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ARIZONA CORPORATION COMMISSION

*Statute*

JAMES MATTHEWS  
EXECUTIVE SECRETARY

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

July 21, 1993

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

RE: California Statewide Communities Development Authority  
Certificates of Participation  
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 letter of July 16, 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 letter.

As this position is premised upon the facts set forth in your letter, 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,

Handwritten signature of Dee Ridell Harris.

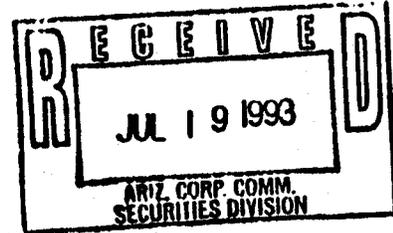
DEE RIDDELL HARRIS  
Director of Securities

DRH:lb

Attachment

**O**RRICK, HERRINGTON  
& SUTCLIFFE

July 16, 1993



**FEDERAL EXPRESS**

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

Re: Certificates of Participation  
Evidencing Proportionate Interests of the Holders  
Thereof In Installment Payments to be Paid by  
California Statewide Communities Development  
Authority to Certain Members of the  
Catholic Healthcare West Obligated Group

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 public entity of California.

The California Statewide Communities Development Authority, (the "Authority") is a public entity organized pursuant to a joint powers agreement among a number of California counties and cities entered into pursuant to the provisions relating to the joint exercise of powers provisions contained in Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the California Government Code. The Authority is authorized to issue industrial revenue bonds pursuant to the California Industrial Development Financing Act for the purpose of providing industry with alternative methods of financing the acquisition, construction or rehabilitation of facilities. The Authority is also authorized to participate in financings for the benefit of nonprofit corporations described in Section 501(c)(3) of the Internal Revenue Code of 1986, such as the Health Institutions.

NY1-27009.1

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The Certificates of Participation (the "Certificates") evidence proportionate interests of the Holders thereof in installment payments (the "Installment Payments") to be made by the California Statewide Communities Development Authority (the "Authority") in connection with the purchase of certain real property and improvements (the "Real Property") from Methodist Hospital of Sacramento ("Methodist") and St. John's Regional Medical Center ("St. John's," and together with Methodist, the "Health Institutions", each a California nonprofit public corporation.

Pursuant to an Installment Purchase Agreement, dated as of July 1, 1993 (the "Purchase Agreement"), between the Authority and the Health Institutions, the Health Institutions will sell the Real Property to the Authority and the Authority will agree to make Installment Payments. Simultaneously, the Authority will sell the Real Property back to the Health Institutions pursuant to an Installment Sale Agreement, dated as of July 1, 1993 (the "Sale Agreement"), among the Health Institutions, the Authority and Catholic Healthcare West (the "Corporation"), a California nonprofit public benefit corporation, and the Health Institutions and the Corporation will agree to make installment payments to the Authority (the "Purchase Payments"). The Sale Agreement requires the Purchase Payments to be sufficient in an amount to pay, when due, the Installment Payments.

The Health Institutions will assign their right to receive Installment Payments to First Interstate Bank of California, as trustee (the "Trustee"), pursuant to a Trust Agreement, dated as of July 1, 1993, among the Authority, the Corporation, the Health Institutions and the Trustee. The Certificates will be delivered pursuant to the Trust Agreement and evidence the proportionate interests of the Holders thereof in the Installment Payments.

The Corporation is presently the parent (directly or indirectly) of eight California nonprofit public benefit corporations (including the Health Institutions), which operate fourteen acute care hospitals in California. The Corporation is

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also the sole corporate member of an Arizona nonprofit corporation which operates an acute care hospital in Arizona, and is the sole corporate member of a Nevada nonprofit corporation which operates an acute care hospital in Nevada. The Corporation and such corporations have entered into a Master Indenture (the "Master Indenture"), as more fully described in Appendix A of the draft preliminary official statement. The Corporation and such other corporations are referred to herein collectively as the "Obligated Group" and individually as an "Obligated Group Member."

Concurrently with the execution and delivery of the Sale Agreement, the Corporation, on behalf of itself and the rest of the Obligated Group, will deliver to the Trustee Obligation No. 25 ("Obligation No. 25") issued under the Master Indenture. Obligation No. 25 will obligate the Obligated Group to make payments to the Trustee in an amount sufficient to pay, when due, the Purchase Payments due from the Health Institutions under the Sale Agreement. Obligation No. 25 will be a joint and several obligation of the Obligated Group Members and will entitle the Trustee, as the holder of Obligation No. 25, to the benefit of the covenants, restrictions and other obligations imposed on the Obligated Group under the Master Indenture.

The Purchase Agreement and Sale Agreement have been entered into to provide funds to the Health Institutions through the purchase and sale of certain health facilities belonging to the Health Institutions. The proceeds received from the sale of the Certificates will be used, along with other available funds, to (1) refinance certain outstanding indebtedness of the Corporation (2) reimburse the Corporation for certain moneys advanced to St. John's Regional Medical Center, the proceeds of which were used for the acquisition of Pleasant Valley Hospital and (3) pay costs of financing. For a further description of the use of sale proceeds, see "PLAN OF REFUNDING" and "THE PROJECT" in the draft preliminary official statement.

The Certificates evidence proportionate interests of the holder thereof in the Installment Payments to be made by the

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Authority a public entity of California, therefore we would argue the Certificates are exempt under Section 44-1843.A.1 of the Act.

The Certificates will also be secured by a municipal bond insurance policy to be provided by Municipal Bond Investors Assurance Corporation.

The Certificates 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 the purchase of a 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 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 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 Certificates 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 Health Institutions under the Sale Agreement and thus payment on the Certificates, 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 Certificates are also secured by a municipal bond insurance policy, 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 certificateholder, is added to the offering.

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

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Enclosed is a check in the amount of \$200 for the fee for our request. As I mentioned to Ms. Naefach of your office, a draft of the preliminary official statement will be forwarded to your office under separate cover.

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

Very truly yours,

*Martin R. Miller (MRS.)*

Martin R. Miller

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