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PINNACLEHEALTH  
System

February 22, 2011

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

Dear Secretary Murphy:

I am writing regarding the proposed new rules 15Ba1-1 through 15Ba1-7 which would establish a permanent registration regime within the Securities and Exchange Commission (SEC) for municipal advisors. I am the Chief Financial Officer with Pinnacle Health System in Harrisburg, Pennsylvania and am very concerned with the requirements outlined in the proposed regulations regarding the definition of municipal advisors, specifically the inclusion of members of our voluntary Board of Directors and certain employees as "obligated persons" thus making them subject to the various applicable requirements of the rule. My concern is the regulations should be restricted to outside advisors whose livelihood is made through the provision of financial advice on matters of municipal bond issuance.

While I do understand and support the application of these rules to certain third-party, professional financial advisors to hospitals and bond issuing authorities, I believe that the individuals who serve on hospital governing boards, hospital employees who seek bond financing from state or local authorities, and all individuals who serve on the boards of bond issuing authorities should be excluded from the definition of "municipal advisor" under the proposed rule.

Of particular concern, is the proposal that appointed board members of a municipal entity be considered "municipal advisors" and subject to registration requirements. Pinnacle Health System trustees, as well as most members of not-for-profit boards, are bound by fiduciary duties to conduct their activities in good faith, with reasonable care, and in the best interests of the hospital and community they serve. As trustees of tax-exempt entities, hospital board members are subject to Internal Revenue Service (IRS) rules and oversight.

The IRS, as well as state and local government oversight of governing boards, provides a rationale for exemption of trustees similar to other exemptions the SEC has proposed. The proposed rule states that "certain persons who are currently regulated (such as broker-dealers who serve as underwriters or investment advisers providing advice which would

subject them to the Investment Advisers Act) or that are governed by other professional codes of conduct (such as attorneys providing traditional legal services) would not be required to register as municipal advisors." Every hospital trustee is subject to state corporate law obligations and duties of directors. For the SEC to propose exempting elected, but not appointed, board members from the definition of "municipal advisor" is to make a distinction where there is no significant difference in their respective legal obligations.

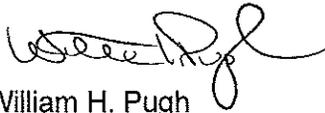
Additionally, the rule defines the term "municipal advisor" to mean a person who provides advice to or on behalf of a municipal entity or obligated person. To consider board members "municipal advisors" is to misunderstand their role in the governance of their institutions. Board members make financial decisions based on the advice of outside capital financing professionals who themselves would be subject to the proposed registration requirements.

It is unclear what additional benefit would flow to the community by requiring board members to fulfill a costly, burdensome, periodic and voluminous registration requirement with the SEC. This requirement, and the civil and criminal penalties attached for failure to comply, would act as a powerful deterrent to voluntary service and could result in the loss of many talented and dedicated community leaders.

With respect to hospital employees, the final rule should clarify that they, too, are included in the exemption from the definition of "municipal advisor" and, therefore, exempt from the registration requirement. Hospital chief executive officers, chief financial officers and other managers are primarily involved in the day-to-day operations of their institutions. While they may periodically undertake municipal bond financings, that activity is on behalf of their employer, subject to board oversight, and parallels that of municipal employees who undertake bond financings. Municipal employees are exempt from the definition in their role as employees, as the proposed rule notes. Hospital employees are no less accountable than municipal employees and, indeed, are further subject to local and state corporate laws and IRS oversight.

For these reasons, I urge the SEC to exclude from the definition of "municipal advisor" all governing board members and employees of obligated hospitals. Thank you for allowing me the opportunity to respond to the proposed regulations.

Sincerely



William H. Pugh  
Senior Vice President, CFO and Treasurer

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