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ARIZONA CORPORATION COMMISSION

JAMES MATTHEWS
EXECUTIVE SECRETARY
SECURITIES DIVISION
1300 West Washington
Third Floor
TELEPHONE: (602) 542-4242
FAX: (602) 542-3583

January 25, 1994

Martin R. Miller, Esq.
Orrick, Herrington & Sutcliffe
599 Lexington Avenue
New York, NY 10022-6030

RE: Mesa County, Colorado Revenue Bonds, Series 1994 (Sisters of
Charity of Leavenworth Health Services Corporation)
A.R.S. § 44-1843(A)(1), 44-1843.01(5)

Dear Mr. Miller:

On the basis of the facts set forth in your letters of January 6,
12, and 18, 1994, 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 a photocopy 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

DRH:lb
Attachment

ORRICK, HERRINGTON
& SUTCLIFFE

January 6, 1994

FEDERAL EXPRESS

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



Re: Mesa County, Colorado Revenue Bonds, Series 1994
(Sisters of Charity of Leavenworth Health Services
Corporation

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 Certificates would be exempt pursuant to Section 44-1843.A.1 of the Act as those of a political subdivision of Colorado.

The County of Mesa, Colorado ("Mesa County") is a political subdivision of the State of Colorado organized and existing under the Constitution and laws of the State of Colorado. Mesa County is authorized by the provisions of the County and Municipality Development Revenue Bond Act (the "Act") to issue its revenue bonds and loan the proceeds thereof to the Corporation for the purposes described under "PLAN OF FINANCING," to secure the Mesa Bonds as described under "SECURITY FOR THE 1994 SECURITIES" and to enter into the Mesa Indenture and the Mesa Loan Agreement.

The proceeds of the Mesa Bonds will be loaned by Mesa County to the Corporation pursuant to a Loan Agreement, dated as of January 1, 1994 (the "Mesa Loan Agreement"), between Mesa County and the Corporation. Under the Mesa Loan Agreement, the Corporation is required to make loan repayments at times and in amounts sufficient to enable Mesa County to pay in full when due

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& SUTCLIFFE

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all principal of, premium, if any, and interest on the Mesa Bonds.

The Sisters of Charity of Leavenworth (the "Sisters") is a religious community of Roman Catholic sisters based in Leavenworth, Kansas with a demonstrated commitment to providing access to health care services. As a key component of that mission, the Sisters have been instrumental in the establishment and operation of eight acute care hospitals located in the states of California, Colorado, Kansas and Montana (the "Hospital Facilities"). Each Hospital Facility is operated by a corporation separately incorporated in the state in which that Hospital Facility is located (collectively, the "Restricted Affiliates"). Each Restricted Affiliate has a Board of Directors responsible for each such Hospital Facility's operations, subject to certain powers and policies reserved to the Corporation. Each Restricted Affiliate's Board of Directors is selected by the Corporation's Board of Directors.

In order to coordinate the strategies, activities and policies of the Sisters with regard to the Restricted Affiliates and Hospital Facilities and to centralize key services required for the functioning of the multiple health care facilities established by the Sisters (e.g. certain management services, cash management activities, purchasing, human resources, legal, planning and accounting services and capital financing activities), the Sisters established the Corporation in 1972 as a Kansas not-for-profit corporation which is exempt from federal income taxation. The corporate members of the Corporation consist solely of certain of the Sisters. The Corporation currently owns all of the real property and certain fixed assets of the Hospital Facilities. Each Restricted Affiliate owns the moveable equipment at its respective Hospital Facility. Under current policies of the Corporation, assets with a cost in excess of \$100,000 in the case of a Hospital Facility with less than 200 beds (or \$250,000 in the case of a Hospital Facility with 200 or more beds) may not be acquired by a Restricted Affiliate without the approval of the Corporation.

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& SUTCLIFFE

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Since 1972, the Corporation has provided managerial and financial services to the Restricted Affiliates and borrowed moneys, the proceeds of which have been predominately used at the Hospital Facilities. In order to make the payments on such borrowed moneys and otherwise to fund the Corporation's operations, the Corporation regularly requests each Restricted Affiliate to transfer funds to the Corporation. The Corporation is able to cause funds to be so transferred and otherwise to exercise a significant amount of control over the affairs and assets of each Restricted Affiliate by virtue of the Corporation's being the sole corporate member of each Restricted Affiliate and because of certain powers reserved to the Corporation in each Restricted Affiliate's articles of incorporation and bylaws.

The transfer of funds from the Restricted Affiliates to the Corporation is important to the payment of the 1994 Securities because the Corporation (as the sole Obligated Group Member as described under "INTRODUCTORY STATEMENT -- The Master Indenture" in the Preliminary Official Statement) is the only entity obligated to make the payments under the respective Loan Agreements, the Shawnee Sublease Agreement, the Shawnee Guaranty and the California Sale Agreement.

The proceeds of each series of the 1994 Securities will be used to finance and reimburse the Corporation and the related Restricted Affiliate for the costs of certain construction, renovation and equipment acquisition at the Hospital Facility operated by said related Restricted Affiliate, and to pay certain expenses in connection with the issuance and delivery of said series of the 1994 Securities. In addition, a portion of the proceeds of the Mesa Bonds and the Montana Bonds, respectively, will be used to advance refund certain tax-exempt obligations of the Corporation with respect to the Hospital Facility in Mesa County and the Hospital Facility in Billings, Montana. See "PLAN OF FINANCING" in the Preliminary Official Statement.

Pursuant to the California Sale Agreement, the Corporation is required to make Purchase Payments in an amount sufficient to enable the California Authority to pay in full,

ORRICK, HERRINGTON
& SUTCLIFFE

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when due, the Installment Payments evidenced by the Certificates. Under the Loan Agreements, the Corporation is required to make loan payments at times and in amounts sufficient to enable the City and County of Denver, Mesa County, and the Montana Authority, respectively, to pay in full when due all principal of, premium, if any, and interest on the related series of Bonds. Under the Shawnee Sublease Agreement, the Corporation is required to make lease payments at times and in amounts sufficient to enable Shawnee County to pay in full when due all principal of, premium, if any, and interest on the Shawnee Bonds. Under the Shawnee Guaranty, the Corporation will guarantee the payment of the principal of, premium, if any, and interest on the Shawnee Bonds.

The California Sale Agreement, the Denver Loan Agreement, the Shawnee Sublease Agreement, the Shawnee Guaranty, the Mesa Loan Agreement and the Montana Loan Agreement will constitute the Series H Obligation, Series I Obligation, Series J Obligation, Series J-1 Obligation, Series K Obligation and Series L Obligation, respectively, issued under the Master Trust Indenture (as Amended and Restated), dated as of January 1, 1994 (the "Master Indenture"), between the Obligated Group (currently consisting solely of the Corporation) and Morgan Guaranty Trust Company of New York, as master trustee (the "Master Trustee"). The Series H Obligation, Series I Obligation, Series J Obligation, Series J-1 Obligation, Series K Obligation and Series L Obligation (collectively, the "1994 Obligations") and all other obligations issued under the Master Indenture will be unlimited general obligations of each Obligated Group Member (currently consisting solely of the Corporation), issued and secured on a parity basis.

Upon the execution and delivery of the 1994 Securities, the Corporation will be obligated under the Master Indenture for the payment of (1) the 1994 Obligations and (2) a previously issued Obligation (the "1992 Obligation") with respect to the City of Kansas City, Kansas Hospital Refunding Revenue Bonds, Series 1992 (Sisters of Charity of Leavenworth Health Services Corporation/Providence - St. Margaret Health Center Project) (the "1992 Bonds"). The outstanding principal amount of the 1992

**ORRICK, HERRINGTON
& SUTCLIFFE**

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Bonds as of May 31, 1993 was \$32,720,000. In addition to the 1994 Obligations and the 1992 Obligation, the Obligated Group Members may become obligated with respect to additional Obligations issued under the Master Indenture in accordance with the terms of the Master Indenture. See "SECURITY FOR THE 1994 SECURITIES -- The Master Indenture" and "PLAN OF FINANCING -- Plan of Refunding in the Preliminary Official Statement."

The Bonds are issued by the County, a political subdivision of Colorado therefore we would argue the Certificates are exempt under Section 44-1843.A.1 of the Act.

The Bonds are payable from Revenues from the Obligated Group, nonprofit entities. The purpose of the offerings is to refinance existing indebtedness and reimburse the Corporation for various construction, equipment purchases and renovation at the relevant Restrictd Affiliates Hospital.

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 Corporation's 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 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 the Corporations, through its Restrictd Affiliates, 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 Corporation does operate public purpose acute care hospital facilities.

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

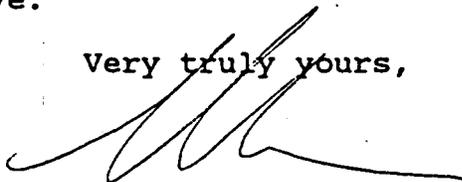
ORRICK, HERRINGTON
& SUTCLIFFE

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January 6, 1994
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Enclosed is a check in the amount of \$200 for the fee for our request, and a copy of the preliminary official statement.

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

Very truly yours,



Martin R. Miller

**ORRICK, HERRINGTON
& SUTCLIFFE**

January 12, 1994

BY FAX (602) 542-3583

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

Re: Certificates of Participation California Statewide
Communities Development Authority Sisters of Charity of
Leavenworth Health Services Corporation

Montana Health Facility Authority Revenue Bonds, Series
1994 (Sisters of Charity of Leavenworth Health Services
Corporation)

City and County of Denver, Colorado Revenue Bonds,
Series 1994 (Sisters of Charity of Leavenworth
Health Services Corporation)

Mesa County, Colorado Revenue Bonds, Series 1994
(Sisters of Charity of Leavenworth Health Services
Corporation)

Shawnee County, Kansas Revenue Bonds, Series 1994
(Sisters of Charity of Leavenworth Health Services
Corporation)

Dear Ms. Block:

After a review of the Arizona Securities Act
(the "Act"), and the published no action letters and policy
statements we requested that your office issue no action letters
that these offerings are exempt from registration in Arizona
pursuant to Section 44-1843.A.1 of the Act.

Please see my five letters requesting "no-action" for a
more indepth discussion of the offerings.

NY1-42099.1

40181-71-MRM-01/12/94

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ORRICK, HERRINGTON
& SUTCLIFFE

Leslie Block
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Page 2

To summarize, because of the fact that the source of payment for all these securities is the Sisters of Charity of Leavenworth Health Services Corporation, (herein, and in the above-referenced five letters I forwarded to you previously, the "Corporation"), a not-for-profit entity, we would argue that these offerings are not of the type to be excluded from the exemption under Section 44-1843.01 5 of the Act. The exemption is taken away by Section 44-1843.01 5. of the Act 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 Corporation's hospitals may have some "skilled nursing facilities" or other excluded types of facilities. However, the exclusion in Section 44-1843.01 5. continues on to provide that such securities are excluded only if they are not fully secured by payments to be 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 the Corporation, whose revenues secure payment on the Bonds and Certificates, operates through its Restricted Affiliates, "hospitals." Specifically, this offering comes within the "spirit" and the specific language of that section in that the Corporation through its Restricted Affiliates operates eight acute care hospitals located in California, Colorado, Kansas and Montana.

In our conversation yesterday, you asked me to elaborate on the ownership of the Restricted Affiliates by the Corporation. As described on page 5 of the Preliminary Official Statement forwarded to you earlier, the Corporation is able to control the affairs of each Restricted Affiliate because it is the sole "corporate member" of each Restricted Affiliate. The Restricted Affiliates are organized as nonprofit corporations without shares so the Corporation cannot be a shareholder but is the sole "owner" so the Restricted Affiliates are the equivalent of wholly owned subsidiaries. See also page 28 of the Preliminary Official Statement for a description of the Corporation's powers concerning the Restricted Affiliates.

**ORRICK, HERRINGTON
& SUTCLIFFE**

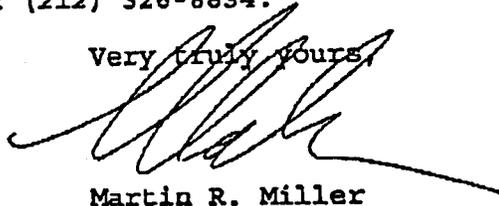
Leslie Block
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Page 3

As to your request for information regarding the issuers, I have herein attached the "California Test" for the Montana issuer and relevant sections of its enabling statute.

Additionally, I have attached a section of the Colorado Constitution, which at item 1(a)(III) provides . . . "and to counties, municipalities or other political subdivisions . . .", which indicates to me that the Colorado constitution assumes and includes counties and municipalities like Mesa and Denver as being "Political Subdivisions". I have also attached one of the numerous examples from the Kansas statutes which makes the same statement; "any county, city or other political subdivision of the State".

Please feel free to contact me with any comments or questions you may have at (212) 326-8834.

Very truly yours,



Martin R. Miller

ORRICK, HERRINGTON
& SUTCLIFFE

January 18, 1994

BY FAX (602) 542-3583

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

Re: Certificates of Participation California Statewide
Communities Development Authority Sisters of Charity of
Leavenworth Health Services Corporation

Montana Health Facility Authority Revenue Bonds, Series
1994 (Sisters of Charity of Leavenworth Health Services
Corporation)

City and County of Denver, Colorado Revenue Bonds,
Series 1994 (Sisters of Charity of Leavenworth
Health Services Corporation)

Mesa County, Colorado Revenue Bonds, Series 1994
(Sisters of Charity of Leavenworth Health Services
Corporation)

Shawnee County, Kansas Revenue Bonds, Series 1994
(Sisters of Charity of Leavenworth Health Services
Corporation)

Dear Ms. Block:

After a review of the Arizona Securities Act
(the "Act"), and the published no action letters and policy
statements we requested that your office issue no action letters
that these offerings are exempt from registration in Arizona
pursuant to Section 44-1843.A.1 of the Act.

Please see my five letters requesting "no-action" and
follow up letter of January 12, 1994 for a more indepth
discussion of the offerings.

NY1-42099.1

40181-71-MRM-D1/18/94

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**ORRICK, HERRINGTON
& SUTCLIFFE**

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Page 2

To summarize, because of the fact that the source of payment for all these securities is the Sisters of Charity of Leavenworth Health Services Corporation, (herein, and in the above-referenced five letters I forwarded to you previously, the "Corporation"), a not-for-profit entity, we would argue that these offerings are not of the type to be excluded from the exemption under Section 44-1843.01 5 of the Act. The exemption is taken away by Section 44-1843.01 5. of the Act 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 Corporation's hospitals may have some "skilled nursing facilities" or other excluded types of facilities. However, the exclusion in Section 44-1843.01 5. continues on to provide that such securities are excluded only if they are not fully secured by payments to be 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 the Corporation, whose revenues secure payment on the Bonds and Certificates, operates through its Restricted Affiliates, operates eight acute care hospitals located in California, Colorado, Kansas and Montana.

In our conversation last week, you asked me to elaborate on the ownership of the Restricted Affiliates by the Corporation. As described on page 5 of the Preliminary Official Statement forwarded to you earlier, the Corporation is able to control the affairs of each Restricted Affiliate because it is the sole "corporate member" of each Restricted Affiliate. The Restricted Affiliates are organized as nonprofit corporations. I have attached copies of sections from the nonprofit statutes in California, Colorado, Kansas and Montana which describe "members" of these corporations.

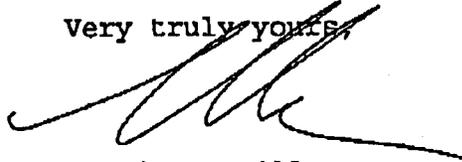
As to your request for information regarding the California Statewide Communities Development Authority ("CSCDA"), I have herein attached the "California Test" for the CSCDA.

ORRICK, HERRINGTON
& SUTCLIFFE

Leslie Block
January 18, 1994
Page 3

Please feel free to contact me with any comments or
questions you may have at (212) 326-8834.

Very truly yours,



Martin R. Miller