



**CALIFORNIA
HOSPITAL
ASSOCIATION**

*Providing Leadership in
Health Policy and Advocacy*

February 18, 2011

The Honorable Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Reference: File Number S7-45-10

Dear Secretary Murphy:

The California Hospital Association (CHA), on behalf of the more than 400 hospitals and health systems in California, appreciates the opportunity to provide comments on proposed rules 15Ba1-1 through 15Ba1-7, which purport to follow the registration and disclosure models used by securities regulators for registering and overseeing investment advisors and broker-dealers. The proposed rules also provide additional guidance as to the activities that would require registration as a municipal advisor and impose certain record-keeping requirements on such advisors.

A large majority of California's hospitals are tax-exempt and rely on a broad range of sources of capital including the municipal bond market. Under the Securities and Exchange Commission (SEC) proposed rule, a "municipal advisor" is a person that provides advice to or on behalf of a municipal entity or obligated person with respect to municipal financial products or the issuance of municipal securities. This is a broad definition that can include financial advisors, investment advisors of municipal entities and obligated persons. Under the Dodd-Frank Act, nonprofit organizations, such as hospitals, are not municipal entities but instead are included in the term obligated persons.

While CHA supports the SEC's goals of improving accountability and transparency in the financial system, the broad scope of this proposal creates several concerns for employees and trustees of California's tax-exempt hospitals. Therefore, **CHA urges the SEC to clarify that all hospital governing board members, and employees who seek bond financing from state or local authorities, are exempt from the registration requirement or that a clear exclusion be applied. Further, individuals who serve on the boards of bond issuing authorities should be excluded from the definition of "municipal advisor" under the proposed rule.**

Several Concerns: Hospital Employees and Trustees

Notably not excluded from the definition of municipal advisor under the proposed rules are employees or board members of an obligated person. Therefore, there would be no express or implied exclusion to the municipal advisor registration requirements for a non-profit hospital's chief financial officer or other employees, or board members who provide advice to the hospital in connection with its tax-exempt borrowing transactions.

The broad applicability of the proposed rule unnecessarily implicates hospital employees or trustees in two other ways: first, the situation when hospital employees or retirees serve as appointed members of state and local bond issuing authorities; and second, when hospital employees seek bond issuances from bond issuing authorities.

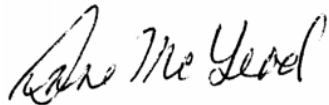
The proposed rules should not apply in either of these situations; the regulations should instead be restricted to outside advisors whose livelihood is made through the provision of financial advice on matters of municipal bond issuance. Otherwise, the burdens and liabilities of these regulations will dissuade people who have expertise in health care from serving on local and state bond issuing authority boards to the detriment of good public service and the efficient operation of these authorities.

The regulations should not implicate hospital employees, such as chief financial officers, whose job includes securing capital, when they communicate to an authority or even their own employer. It is a hospital manager's or trustee's fiduciary duty to "advise" in the common sense meaning, and then decide on proper financial courses of action.

For these reasons, CHA urges the SEC to clarify that all hospital governing board members, and employees who seek bond financing from state or local authorities, are exempt from the registration requirement or that a clear exclusion be applied. Further, individuals who serve on the boards of bond issuing authorities should be excluded from the definition of "municipal advisor" under the proposed rule.

Thank you for the opportunity to provide the SEC with these important concerns and we are happy to discuss them with you further. Please contact me at (916) 552-7536.

Sincerely,



Anne McLeod
Senior Vice President, Health Policy