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SIBLEY COUNTY AUDITOR

October 2, 2012

David Schauer, Esq.
County Attorney
307 N. Pleasant Avenue
P.O. Box H
Winthrop, MN 55396-0406

Board of County Commissioners
Sibley County
400 Court Avenue
Gaylord, MN 55334

Re: RS Fiber Project

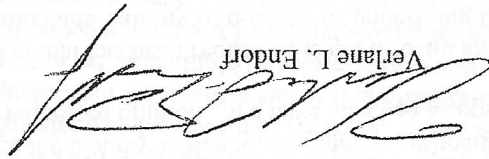
Dear Commissioners and Mr. Schauer:

I've been asked to clarify our position with respect to the authority of Sibley County (the "County") to participate in the financing of a system to provide phone, cable and broadband internet service to residents of the County and neighboring jurisdictions through a "fiber to the premises" network (the "Project"). The financing would consist of revenue bonds (the "Bonds") to be issued by Renville-Sibley County Fiber Joint Powers Agency (the "Agency"), a joint powers board created pursuant to an Amended and Restated Joint Powers Agreement (the "Joint Powers Agreement") by and between the County, Renville County and eleven cities. The Bonds would be payable primarily from the revenues of the Project, but would be additionally secured by a Debt Service Shortfall Agreement (the "Shortfall Agreement") between the members of the Agency and Wells Fargo Bank, National Association, as trustee for the Bonds (the "Trustee"), by which each of the members agrees to contribute annually their respective shares of any amount by which the revenues of the Project are insufficient to pay the debt service on the Bonds. Our firm has been asked by bond counsel for the Bonds to provide an opinion with respect to the County's participation in the Joint Powers Agreement and the Shortfall Agreement. We have previously provided the County with a memorandum outlining the concerns that lead us to conclude that we cannot give the requested opinion. We have attached a copy of that memorandum to this letter.

While the opinion that has been requested is not directly an opinion on the validity of the Bonds, it involves the authorization and validity of documents underlying the validity and security for the Bonds, and is what is commonly referred to as an "unqualified" opinion. Therefore, we are required to apply the opinion standards for municipal bond opinions established by our national organization, the National Association of Bond Lawyers ("NABL"). The NABL opinion standard states that "[b]ond counsel may render an 'unqualified' opinion regarding the validity ... of bonds if it is firmly convinced ... that, under the law in effect on the date of the opinion, the highest court of the relevant jurisdiction, acting reasonably and properly briefed on the issues would reach the legal conclusions stated in the opinion."

We have examined relevant law, and both before and after the date of the our prior memorandum have had communications and conversations with bond counsel for the Bonds and lawyers from the firms that represent other members of the Agency. We have also examined a memorandum (provided to us by the County) from bond counsel discussing the authority for the members' participation in the Bond transaction. Nothing in that examination has caused us to change our conclusion, stated in original

VLE/pmh
cc: Lisa Parr



Very truly yours,

I believe that bond counsel has not responded to all of the comments we sent to them earlier, as noted in our memorandum. Other than following up on those comments if the County wishes us to do so, we think our original engagement by the County is now complete. If we can be of further service, please let us know.

of those in our attached memorandum. With full knowledge of the risks and potential liabilities it is assuming. We have attempted to cover some respectfully suggest that, if the County determines to proceed with the transaction, it should only do so special legislation in the upcoming legislative session to clarify the authorization for the transaction. I their residents. One possibility to resolve the difference of opinion between the lawyers would be to seek to continue to pursue this transaction. We understand the importance of the Project to the members and It is up to the County Board, and the governing bodies of the other members, whether they choose

examination of the law and the facts of a particular transaction. Shortfall Agreement. It is not uncommon for law firms to reach different conclusions on the same participation in the transaction and the validity and enforceability of the Joint Powers Agreement and the implies that they have reached the same conclusion with respect to the authority for the members' conclusion that they can render an opinion meeting the NABL standard with respect to the Bonds, which memorandum from bond counsel provided to us indicate that bond counsel's research has led them to the prohibited from such participation. Our conversations with bond counsel and our examination of the participation in the Bond transaction does not mean that we are of the opinion that the County is legally The fact that we cannot reach the certainty necessary to give an opinion on the County's

memo, that we are unable to reach the certainty necessary to opine that the Joint Powers Agreement and the Shortfall Agreement would, if challenged, be upheld in the courts.

Board of County Commissioners
David Schauer, Esq.
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