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July 1, 2002

Mr. James S. Ryan, III  
Jackson Walker L.L.P.  
901 Main Street, Suite 6000  
Dallas, Texas 75202

RE: Questcare Medical Services, P.A.  
(Secondary Market Sales of Common Stock in a Professional Association)

Dear Mr. Ryan:

This is in response to your letter dated March 20, 2002 and received by this Agency on March 21, 2002. Your letter was supplemented by your facsimile dated and received on June 28, 2002.

Your letters concern Questcare Medical Services, P.A. ("Questcare"), a Texas professional association established in accordance with Article 1528f of the Texas Revised Civil Statutes, that employs emergency physicians, physician assistants, and nurse practitioners who practice under Questcare's name in the emergency rooms of 13 hospitals in North Texas.

You represented that Questcare is wholly owned by Robert D. Brown, M.D. ("Brown"). Brown proposes to sell to physicians employed by Questcare, a portion of the Questcare common stock ("Common Stock") that he owns. The offering of Common Stock would be conducted without public solicitation or advertising and sales of Common Stock will be limited to physicians who are permitted by Article 1528f to own securities in Questcare.

You noted that the sales price would be based on the book value of Questcare, less a discount to give effect to obligations of Questcare to the widow of a deceased founder of Questcare, and less certain additional discounts for offerees who have performed certain valuable types of services for Questcare such as serving as medical directors. The sales would take place during the third quarter of each calendar year beginning in 2002 and ending in 2007. In 2002, 25% of Brown's Common Stock would be offered. In each of the years 2003-2006, 5% of Brown's Common Stock would be offered. In 2007, 6% of Brown's Common Stock would be offered.

Persons purchasing Common Stock will be required to enter into a shareholders' agreement that, among other matters, includes restrictions on transfer of the Common Stock.

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You have represented that each year, Questcare and Brown would prepare and deliver to offerees a disclosure document that includes: (a) a detailed discussion of Questcare's business, (b) an audited balance sheet of the Questcare at December 31 of the preceding calendar year, (c) an audited income statement of Questcare for the immediately preceding calendar year, and (d) a discussion of how the offering price per share was determined.

Based on the foregoing understanding, this Agency's Rule Section 139.2 appears available to exempt the sale, issuance, or offer for sale of Questcare Common Stock from the securities and dealer registration requirements of the Texas Securities Act.

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 an exemption. Its availability depends entirely on full compliance with the language of the exemption. If a dispute arises about availability of an exemption, the burden of proof falls on the party claiming the exemption.

Finally, the 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

David Weaver  
General Counsel

DW/ms