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## State Securities Board

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DAN R. WALLER  
MEMBER

February 17, 1994

Mr. Martin R. Miller  
Orrick, Herrington & Sutcliffe  
599 Lexington Avenue  
Twenty-Ninth Floor  
New York, New York 10022-6030

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

Dear Mr. Miller:

This is in response to your letter dated January 6, 1994, and received by this Agency on January 7, 1994. Your letter was supplemented by your facsimile dated January 7, 1994.

Your letters and supplemental materials describe the above-referenced bonds (the "Bonds"). The Bonds will be issued by the County of Mesa, Colorado (the "County"), a political subdivision of the State of Colorado. The proceeds of the Bonds will be loaned by the County to the Sisters of Charity Leavenworth Health Services Corporation (the "Corporation"), a Kansas not-for-profit corporation, pursuant to a loan agreement dated January 1, 1994 (the "Loan Agreement"), between the County and the Corporation, evidenced by the Series K Obligation. Under the Loan Agreement, the Corporation is required to make loan repayments at times and in amounts sufficient to enable the County to pay in full when due all principal of, premium, if any, and interest on the Bonds.

The Corporation currently owns 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"). The Corporation and the Restricted Affiliates are organizations described in section 501(c)(3) of the Internal Revenue Code.

Proceeds from the Bonds will provide funds 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 the related Restricted Affiliate, and to pay certain expenses in connection

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with the issuance and delivery of the Bonds. In addition, a portion of the proceeds of the Bonds will be used to advance refund the County's Hospital Revenue Bonds Series 1987 (the "Refunded Bonds"). The proceeds of the Refunded Bonds were loaned to the Corporation and were used to finance, and to refund certain existing indebtedness of the Corporation incurred to finance, various capital improvements to the Hospital Facilities located in the County.

You have represented that if the offering were to be made under Texas law, it would be made pursuant to the Texas Hospital Project Financing Act, Tex. Health & Safety Code Ann., Sections 223.021 and 223.013 (Vernon 1992).

Based on the foregoing understanding, the Certificates do not fall within the parameters of this Agency's Rule Sections 135.1 - 135.5 and the exemption provided by Section 5.M of the Texas Securities Act is available. Further, the staff of the State Securities Board will recommend no action to require registration, as a separate security, of the Series K Obligation to be executed by the Corporation.

Please note that this Agency has not made an independent investigation of the facts, but has relied solely on the information you have provided. If this information is incorrect or changes substantially, the staff would reconsider the matter and the opinion stated above would be void.

Further, this Agency does not grant nor confer the exemption. Its availability depends entirely on full compliance with the language of the exemption. If a dispute arises about availability of the exemption, the burden of proof falls on the party claiming the exemption.

Finally, opinions expressed by this Agency are not binding on civil litigants in future proceedings.

I trust this letter answers your inquiry. Please feel free to write us if you need further information.

Very truly yours,

DENISE VOIGT CRAWFORD  
Securities Commissioner

Rada Lynn Potts  
General Counsel