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March 1, 1996

Ms. Janna R. Severance  
Popham Haik Schnobrich & Kaufman, Ltd.  
Suite 3300  
222 South Ninth Street  
Minneapolis, Minnesota 55402-3336

RE: City of Fergus Falls, Minnesota, Health Facilities  
Refunding Revenue Bonds, Lutheran Brethren Retirement  
Services, Inc. (Broen Memorial Home Project), Series  
1996A

Dear Ms. Severance:

This is in response to your letter dated February 19, 1996, and received by this Agency on February 20, 1996. Your letter was supplemented by facsimile dated February 28, 1996.

Your letters and supplemental materials describe the above-referenced bond offering (the "Bonds"). The Bonds will be issued by the City of Fergus Falls, Minnesota (the "Issuer"), a political subdivision organized and existing under its Home Rule Charter and the Constitution and laws of Minnesota. The Bonds are being issued pursuant to Minnesota laws, which authorize a city to issue and sell revenue bonds and revenue refunding bonds for the purpose of financing and refinancing certain costs of authorized health facilities and housing projects.

Under a loan agreement (the "Loan Agreement"), the Issuer will loan the proceeds of the Bonds to Lutheran Brethren Retirement Services, Inc. (the "Company"), a Minnesota nonprofit corporation, formerly known as Broen Memorial Home, Inc. The Company is engaged in the business of owning and operating a care facility in Fergus Falls, Minnesota, which provides skilled nursing and convalescent care to the elderly or infirm, and residential living facilities providing housing and services for the elderly. Proceeds from the Bonds will be used: (1) to advance refund the Issuer's Health Facilities Refunding Revenue Bonds (Broen Memorial Home, Inc. Project) Series 1987 bonds; (2) to provide funds for an addition and renovation to the existing facilities; (3) to fund a reserve in respect to the Bonds; (4) to fund capitalized interest; and (5) to pay certain expenses related to the issuance and sale of the Bonds.

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The Bonds are special, limited revenue obligations of the Issuer payable solely from certain revenues pledged to the payment thereof pursuant to the Loan Agreement. Under the Loan Agreement, the Company will be required to make payments to the trustee in amounts sufficient to pay when due the principal of, premium, if any, and interest on the Bonds. In addition, Lutheran Brethren Homes, Inc. (the "Guarantor"), a Minnesota nonprofit corporation, an affiliate of the Company, will unconditionally and irrevocably guarantee (the "Guaranty") to the trustee the prompt payment in full when due of the principal, amount of premium, if any, and interest on the Bonds. Both the Company and the Guarantor are organizations described in section 501(c)(3) of the Internal Revenue Code.

Based on the foregoing understanding, the Bonds 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 (the "Act") is available. Further, the Guaranty, if considered a separate security, is exempt pursuant to Section 6.J of the 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, 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

Marlene K. Sparkman  
Assistant General Counsel

MKS/rmf