The Authority now proposes to issue and sell approximately \$53,000,000 of Hospital Revenue Bonds (P/SL Healthcare System Project) Series 1993A (the "Bonds"), the proceeds of which will be loaned by the Authority to P/SL Healthcare System (the "Corporation"). The loan proceeds will be used (i) to finance the purchase price of the acquisition of Aurora Presbyterian Hospital, an acute care hospital located in Aurora, Colorado, a suburb of Denver ("Aurora Hospital") which is currently operated by the Corporation and leased from an unaffiliated entity, (ii) to construct certain improvements to Aurora Hospital and acquire certain equipment, (iii) to fund a reserve fund and (iv) to pay certain costs related to the issuance of the Series 1993A Bonds. The net proceeds of the Bonds will, therefore, be used exclusively in connection with an acute care hospital. It is anticipated that the Bonds will be rated Baa by Moody's Investor Services, Inc.

Description of the Corporation

The Corporation is a Colorado nonprofit corporation located in Denver, Colorado. The Corporation (i) owns and operates an acute care hospital in Denver, Colorado and an ambulatory and surgical facility near suburban Englewood, Colorado, (ii) operates Aurora Hospital, and (iii) operates affiliated health care facilities and programs.

The Corporation accounted for approximately 11.9% of the total hospital admissions in its primary service area during 1991. For further information regarding the Corporation and the Members of the Obligated Group, please see Appendix A in the Preliminary Official Statement enclosed herewith. The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Discussion and Conclusion

The proposed offering of the Bonds by the Authority should be considered an offering of exempt securities under Section 44-1843(A)(1) of the Arizona Revised Statutes. We believe that the provisions of Section 44-1843.01(A)(5) of the Arizona Revised Statutes do not apply to this proposed offering because the proceeds of the Bonds will be used to make a loan to an acute care hospital. The proceeds of the Bonds will not be issued for those prohibited activities listed in Section 44-1843.01(A), paragraph (5).

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The arrangement of the five paragraphs under Sec. 44-1843-A makes clear that the activities in paragraph 5 which were of concern to the drafters and were considered not to be covered in paragraphs 1 through 4. If the drafters had the same concern with respect to acute care general hospitals -- the predominant center of the health care delivery system -- they surely would have had acute care activity listed as an activity.

We conclude that acute care hospitals, such as the Corporation's hospitals, were excluded by the drafters and are not under Sec. 44-1843.01.

We therefore request the no-action determination described above. If you have questions or desire additional information, please call collect to Tom Arthur, at (312) 245-8408, or Jackie Quinn, at (312) 245-8518.

Very truly yours,

Tom Arthur

4896S

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March 12, 1993

VIA FACSIMILE

Ms. Jean Barry
Corporation Commission
Securities Division
234 North Central
Suite 425
Phoenix, Arizona 85004

RE: \$53,000,000
Colorado Health Facilities Authority
Hospital Revenue Bonds
(P/SL Healthcare System Project)
Series 1993A
(the "Bonds")

Dear Ms. Barry:

This letter will respond to the questionnaire you sent to me yesterday regarding the California Test for Determining Whether an Entity is a Governmental Instrumentality of a State. Our responses will appear in the same order as the comments in the questionnaire.

1. The corporation was formed under the Colorado Health Facilities Authority Act, as amended (the "Act") - Article 25 Title 25 of Colorado Revised Statutes.
2. The Act provides that the Authority is deemed to perform a public function on behalf of the State and to be a public instrumentality of the State. The purpose of the Authority is to lend money to health institutions to acquire, construct, reconstruct, repair, alter, improve, extend, own, lease and dispose of healthcare facilities to promote the health and welfare of the people of the State of Colorado.
3. The net earnings of the Authority do not inure to any private individual and remain as the property of the Authority.

4. As a political subdivision of the State of Colorado, the assets of the Authority would revert to the State upon dissolution, liquidation or winding up of the Authority, after payment of any creditor of the Authority.
5. The Act was adopted by the Colorado General Assembly. Board members are appointed by the Governor, with the consent of the Senate. By-laws are adopted by the Board. By-laws provide for the election of officers. The executive director of the Authority is appointed by the Board.
6. Each meeting of the Board is open to the public. Pursuant to the By-laws of the Authority, notice of all meetings is sent by mail to each director of the Authority at least five days prior to the date of the meeting and shall be posted at the Authority's offices at least five days prior to the date of the meeting. If notice pursuant to the foregoing sentence is not possible, the Executive Director or Chairman shall give notice of the meeting by whatever means he deems reasonable under the circumstances.
7. Under the Colorado Health Facilities Authority Act, as amended, the Authority has the power, among others, (a) to borrow money and to issue bonds, notes, bond anticipation notes and other obligations, (b) to acquire, lease, as lessee or lessor, and regulate any health facility or designate a participating health institution as its agent to perform such acts, (c) to lease facilities to a participating health institution, (d) to mortgage and pledge facilities, (e) to make mortgage loans or other secured or unsecured loans to any participating health institution not to exceed the cost of the facilities, (f) to make mortgage loans or other secured or unsecured loans to any participating health institution to refund outstanding obligations incurred for the cost of its facilities, and (g) to charge and apportion equitably among participating health institutions the administrative costs and expenses of the Authority.
8. The Colorado General Assembly approves amendments to the Act; new members of the Board of Directors of the Authority are appointed by the Governor and approved by

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the Colorado Senate. The Board approves amendments to the Authority's By-laws.

9. Bond counsel will deliver an opinion at closing that the interest on the Bonds is excluded from gross income of the recipients for federal income tax purposes.
10. Opinion of counsel will be delivered at closing that the Bonds are not required to be registered under the Securities Act of 1933, as amended.

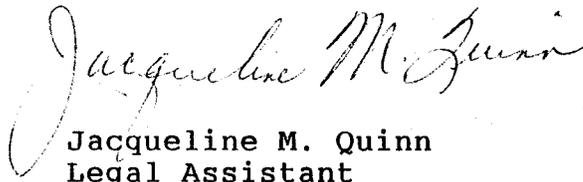
We are hopeful that the above responses address the issues presented in the California Test.

We will also enclose a copy of the definitive Preliminary Official Statement with the hard copy of this letter which we will send to you via overnight mail today.

I would appreciate it if you would call me after you have had a chance to review our responses to let me know the status of our request for a no-action determination.

Thank you for your help in this matter.

Very truly yours,


Jacqueline M. Quinn
Legal Assistant

JMQ:bg
Enclosures
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