ARIZONA CORPORATION COMMISSION

BRIAN C. McNEIL
EXECUTIVE SECRETARY

MARK SENDROW
DIRECTOR

SECURITIES DIVISION
1300 West Washington, Third Floor
Phoenix, AZ 85007-2996
TELEPHONE: (602) 542-4242
FAX: (602) 594-7470
E-MAIL: accsec@ccsd.cc.state.az.us

January 26, 2000

Sherrill A. Corbett, Esq.
Tonkon Torp, LLP
1600 Pioneer Tower
888 SW Fifth Avenue
Portland, OR 97204

RE: MMI Holdings, Inc.
S-0062979-NOAC
A.A.C. R14-4-137

Dear Ms. Corbett:

The Securities Division has reviewed MMI Holding Inc.'s no-action request dated December 6, 1999, and supplement letters dated January 6 and January 24, 2000. On the basis of the information set forth in these letters, the Securities Division declines to issue a no-action letter.

MMI Holdings, Inc. requested a no-action position for an exchange of securities incident to a voluntary merger and reorganization. In the request, MMI Holding, Inc. asserts that the transactions should be exempt from Arizona registration requirements pursuant to A.A.C. R14-4-137 ("rule 137"). Rule 137 only exempts an issuance of securities made *pursuant to* a final judgment or order of a federal or state court of competent jurisdiction or other governmental authority. Rule 137 would not, therefore, exempt transactions that are merely incident to a voluntary reorganization.

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. This letter should not be construed as indicating that MMI Holdings, Inc. has violated the Securities Act of Arizona. MMI Holdings, Inc. may rely on any other exemption for which it qualifies. I have attached a photocopy of your letter containing the facts upon which this position is based.

Very truly yours,

Mark Sendrow

MARK SENDROW
Director of Securities

MS:km
Attachment

Tonkon Torp LLP
ATTORNEYS

1600 Pioneer Tower
888 SW Fifth Avenue
Portland, Oregon 97204
503-221-1440

SHERRILL A. CORBETT

(503) 802-2049
FAX (503) 972-3749
sherrill@tonkon.com

December 6, 1999

VIA FEDERAL EXPRESS
W. Mark Sendrow, Director
1300 West Washington Street,
Third Floor
Phoenix, Arizona 85007-2996

Re: No-Action Request

Dear Mr. Sendrow:

Recently we contacted your office concerning a reorganization transaction being undertaken by MMI Holdings, Inc., a Delaware corporation (the "Issuer). In such restructuring, eight Arizona residents will receive shares of the Issuer's Common Stock and Preferred Stock and three Arizona residents will receive options to purchase shares of the Issuer's Common Stock. Your office suggested we write a letter requesting no-action relief from the Securities Division with respect to such issuance. Your office indicated that the Division has previously granted this type of relief in other no-action letters it has issued in the past.

Summary of the Restructuring

Medical Management International, Inc. ("MMI") is a Delaware corporation with its principal place of business in Portland, Oregon. MMI was formed in 1994. MMI owns and manages VetSmart Pet Hospitals and Health Centers ("VetSmart Hospitals"), which are located primarily within or adjacent to pet supply superstores owned and operated by PETsMART, Inc., a Delaware corporation ("PETsMART"). VetSmart Hospitals, as a component of the PETsMART superstore concept, provide pet owners a broad assortment of pet products and services in a one-stop-shopping atmosphere. As of August 31, 1999, MMI and affiliated entities operated 116 VetSmart Hospitals, located in PETsMART superstores in 10 states. Due to state regulation of veterinary medicine, certain of the VetSmart Hospitals are operated through sublease and license agreements with professional corporate entities. For example, MMI's facilities in Oregon are operated through A Caring Doctor P.C.

The Issuer is a wholly-owned subsidiary of MMI. MMI Acquisition Corp., a Delaware corporation ("Merger Sub"), is a wholly-owned subsidiary of Issuer. Both

corporations were formed for the purpose of effecting the reorganization described below. MMI, Issuer and Merger Sub plan to effect a reorganization of MMI the result of which will be that MMI will become a wholly-owned subsidiary of Issuer.

Issuer was a wholly-owned subsidiary of MMI and Merger Sub was a wholly-owned subsidiary of Issuer. Section 251(g) of the Delaware General Corporation Law ("DGCL") allows a Delaware corporation to reorganize by merging with or into a direct or indirect wholly-owned subsidiary of a "holding company" (as defined below) without stockholder approval, provided certain conditions are met. The parties availed themselves of Section 251(g) by merging Merger Sub with and into MMI and converting all of the outstanding shares of stock of MMI into comparable shares of stock of Issuer, thus creating a holding company structure whereby MMI became a wholly-owned subsidiary of Parent (the "Merger").

To create a "holding company" pursuant to Section 251(g), the prospective holding company must be a Delaware corporation which, from its incorporation until consummation of a merger governed by Section 251(g), was at all times a direct or indirect wholly-owned subsidiary of the constituent corporation and whose capital stock is issued in such merger. Issuer, as a wholly-owned subsidiary of MMI and whose capital stock is being issued in the Merger, qualifies as a holding company under Section 251(g).

To effect the Merger pursuant to Section 251(g), the Board of Directors of MMI, Issuer and Merger Sub, respectively, have adopted resolutions approving an Agreement of Merger and declaring its advisability. The Agreement of Merger provides the terms and conditions of the merger and the mode of carrying the same into effect.

The Certificate of Merger was filed with the Delaware Secretary of State and became effective on November 19, 1999.

As provided in the Agreement of Merger, each share of MMI capital stock outstanding immediately prior to the effective time of the Merger was converted into a share of capital stock of Issuer having the same designations, rights, powers and preferences, and the qualifications, limitations and restrictions thereof, as the share of stock of MMI being converted in the Merger. As of the effective date of the Merger, there were 13,166,075 shares of MMI capital stock outstanding, comprised of 8,236,471 shares of Common Stock and 4,929,604 shares of Preferred Stock.

The Certificate of Incorporation and Bylaws of Issuer immediately following the effective time of the Merger contained provisions identical to the current Certificate of Incorporation and Bylaws of MMI. As a result of the Merger, MMI became a wholly owned subsidiary of Issuer. The Directors of MMI became the Directors of Issuer. The Board of Directors of MMI believes that the stockholders of MMI will not recognize gain or loss for United States federal income tax purposes in connection with the Merger. The corporate names of Issuer and MMI following the Merger are unchanged.

The Merger is exempt from registration under the United States Securities Act of 1933, as amended (the "Securities Act"), through the exemption provided by Section 3(a)(10) of the Securities Act, which exempts from registration securities issued in exchange for one or more bona fide outstanding securities where the terms and conditions of such issuance and exchange are approved, after a hearing upon the fairness of such terms and conditions at which all persons to whom it is proposed to issue securities in such exchange have the right to appear, by any State governmental authority authorized by law to grant such approval. The fairness hearing was held on November 18, 1999 before the Oregon Department of Consumer and Business Services, a governmental body authorized by law to grant such approval, and an Order of Registration and Approval of the Merger was issued pursuant, thereto. All persons receiving securities in the reorganization transaction were given notice of such hearing on October 18, 1999 and were given the opportunity to appear at such hearing. Copies of the Notice of Hearing and the order (together with the findings of fact evidencing the finding of fairness) are enclosed herewith for your review. Although the order is dated November 18, 1999, we only received a final copy on December 3, 1999.

Exemption Provided by Section R14-4-137 of the Arizona Blue Sky Regulations

Section R14-4-137 of the Arizona Blue Sky Regulations provides an exemption that parallels the exemption provided by Section 3(a)(10) of the Securities Act. The Issuer would have been able to utilize such exemption except that it did not provide a copy of the Notice of Hearing to the Securities Division more than ten calendar days prior to the hearing.

Request for No-Action Letter

In light of the determination of fairness made with respect to the restructuring by the Oregon Department of Consumer and Business Services, the nature of the Merger, and the exemption currently provided by Section R14-4-137 of the Arizona Blue Sky Regulations, we respectfully request your concurrence that the reorganization transaction described above either qualifies for an exemption or will not require registration of the securities to be issued, the issuer as a broker-dealer or an officer or employee of the Issuer as an agent. A check in the amount of $200.00 is enclosed in payment of the prescribed fee.

In addition, the Arizona Corporation Commission, Director of Securities, has in the past granted such relief in similar circumstances. See No-Action Letter for Wired Ventures Inc, May 1996, ¶ 9695W. See also No-Action Letter for Washington Construction Group Inc. September 1996, ¶ 9696B (taking no-action regarding a company's failure to file the Notice of Hearing within ten days prior to the bankruptcy court hearing); No-Action Letter for Cerulean Companies, Inc., May 1996, ¶ 9695V (taking no-action for a company's failure to file appropriate notice after the Georgia insurance commission approved the merger after a determination of best interest and fairness and stating that in order to perfect the Rule 14-4-137 exemption, the issuer would be required to file with the Commission one copy of the final

signed order of the court); No-Action Letter for York Research Corp., January 1994, ¶ 9684 (taking no-action upon a company's failure to file the proper notice prior to the hearing and after a judge approved the securities issuance in a class-action suit); No-Action Letter for Quidel Corp., May 1992, ¶ 9637 (taking no-action for a company's failure to file notice prior to and after a judicially approved class action settlement involving securities issuance stating that in order to perfect the Rule 14-4-137 exemption, the issuer would be required to file with the Commission one copy of the final signed order of the court).

Since the transaction has already closed, your prompt attention to this matter would be greatly appreciated. Also, we would request that you keep the name of the parties involved in this transaction confidential.

Very truly yours,

Sherrill A. Corbett

SAC/SAC
Enclosures

BEFORE THE DIRECTOR

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

OF THE STATE OF OREGON

In the matter of the Exchange of Securities of MMI Holdings, Inc. for the Securities of Medical Management International, Inc.	)))	FINDINGS OF FACT

This matter came for hearing at Portland, Oregon, before Patricia A. Locnikar, Chief of Licensing and Registration acting as Hearings Officer for the Director, on November 18, 1999. Ms. Locnikar considered the request of Medical Management International, Inc. ("MMI") to approve the proposed plan to exchange the securities of MMI for securities of MMI Holdings, Inc. ("MMI Holdings") pursuant to an Agreement and Plan of Merger as set forth in the Notice of Hearing on Plan to Exchange Securities dated October 14, 1999.

Bruce G. Berning, Secretary of MMI and partner in the law firm of Tonkon Torp LLP, which serves as counsel to MMI, and Robert A. Bruce, Senior Vice President and Chief Financial Officer of MMI, were present and made statements and gave testimony. Robert L. Shuler, a shareholder, and Eric Mobius, an attorney representing another shareholder, were present but offered no testimony. Having examined the testimony of the witnesses, the arguments presented and having reviewed the evidence and comments of shareholders, the following findings of fact are entered:

FINDINGS OF FACT

I.

MMI, a corporation organized under Delaware law; MMI Holdings, a corporation

organized under Delaware law as a holding company and a wholly-owned subsidiary of MMI; and MMI Acquisition Corp., a corporation organized under Delaware law as a wholly-owned subsidiary of MMI Holdings, entered into an Agreement and Plan of Merger dated September 22, 1999 ("the Merger Agreement").

II.

Pursuant to the Merger Agreement, MMI will merge with and into MMI Acquisition Corp. and MMI will continue as the surviving corporation as a wholly owned subsidiary of MMI Holdings. ("the Plan) This transaction has been structured under §251 of the Delaware corporate code designed specifically to allow corporations to efficiently form holding companies. As the transaction involves a merger with a direct or indirect wholly-owned subsidiary, no shareholder vote is required for this merger. Delaware law does require that the Certificate of Incorporation of MMI be amended to require the vote of the shareholders of MMI Holdings for any action that requires a vote of the shareholders of MMI.

III.

The Merger Agreement has received the unanimous approval of the Board of Directors of MMI, MMI Holdings, and MMI Acquisition Corp.

IV.

The Plan provides for a non-taxable exchange of shares of MMI Holdings securities for the outstanding shares of MMI securities. Each outstanding share of MMI common stock, $.001 par value, issued and outstanding immediately prior to the merger shall be converted into one share of common stock, $.001 par value, of MMI Holdings. Each outstanding share of Series A Preferred Stock of MMI issued and outstanding immediately prior to the merger shall be

converted into one share of Series A Preferred Stock of MMI Holdings. Each outstanding share of Series B Preferred Stock of MMI issued and outstanding immediately prior to the merger shall be converted into one share of Series B Preferred Stock of MMI Holdings. Each outstanding share of Series C Preferred Stock of MMI issued and outstanding immediately prior to the merger shall be converted into one share of Series C Preferred Stock of MMI Holdings. Each outstanding share of Series D Preferred Stock of MMI issued and outstanding immediately prior to the merger shall be converted into one share of Series D Preferred Stock of MMI Holdings. Each outstanding share of Series E Preferred Stock of MMI issued and outstanding immediately prior to the merger shall be converted into one share of Series E Preferred Stock of MMI Holdings. Each option to purchase shares of MMI stock shall be converted into an option to purchase the same number of shares of stock, of the same class and series, of MMI Holdings. The rights, preferences, privileges, restrictions and other matters with respect to the MMI Holdings stock shall be identical to the rights, preferences, privileges, restrictions and other matters of the MMI stock being exchanged.

V.

A registration statement on Form U-1 covering the issuance of MMI Holdings common stock and MMI Holdings preferred stock issuable under the Plan and certain stock options to be assumed by MMI Holdings was filed with the office of the Director pursuant to the requirements of ORS 59.065. A Notice of Hearing on Plan to Exchange Securities was mailed to all shareholders and option holders of MMI on October 18, 1999. A hearing on the Plan was held pursuant to and in accordance with ORS 59.095, on November 18, 1999, at which time the fairness of the terms and conditions of the Plan were considered and approval of the Plan was

requested. MMI Holdings is making the proposed exchange to existing shareholders and option holders of MMI, and not for the purpose of a general offer to the public. No one will receive a commission or other compensation in connection with the exchange. Robert A. Bruce, Senior Vice President and Chief Financial Officer of MMI may provide assistance in connection with the proposed exchange. Mr. Bruce will be performing such services pursuant to his duties as an officer of MMI. An application for registration as a salesperson has been submitted on Form U-4 by Mr. Bruce.

OPINION

In accordance with ORS 59.095, the proponent of the Plan has elected to file a registration statement with the Director, and has requested that a hearing be held pursuant to that section. In compliance with the statute, the proponent has given notice to all shareholders and option holders to whom securities are to be issued in the proposed exchange. A hearing was called and held after due notice. Various aspects of the proposed Plan involve the approval of the Director. The Plan will not be consummated without the requisite approval being received. The procedure set forth in ORS 59.095 is designed to perfect an exemption from the registration requirements otherwise required by the Securities Act of 1933, as amended. To that end, the Director is to review the terms and conditions of the proposed Plan to determine if such terms and conditions are fair, just and equitable and free from fraud. In making that determination, the Director considers the proposed Plan in its entirety including, but not limited to, the terms and conditions of the proposed Plan and the notice and hearing procedures. Although the exchange of stock is considered by the Director, the Director's determination that the Plan is fair should not be viewed as an endorsement or recommendation.

CONCLUSION

The Director concludes that the proposed Plan under which shares of MMI Holdings are to be exchanged for the outstanding common stock, and Series A, B, C, D, and E Preferred Stock of MMI respectively, and under which options to purchase MMI Holdings stock are to be exchanged for options to purchase MMI stock, is fair, just and equitable and free from fraud, and an Order approving the Plan and an Order of Registration for MMI Holdings securities should be issued.

Dated as of: November 18, 1999.

MICHAEL GREENFIELD
Director of the Department of Consumer
and Business Services

By: Patricia A. Locnikar
Patricia A. Locnikar
Hearings Officer

"Certified to be a true and correct copy of the original"
Marjorie L. Hanssen

BEFORE THE DIRECTOR
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
OF THE STATE OF OREGON

In the matter of the Exchange of Securities of MMI Holdings, Inc. for the Securities of Medical Management International, Inc.	)))	ORDER OF REGISTRATION AND APPROVAL OF THE PLAN

MMI Holdings Inc. ("MMI Holdings") has proposed a plan to exchange common stock, $.001 par value per share, Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock, and Series E Preferred Stock of MMI Holdings ("MMI Holdings securities") for common stock, $.001 par value per share, Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock, and Series E Preferred Stock, respectively, of Medical Management International, Inc. ("MMI") pursuant to an Agreement and Plan of Merger among MMI Holdings, MMI, and MMI Acquisition Corp., a wholly-owned subsidiary of MMI Holdings, dated as of September 22, 1999 in a transaction in which MMI will merge with and into MMI Acquisition Corp. ("the Plan") In accordance with the Plan, shares of MMI Holdings securities and options to purchase securities will be issued to the shareholders and option holders of MMI in exchange for the securities and options of MMI all as set forth in the Plan filed with the Director for which notice was mailed to the shareholders and option holders of MMI. MMI Holdings has requested approval of the Plan and has filed a registration statement for the MMI Holdings securities proposed to be issued pursuant to the Plan. After examining, and in reliance upon, the registration statement and the exhibits attached thereto, and reviewing the evidence presented at a hearing held on November 18, 1999 pursuant to notice duly given under ORS 59.095, and after considering the terms and conditions of the

Plan, the Director finds:

The proposed Plan is fair, just and equitable and free from fraud and is hereby approved in accordance with the provisions of ORS 59.095 and ORS 59.065. Therefore,

IT IS ORDERED that the MMI Holdings securities are registered and Robert A. Bruce is licensed as a Salesperson in accordance with provisions of the Oregon Securities Law for a period of one year from the date hereof upon the terms and conditions set forth below:

1. Each share of MMI Holdings common stock, Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock, and Series E Preferred Stock, and each option to purchase stock shall be exchanged for the consideration and in the manner as represented in the registration statement and the Plan.

2. No representation shall be made in connection with the exchange of the MMI Holdings securities that this approval of the Plan or the Order of Registration constitutes an endorsement or recommendation thereof by the Director.

3. The Oregon Department of Consumer and Business Services, Division of Finance and Corporate Securities, shall be promptly notified of any material changes in the affairs of MMI Holdings, including changes in officers or directors, or material changes in the Plan, prior to the consummation of the Plan.

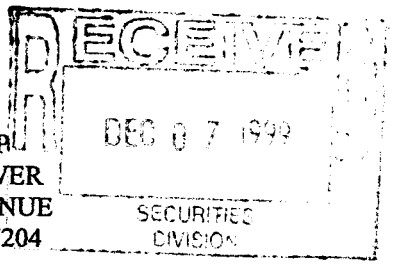
Dated as of: November 18, 1999.

MICHAEL GREENFIELD
Director of the Department of Consumer
and Business Services

By: Patricia A Locnikar
Patricia A. Locnikar
Hearings Officer

State of Oregon
Department of Consumer & Business Services
Division of Finance & Corporate Securities
350 Winter St. NE, Suite 410, Salem, Oregon 97301-3881
Phone: (503) 378-4387

ORDER OF SECURITIES REGISTRATION



Mailing Address:

BRUCE BERNING
TONKON TORP LLP
1600 PIONEER TOWER
888 SW FIFTH AVENUE
PORTLAND, OR 97204

ISSUER : MMI HOLDINGS INC ("MMIH")

11815 NE GLENN WIDING DRIVE
PORTLAND, OR 97220

FILE NO : 1999-1190
TOTAL OFFERING : $ 1
REGISTRATION DATE : 11/18/1999 EXPIRATION DATE : 11/17/2000

DESCRIPTION: Even exchange of all classes of stock

CONDITIONS OF REGISTRATION:

1. These securities shall be offered and sold in the manner and under the terms and conditions presented in the Application, including all amendments, exhibits and any other information filed with the Application.
2. No representation shall be made in connection with the offer or sale of these securities that this Order, in any way, constitutes an endorsement, approval, or a recommendation by the Director of the Department of Consumer and Business Services.
3. Any written disclosure materials used in connection with the offer and sale of securities subject to this Order shall be made available to each person to whom the securities are offered.

Additional Conditions :

CONTACT NAME: PATRICIA A. LOCNIKAR
CHIEF, LICENSING/REGISTRATION

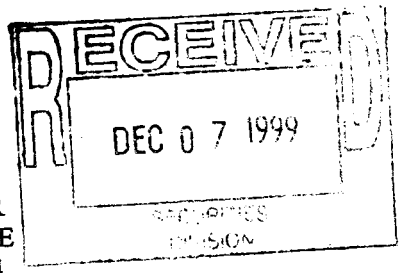
DEPARTMENT OF CONSUMER & BUSINESS SERVICES

Please include license number in any correspondence

Michael Greenfield, Director
Department of Consumer &
Business Services

State of Oregon
Department of Consumer & Business Services
Division of Finance & Corporate Securities
350 Winter St. NE, Suite 410, Salem, Oregon 97301-3881
Phone: (503) 378-4387

ORDER OF ISSUER SALESPERSON LICENSING



Mailing Address:

BRUCE BERNING
TONKON TORP LLP
1600 PIONEER TOWER
888 SW FIFTH AVENUE
PORTLAND, OR 97204

SALESPERSON : ROBERT BRUCE
ISSUER NAME : MMI HOLDINGS INC ("MMIH")
11815 NE GLENN WIDING DRIVE
PORTLAND, OR 97220

ISSUER FILE NO. : 1999-1190
LICENSE DATE : 11/18/1999 EXPIRATION DATE : 11/17/2000

CONTACT NAME : PATRICIA A. LOCNIKAR
CHIEF, LICENSING/REGISTRATION

DEPARTMENT OF CONSUMER & BUSINESS SERVICES

Please include license number in any correspondence

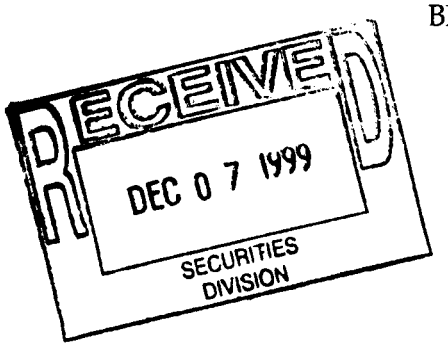
Michael Greenfield, Director
Department of Consumer &
Business Services

(LER4309F.DOT, 8162, PK, 9/15/1999)

BEFORE THE DIRECTOR OF THE DEPARTMENT

OF CONSUMER AND BUSINESS SERVICES

OF THE STATE OF OREGON



In the matter of the Exchange of Securities of MMI Holdings, Inc. for the Securities of Medical Management International, Inc.	)	NOTICE OF HEARING ON PLAN TO EXCHANGE SECURITIES

To: Stockholders of Medical Management International, Inc.

Medical Management International, Inc. ("MMI"), a Delaware corporation, proposes to merge with MMI Acquisition Corp. ("MMI Sub"), a wholly owned subsidiary of MMI Holdings, Inc., a Delaware corporation ("MMI Holdings"), pursuant to an Agreement and Plan of Merger among MMI Holdings, MMI Sub and MMI dated September 22, 1999 (the "Merger Agreement"). MMI will be the surviving corporation of the merger and will become a wholly owned subsidiary of MMI Holdings. Common stockholders of MMI will, by operation of law, receive in the merger in exchange for their shares of the common stock of MMI the same number of shares of common stock of MMI Holdings with the same rights, preferences and privileges as their shares of common stock of MMI. Preferred stockholders of MMI will, by operation of law, receive in exchange for their shares of Series A, Series B, Series C, Series D and Series E Preferred Stock, respectively, of MMI the same number of shares of Series A, Series B, Series C, Series D and Series E Preferred Stock, respectively, of MMI Holdings in the Merger. Holders of options to purchase common stock and Series E Preferred Stock of MMI will pursuant to the Agreement hold options exercisable for stock of MMI Holdings with the same designations, rights, preferences and privileges as the stock in MMI for which such holders held options immediately prior to the Merger. This exchange of capital stock of MMI Holdings in exchange for the capital stock of MMI is being made in part in reliance upon an exemption from registration under the Securities Act of 1933, as amended, which exemption requires the prior approval of the Director of the Oregon Department of Consumer and Business Services ("Oregon Director").

MMI has requested approval of the plan to exchange capital stock of MMI for the capital stock of MMI Holdings pursuant to the Merger Agreement (the "Plan"), and has filed a Registration Statement on Form U-1 (the "Registration Statement"), including a detailed Statement of the Plan of Exchange, with the Oregon Director. The Oregon Director will consider the fairness of the terms and conditions of the proposed Plan at a hearing to be held at 10:00 a.m. on Thursday November 18, 1999, at the offices of Tonkon Torp LLP, 1600 Pioneer Tower, 888 SW Fifth Avenue, Portland, Oregon 97204. All stockholders and option holders of MMI are invited to attend, to ask questions of representatives of MMI with respect to the proposed Plan and to express their views on the fairness of the Plan. Stockholders may also present their views and comments by letter directed to Patricia A. Locnikar, Division of Finance and Corporate Securities, 350 Winter Street NE, Room 410, Salem, Oregon 97310, by facsimile at 503-947-7862 or directly by telephone at 503-947-7486 or by email at patricia.a.locnikar@state.or.us. MMI Holdings requests

that stockholders send a copy of any such letter to counsel of MMI Holdings, Tonkon Torp LLP, 888 SW Fifth Avenue, Suite 1600, Portland, Oregon 97204, attention: Bruce G. Berning. The Oregon Director will either approve the Plan, approve the Plan subject to certain conditions, limitations or restrictions, or deny approval of the Plan.

Approval of the Plan by the Oregon Director will not signify an endorsement or recommendation by the Oregon Director. Such approval provides an exemption for the MMI Holdings securities issuable in the Plan from registration under federal securities laws. Stockholder approval of the Plan is not required under Section 251(g) of the Delaware General Corporations Law. The approval of the Oregon Director is a legal prerequisite for MMI Holdings to exchange the securities, and to consummate the Plan.

MEDICAL MANAGEMENT INTERNATIONAL, INC.

By: _____
Senior Vice President and
Chief Financial Officer

Dated: October 14, 1999

7566-122/275036v4

SAC

STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCE AND CORPORATE SECURITIES
SECURITIES SECTION
350 Winter Street Ne, Salem, Oregon 97310-0768
(503) 378-4387

COPY

In the matter of:

THE EXCHANGE OF SECURITIES OF MMI HOLDINGS, INC. FOR THE SECURITIES OF MEDICAL MANAGEMENT INTERNATIONAL, INC.

CERTIFICATE OF SERVICE

I hereby certify that I served the within:

FINDINGS OF FACT

and

ORDER OF REGISTRATION AND APPROVAL OF THE PLAN

on the **30th** day of **November, 1999,** by sending a true copy by regular and certified mail **Z 228 870 499** addressed to:

BRUCE G. BERNING, Esq.
TONKON TORP, LLP
Attorneys at Law
1600 Pioneer Tower
888 SW Fifth Avenue
Portland, Oregon 97204

I further certify that I placed the true copy in a sealed envelope and forwarded said envelope to the central mailroom service for the Department of Consumer and Business Services. The central mailroom service deposited said envelope with the U.S. Postal Service in Salem, Oregon.

Signed by: Marjorie L. Hannan

Title: Office Specialist II

Division of Finance and Corporate Securities

Tonkon Torp LLP
ATTORNEYS

1600 Pioneer Tower
888 SW Fifth Avenue
Portland, Oregon 97204
503-221-1440

SHERRILL A. CORBETT

(503) 802-2049
FAX (503) 972-3749
sherrill@tonkon.com

January 6, 2000

VIA FEDERAL EXPRESS
Kurt Merritt
Arizona Corporation Commission
Securities Division
1300 West Washington Street,
Third Floor
Phoenix, Arizona 85007-2996

Re: No-Action Request – MMI Holdings, Inc.

Dear Mr. Merritt:

At your request I am writing this letter to confirm the date on which the Order of Registration and Approval of the Merger issued by the Oregon Department of Consumer and Business Services is no longer appealable. Pursuant to Oregon Revised Statutes sec. 183.484, the final order is appealable until January 29, 2000.

Please don't hesitate to call me with any further questions.

Very truly yours,

Sherrill A. Corbett

SAC/SAC
Enclosures

Tonkon Torp LLP
ATTORNEYS

1600 Pioneer Tower
888 SW Fifth Avenue
Portland, Oregon 97204
503-221-1440

SHERRILL A. CORBETT

(503) 802-2049
FAX (503) 972-3749
sherrill@tonkon.com

January 24, 2000

VIA FACSIMILE AND FEDEX
Kurt Merritt
Arizona Corporation Commission
Securities Division
1300 West Washington Street,
Third Floor
Phoenix, Arizona 85007-2996

Re: No-Action Request – MMI Holdings, Inc.

Dear Mr. Merritt:

As discussed in my letter of December 6, we are counsel to MMI Holdings, Inc. (the "Company" or "MMIH") in connection with its issuance of stock and options pursuant to an exchange of securities with shareholders and option holders of Medical Management International, Inc. ("MMI"), the terms of which were approved at a fairness hearing held by the Oregon Department of Consumer and Business Services. Pursuant to our conversation on January 21, 2000, I am writing to provide additional information in support of our original no-action letter request.

Washington Construction Group, Inc. No-Action Letter ¶9696B

In the course of our telephone conversations, you indicated that it appeared that the Arizona Securities Commission had not previously granted no-action relief in circumstances similar to the Company's where the transaction had already been completed and the no-action request was submitted *ex post facto*. Upon further review of the no-action letters cited in my original letter, it appears that Washington Construction Group, Inc. was granted no-action relief when it submitted its no-action request after the merger had been completed.

In Washington Construction Group's letter to the Arizona Securities Commission dated September 12, 1996, it indicated that the merger was effected on September 11, 1996, but that the securities would not actually be issued until on or about October 1, 1996, due to certain conditions related to the merger. Upon review of the full text of the Restructuring and Merger Agreement by and among Washington Construction Group, Inc. and Morrison Knudsen Corporation dated May 28, 1996 filed as an exhibit to Washington Construction

Group's Form 8-K filed on May 31, 1996 (which Agreement was the subject of the no-action request in Arizona), it appears that securities were issued on the date the merger was effective, September 11, 1996, and the only condition to issuance of the new securities referred to in the no-action request was surrender of the former stock certificates. The relevant portion of Section 3.4 of the Agreement states as follows:

> At the Effective Time [September 11, 1996], by virtue of the [joint plan of reorganization (the "Plan")] and without any action on the part of the parties hereto, the shares of [Morrison Knudsen] Common Stock issued and outstanding immediately prior to such time (including without limitation all shares held in court-approved settlement funds), which will be cancelled pursuant to the Plan, will be converted on a pro rata basis into the right to receive warrants (the "Surviving Corporation Warrants") to purchase an aggregate of 2,765,000 shares of Surviving Corporation Common Stock (subject to adjustments for rounding as provided herein) at an exercise price of $12.00 per share.

The process for receipt of these warrants is explained in Section 3.6 of the Agreement which states:

> From and after the Effective Date [September 11, 1996], each holder of an outstanding certificate which immediately prior to the Effective Date represented outstanding shares of [Morrison Knudsen] Common Stock shall be entitled to receive in exchange therefor, upon surrender thereof to the Disbursing Agent, a certificate or certificates representing the number of whole Surviving Corporation Warrants into which such holder's shares were converted. After the filing of the Merger Certificate, there shall be no further registration of transfers of [Morrison Knudsen] Common Stock and holders of certificates representing [Morrison Knudsen] Common Stock shall not enjoy the rights and privileges of holders of the [Morrison Knudsen] Common Stock other than to exchange the certificates for Surviving Corporation Warrants. As soon as reasonably practicable after the Effective Time [September 11, 1996], [Washington Construction] will instruct the Disbursing Agent to mail to each holder of record of certificates representing shares of Company Common Stock (i) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to such certificates shall pass, only upon proper delivery of such certificates to the Disbursing Agent and shall be in such form and have such other provisions as Parent may reasonably specify) and (ii) instructions to effect the surrender of such certificates in exchange for the Surviving Corporation Warrants.

As you can see from the relevant provisions above, on September 11, 1996, **the day before no-action relief was requested**, shareholders received "rights" to obtain securities.

These "rights" fall within the definition of security under Arizona law, which defines a security as " any note, stock, treasury stock, bond, commodity investment contract, commodity option, . . . or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or **right to subscribe to or purchase**, any of the foregoing." Sec. 44-1801 (23) (emphasis added). Therefore, on September 11, 1996, a security was issued to shareholders.

In addition, the physical issuance of the new warrant certificate was contingent only upon receipt of the former company's stock certificate. Moreover, if the certificate was not surrendered, Washington Construction could not have avoided treating such person as a warrantholder because as a matter of law the companies were merged and the security exchange was effective. Surrender of the stock certificate is not a pre-requisite to being treated as a warrantholder of the merged company under Delaware law or under the terms of the merger agreement.

Similar to the case with MMIH, nothing further needed to be done legally to accomplish the merger or issue the new warrant of Washington Construction, only a physical act of surrendering the old certificate. MMIH chose not to issue new certificates but instead MMI stock was automatically converted into MMIH stock as a matter of law. The fact that the mergers were effective for both MMIH and Washington Construction Group prior to the request for no-action relief argues that both companies should be treated the same by the Arizona Securities Commission. The fact that MMIH chose not to issue new stock certificates and Washington Construction Group did should bear no weight, since in each case a security was legally issued prior to request of no-action relief and, in the case of Washington Construction the Arizona Securities Commission granted the requested relief. We ask that the same action be taken here.

Legislative Intent

In the course of our telephone conversations you also mentioned that there is concern within the Arizona Securities Commission as to the "true" legislative intent of the meaning of R14-14-137. Based on what you have told me, your records indicate that the Arizona Securities Commission may have originally recommended adopting this rule as a result of a number of no-action requests received from issuers that were required to issue stock pursuant to court orders under class action settlements or bankruptcy reorganizations and that seeking registration in Arizona of such issuance could be inconsistent with the court orders. In light of the number of requests, Arizona decided to adopt a rule exempting such issuances from registration. However, the language of the rule suggests that, although originally adopted in response to specific facts such as class action settlements and bankruptcy reorganizations, the legislature thought that other fact patterns could arise that should also be exempt from registration under the same reasoning.

R14-4-137 applies to "[a]n issuance of securities in exchange for bona fide claims or property interests within or from this State which is made pursuant to a final judgment or

order, in either event no longer subject to appeal, of a federal or state court of competent jurisdiction or **other governmental authority** expressly authorized by law, and where the terms and conditions of such issuance are approved . . ." (emphasis added). Had the legislature intended the rule to cover only class action settlement orders and bankruptcy reorganization orders, the rule would have referred only to federal or state courts of competent jurisdiction as these are the only governmental bodies authorized to approve such settlements and reorganizations. But the legislature included the words "or other governmental authority" and such words must be given meaning under statutory interpretation. The Supreme Court of Arizona has held that every part of the statute must be given meaning so that no part is rendered superfluous, void, contradictory or insignificant. Devenir Associates v. City of Phoenix, 169 Ariz. 500 (1991). This requires that orders issued by governmental bodies other than courts are eligible for inclusion within this exemption. If the reference to "other governmental authority" is to be given meaning, an order issued by a state commissioner after approval of a transaction upon the fairness of its terms should also be exempt under this language. Otherwise, the language would be superfluous and have no meaning, since only courts can issue orders on class action settlements and bankruptcy reorganizations. Inclusion of this langue in the statute supports the conclusion that the order issued by the Oregon Department of Consumer and Business Services to MMIH authorizing and approving the exchange of shares should be exempt in Arizona under R14-4-137 and no-action relief therefore granted to MMIH.

Requiring Registration is Not Necessary for the Protection of Investors

In addition to the other reasons set forth herein and in my prior letter, the Arizona Securities Commission should grant no-action relief to MMIH as the registration under the Securities Act of Arizona of the transaction undertaken by MMIH is not necessary for the protection of investors because (i) the Oregon fairness hearing adequately protected the Arizona shareholders and optionees, (ii) the securities are exempt from registration under the Securities Act of 1933 as a result of the Oregon fairness hearing, and (iii) the securities received by the Arizona shareholders and optionees are identical in rights, preferences, privileges and amount as the securities exchange with MMIH with the only change being the change in the issuer's name.

The process of an Oregon fairness hearing adequately protects the interests of Arizona shareholders and optionees. Each Arizona shareholder and optionee received notice of the hearing. Each had an opportunity to either: (i) to attend the hearing, ask questions of the representatives of MMIH at the hearing and express his or her views on the fairness of the transaction; or (ii) submit a letter, email or call to the Oregon Department of Consumer and Business Services with his or her comments and views on the proposed transaction and its fairness. Both the Secretary and counsel to MMIH and the Senior Vice President and Chief Financial Officer of MMIH were present at the hearing. Each officer submitted testimony on the transaction and answered questions posed by the Chief of Licensing and Registration in charge of the hearing.

Of the 90 shareholders and 465 optionees who received shares or options in the exchange with MMIH, only 8 shareholders and 3 optionees reside in Arizona. One shareholder and his attorney appeared in person at the hearing and provided no testimony.

After the Chief of Licensing and Registration examined the testimony of the witnesses, the arguments presented and having reviewed the evidence and comments of the shareholders and optionees, she determined that the transaction was fair, just and equitable and free from fraud and issued the order. If the exchange had been determined to be unfair, an order would not have been granted.

In light of the thoroughness of the fairness hearing, the opportunity given to shareholders and optionees to ask questions and comment on the testimony, the review and the analysis involved in the process, and the final determination of the Oregon Director of the Consumer and Business Services Department that the transaction was fair, just and equitable and free from fraud, the interests of the Arizona shareholders and optionees were adequately protected by the process. Requiring registration in Arizona and review by the Arizona Securities Commissioner would not add any protections not afforded through the Oregon fairness hearing process. As a result, the Arizona Securities Commission should grant MMIH no-action relief from registration because registration is not necessary for investor protection, and it is not in the public interest to require MMIH to register the transaction in Arizona.

At least two other states, Colorado (which has Rule 51-3.12 which provides an exemption applicable to 3(a)(10) hearings with language similar to Arizona's R14-4-137) and Maryland (which does not have an exemption with language similar to Arizona's R14-4-137), have ruled that securities issued pursuant to a 3(a)(10) fairness hearing in another state were exempt from registration because it was not necessary for the protection of investors. See Maryland No-Action Letter, October 3, 1995, CCH Blue Sky Law Reporter ¶ 30,590. In the state of Colorado, the staff of the Colorado Division of Securities interpreted its rule to be applicable to 3(a)(10) fairness hearings. See Colorado No-Action Letter, December 1, 1994, CCH Blue Sky Law Reporter ¶ 13,601. Rule 51-3.12 in Colorado is very similar to R14-4-137 in Arizona. R 51-3.12 states that:

> The offer and sale of securities in exchange for bona fide claims or property interests within or from this State made pursuant to a final judgment or order, in either event no longer subject to appeal, of a federal or state court of competent jurisdiction or other governmental authority expressly authorized by law are transactions in securities exempted from the securities registration requirements of the Colorado Securities Act of 1990, provided as follows:
>
> 1. The terms and conditions of such offers and sales are approved by said court or governmental authority; and

2. The final judgment or order was issued after reasonable notice and opportunity to be heard is given to all interested parties.

We ask that, like Colorado, Arizona interpret it's rule to cover 3(a)(10) fairness hearings as well.

Failure to Timely File Notice of Hearing under R14-4-137

You asked us to explain why the pre-hearing notice under R14-4-137 was not timely made in the case of MMIH. Upon initial review it was determined that a federal exemption could be relied upon for the transaction that preempted state securities law requirements. Upon further review and after the fairness hearing had been held, it was determined that compliance with state securities law was required. At that time, R14-4-137 appeared applicable to the transaction, especially in light of the many no-action letters interpreting the section as applicable. The only requirement that had not been met was the filing of the notice in Arizona at least 10 days prior to the hearing.

Also, MMIH could have relied upon the limited offering exemption under R14-4-102 as to the eight shareholders in Arizona, but again, the 10-day prior notice provision for compliance with the limited offering exemption would not have been met.

Application of Change in Commission Position Prospectively

Lastly, if the Arizona Securities Commission now decides to interpret R14-4-137 more narrowly than it had previously been interpreted under the various no-action letters cited in my prior letter, we ask that such interpretation apply prospectively rather than retrospectively. MMIH should be granted no-action relief based on the good faith belief that the Arizona Securities Commission would interpret R14-4-137 as applicable to 3(a)(10) fairness hearings and waive the pre-hearing notice requirement as it had in numerous occasions in the past. In doing so, the Arizona Securities Commission could indicate that future no-action requests will not be granted under similar circumstances as a result of the new interpretation of the commission. This would give issuers notice that reliance on the prior interpretations should not be made in the future. If denied no-action relief, MMIH would have had no notice prior to the transaction that the Arizona Securities Commission would suddenly change its interpretation.

Please don't hesitate to call me with any further questions.

Very truly yours,

Sherrill A. Corbett

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Enclosures

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