

MARCIA WEEKS  
CHAIRMAN

RENZ D. JENNINGS  
COMMISSIONER

DALE H. MORGAN  
COMMISSIONER



ARIZONA CORPORATION COMMISSION

JAMES MATTHEWS  
EXECUTIVE SECRETARY

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

January 4, 1995

Robert J. Hackett, Esq.  
Fennemore Craig  
Two North Central Avenue, Suite 2200  
Phoenix, AZ 85004-2390

RE: Industrial Development Bonds, Pima Utility Company and SaddleBrooke Utility  
Company  
A.R.S. §§ 44-1843(A)(1) and 44-1843.01(A)(1)

Dear Mr. Hackett:

On the basis of the facts set forth in your letter of December 21, 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 (the "Act") should the transaction take place as set forth in your letter.

As this position is premised upon the facts set forth in your letter, it should not be relied upon 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.

We have attached a photocopy of your letter. 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:jb  
Attachment

LAW OFFICES

# FENNEMORE CRAIG

A PROFESSIONAL CORPORATION

CALVIN H. UDALL  
ARTHUR D. EHRENREICH  
NEAL KURN  
JOHN D. EVERROAD  
LOUIS F. COMUS, JR.  
RONALD J. STOLKIN  
MARK A. HEBVIG  
JOHN G. RYAN  
C. OWEN PAEPKE  
CYNTHIA L. SHUPE  
DAVID A. WEATHERWAX  
RAY K. HARRIS  
WILLIAM T. BURGHART  
CATHY L. REESE  
JAY S. KRAMER  
LORAL L. DEATHERAGE  
LESA J. STORRY  
ROBERT D. ANDERSON  
KAREN A. CURDISH  
MARK H. BRAIN  
ROBERT J. KRAMER  
DOLLY S. RAPP  
W. T. EGGLESTON, JR.  
RICHARD A. BARK  
JOSEPH P. MIKITISH  
MARK N. ROGERS  
ALAN S. HALL  
JAMES D. BURGES  
ERIN E. FLAHERTY

JAMES POWERS  
C. WEBB CROCKETT  
ROBERT P. ROBINSON  
JAMES W. JOHNSON  
DONALD R. GILBERT  
STEPHEN R. SAVAGE  
JAMES R. HUNT YORK  
LAUREN J. CASTER  
WILLIAM L. THORPE  
MICHAEL V. MULCHAY  
GRAEME HANCOCK  
MARGARET R. GALLOGLY  
MARK R. HERRIOT  
GREGG HANES  
CHRISTOPHER L. CALLAHAN  
JIM L. WRIGHT  
CHRISTOPHER P. STARING  
JOHN J. BALITIS, JR.  
THERESA DWYER  
SCOTT H. THOMAS  
JEAN M. SULLIVAN  
HOWARD M. SHANKER  
SELMA F. BAHAROGLU  
KAREN R. ROGERS  
CHRISTOPHER W. ZAHARIS  
KENDIS K. MUSCHEID  
SCOTT T. ASHBY  
JEFFREY C. THACKER

JAMES M. BUSH  
WILLIAM T. BOUTELL, JR.  
MICHAEL PRESTON GREEN  
F. PENDLETON GAINES, III  
RONALD L. BALLARD  
ROGER T. HARGROVE  
DAVID T. MADDOX  
LELAND M. JONES  
CHARLES M. KING  
PHILLIP F. FARGOTSTEIN  
RITA A. EISENFELD  
KAYE L. MCCARTHY  
ANDREW M. FEDERHAR  
PETER M. GERSTMAN  
ROBERT P. SIMBRO  
BRYAN A. ALBUE  
JANET W. LORD  
MARC L. SPITZER  
GARY H. ASHBY  
JON R. HULBURD  
KEITH L. HENDRICKS  
DOUGLAS J. GRIER  
DOUGLAS C. NORTHUP  
MARC H. LAMBER  
STACIE KEIM SMITH  
DEAN M. FINK  
LAUREL J. DAVIS  
SCOTT L. ALTES

EDWARD C. LEBEAU  
KENNETH J. SHERK  
PHILIP A. EDLUND  
ROBERT J. HACKETT  
TIMOTHY J. BURKE  
WILLIAM L. KURTZ  
GEORGE T. COLE  
TIMOTHY BERG  
DAVID T. COX  
PAUL J. MOONEY  
DAVID N. HEAP  
SCOTT M. FINICAL  
DOUGLAS E. McALLISTER  
KAREN CIUPAK MCCONNELL  
REBECCA LYNN BURNHAM  
J. BARRY SHELLEY  
JOHN RANDALL JEFFERIES  
JAMES J. TRIMBLE  
PAUL SALA  
JANICE PROCTER-MURPHY  
ANN-MARTHA ANDREWS  
ELIZABETH M. BEHNKE  
STEPHEN A. GOOD  
RICHARD A. KASPER  
DEWAIN D. FOX  
MICHAEL L. KAPLAN  
MARY BETH PHILLIPS  
LORIL L. VOEPEL

PHILIP E. VANAMMON  
OTTO S. SHILL  
*Of Counsel*

SUITE 2200  
TWO NORTH CENTRAL AVENUE  
PHOENIX, ARIZONA 85004-2390  
(802) 257-8700  
FACSIMILE: 802-257-8527

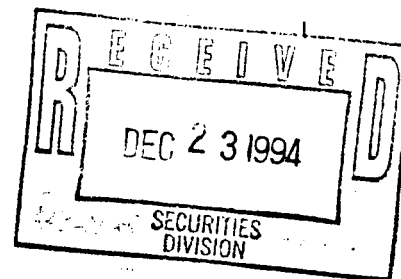
SUITE 290  
6263 NORTH SCOTTSDALE ROAD  
SCOTTSDALE, ARIZONA 85250-5402  
(802) 257-5400  
FACSIMILE: 602-257-5409

SUITE 1030  
ONE SOUTH CHURCH AVENUE  
TUCSON, ARIZONA 85701-1620  
(802) 791-8800  
FACSIMILE: 602-791-8820

WRITER'S OFFICE AND DIRECT LINE  
PHOENIX (802) 257-5761

December 21, 1994

Arizona Corporation Commission  
Securities Division  
1300 West Washington  
Third Floor  
Phoenix, Arizona 85007



Re: No-Action Letter Request in Connection with the Issuance of Industrial Development Bonds to be Used to Provide Waste Water Treatment Facilities

Ladies and Gentlemen:

We are project counsel to Pima Utility Company ("Pima") and SaddleBrooke Utility Company ("SaddleBrooke") in connection with the proposed issuance and sale of bonds by the Industrial Development Authority of the County of Maricopa (the "Authority") to finance waste water treatment plants to be constructed by Pima and SaddleBrooke, respectively. We are writing on behalf of Pima and SaddleBrooke to request that the Division issue a no action letter under the Arizona Securities Act, A.R.S. § 44-1801 *et seq.* (the "Act"), indicating that the Division will not recommend enforcement action for violation of the Act if the bonds are sold without registration under the Act. For the reasons stated herein, we believe that the bonds are exempt from registration pursuant to Sections 44-1843(A)(1) and 44-1843.01(A)(1) of the Act as bonds the proceeds of which are to be used to provide "sewage or solid waste disposal facilities." A \$200 check for the filing fee in connection with a no action letter request is enclosed.

FENNEMORE CRAIG

Arizona Corporation Commission

December 21, 1994

Page 2

The proceeds of the bonds will be used for the construction of the Pima Utility Waste Water Treatment Plant (the "Pima Plant") and the SaddleBrooke Waste Water Treatment Plant (the "SaddleBrooke Plant" and collectively with the Pima Plant, the "Plants"). The Plants will include automatic headworks with fine screens and flow measurement, sewage treatment plants which remove organic material, disinfection using ultraviolet lamps and tertiary filters. The effluent quality will allow open access reuse irrigation and will be acceptable for recharge of the aquifer. Excess solids and sludge will be dewatered and processed to allow disposal under applicable regulations. The Plants will enable Pima and SaddleBrooke to provide sewage service in compliance with applicable environmental laws to existing and future customers within their respective service areas.

The bonds will be issued by the Authority, a political subdivision of the State of Arizona. Section 44-1843(A)(1) of the Act exempts from the Act's registration requirements, among other things, securities issued by a political subdivision of a state. This exemption does not apply, however, to securities regulated pursuant to Section 44-1843.01. Section 44-1843.01(A)(1) provides that industrial development bonds as defined in Section 103 of the Internal Revenue Code of 1954, as amended (the "Code"), are not exempt from the registration requirements of the Act unless (a) certain filing and other requirements contained in Section 44-1843.01(B) are met or (b) substantially all of the proceeds of the bonds are to be used to provide, among other things, "sewage or solid waste disposal facilities." We believe that the Plants, which will, among other things, treat excess solids and sludge in such a manner as to allow disposal under applicable regulations, constitute "sewage or solid waste disposal facilities." The regulations promulgated under Section 103 of the Code confirm this analysis. See 26 C.F.R. § 1.103-8(f)(2)(i) ("The term 'sewage disposal facilities' means any property used for the collection, storage, treatment, utilization, processing, or final disposal of sewage.") (emphasis added); see also A.A.C. R18-9-701(18) ("'Wastewater treatment plant' encompasses all of the processes, devices, structures, and earth-works which are used for treating wastewater for disposal and reuse . . ."). Thus, we also believe that the bonds are exempt from the registration requirements of Sections 44-1841 and 44-1842 and from the filing and other requirements of Section 44-1843.01(B).

FENNEMORE CRAIG

Arizona Corporation Commission

December 21, 1994

Page 3

If you concur with our view that the bonds are exempt from such requirements, please so indicate in a no-action letter. We appreciate your assistance with respect to this matter. If you have any questions or require any additional information, please do not hesitate to contact me.

Very truly yours,



Robert J. Hackett

RJH/wte  
Enclosure