

**RESOLUTION APPROVING A JOINT POWERS AGREEMENT WITH
LAKE COUNTY WITH RESPECT TO A FIBER-OPTIC NETWORK
PROJECT**

BE IT RESOLVED, by the governing body of City of Silver Bay, Minnesota (the “Municipality”), as follows:

1. General Recitals.

- a. The Municipality is a municipal corporation and political subdivision organized and existing under the laws of the State of Minnesota.
- b. The Municipality recognizes that availability of high-speed, broadband connectivity is a necessary and desirable service for its residents and should be available on an equal basis to all its residents.
- c. The Municipality has been asked to enter into a Joint Powers Agreement (the “Agreement”) by Lake County (the “County”) pursuant to Minnesota Statutes, Sections 471.59 and 471.656 (collectively, the “Act”) and Chapter 238.

2. Description of the Project.

- a. The County intends to construct a fiber-optic network to provide advanced data, video and voice communication services to every home and business in the County and certain portions of Eastern St. Louis County, Minnesota, (the “Project”).
- b. The Project will be owned by the County and operated by a management company selected by the County.
- c. The County intends to pay the cost of the Project through a grant and loan from the Rural Utility Service’s Broadband Infrastructure Program and an issuance of revenue obligations pursuant to Minnesota Statutes, Chapter 475 (collectively, the “Obligations”).
- d. Portions of the Project are located in the County, the Municipality and the Municipalities of the City of Two Harbors, Minnesota; the City of Beaver Bay, Minnesota; the City of Silver Bay, Minnesota; the Town of Beaver Bay, Minnesota; the Town of Crystal Bay, Minnesota; the Town of Fall Lake, Minnesota; the Town of Silver Creek, Minnesota; Town of Stony River, Minnesota; the County of St. Louis, Minnesota; the City of Ely, Minnesota; the City of Aurora, Minnesota; the City of Babbitt, Minnesota; the City of Hoyt Lakes, Minnesota; the Town of Basset, Minnesota; the Town of Colvin, Minnesota; the Town of Duluth, Minnesota; the Town of Embarrass, Minnesota; the Town of Morse, Minnesota; the Town of Waasa, Minnesota; and the Town of White, Minnesota (collectively, and including the County and the Municipality, the “Host Municipalities”).

3. Recitals Relating to the Joint Exercise of Powers.

- a. The County has requested that the Host Municipalities cooperate (as permitted by Minnesota Statutes, Section 471.59 and Chapter 238) through a joint powers agreement in authorizing the Project and its operation and the issuance of the Obligations pursuant to the Act.
- b. A draft copy of the Joint Powers Agreement among the Host Municipalities (the "Joint Powers Agreement") has been submitted to this body and is on file in the administrative offices of the Municipality.

4. Findings. It is hereby found, determined, and declared as follows:

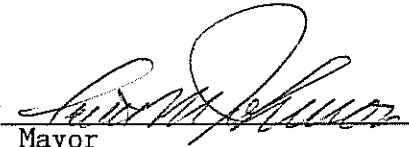
- a. The Municipality desires to facilitate the selective development of the community, retain and improve the tax base and help to provide the range of services and employment opportunities required by the population. The Project will assist the Municipality in achieving those objectives; help to stabilize market valuation of the Municipality; help maintain a positive relationship between assessed valuation and debt; and enhance the image and reputation of the community.
- b. On the basis of information made available to the Municipality by the County it appears, and the Municipality finds, that: the effect of the Project, if undertaken, will be to: (i) encourage the development of economically sound industry and commerce, (ii) assist in the prevention of the emergence of blighted and marginal land, (iii) help prevent chronic unemployment, (iv) provide the range of service and employment opportunities required by the population, (v) help prevent the movement of talented and educated persons out of the State and to areas within the State where their services may not be as effectively used, and (vi) promote more intensive development and appropriate use of land within the Municipality, eventually to increase the tax base of the community.
- c. It is in the best interest of the Municipality to cooperate with and facilitate the issuance of the Obligations and the operation of the Project by the County.
- d. The Municipality will receive substantial benefit from the Project which will provide advanced voice, video and data services, accessible and available on an equal basis to residents of the Municipality.
- e. The Municipality hereby finds that the facilities composing the Project are necessary to make Internet and other communications services that are not and will not be available through other providers or the private market accessible and available on an equal basis to the residents of the Municipality.

5. Approvals; Execution of Joint Powers Agreement; Preconditions.

- a. The proposal to undertake, finance and operate that portion of the Project located in the Municipality but outside of the jurisdictional limits of the other Host Municipalities, and the issuance of the Obligations by the County is approved.
- b. The Joint Powers Agreement is hereby made a part of this Resolution as though fully set forth herein and is hereby approved in substantially the form presented to the Municipality. The mayor and the administrator or the authorized designee of either of the foregoing (the "Authorized Officers") are authorized and directed to execute, acknowledge, and/or deliver the Joint Powers Agreement on behalf of the Municipality, such execution to be conclusive evidence of approval of such document in accordance with the terms hereof.
- c. The Authorized Officers are authorized and directed to execute and deliver such other documents or certificates needed from the Municipality for the sale of the Obligations or with respect to the matters described in the Joint Powers Agreement.
- d. After the adoption of this Resolution, the Authorized Officers are authorized and directed to approve, execute and deliver, on behalf of the Municipality, amendments to the Joint Powers Agreement, subject to the following conditions: (a) such amendments do not materially adversely affect the interests of the Municipality under the Joint Powers Agreement; (b) such amendments do not contravene or violate any policy of the Municipality; (c) such amendments are acceptable in form and substance to the attorney for the Municipality or other counsel retained by the Municipality to review such amendments; and (d) such amendments are approved by the County. The authorization hereby given shall be further construed as authorization for the execution and delivery of such certificates and related items as may be required to demonstrate compliance with the Joint Powers Agreement being amended and the terms of this Resolution. The execution of any instrument by the Authorized Officers, shall be conclusive evidence of the approval of such instruments in accordance with the terms hereof. In the absence of the Authorized Officers, any instrument authorized by this paragraph to be executed and delivered may be executed by the officer of the Issuer authorized to act in their place and stead.

6. Limited Obligation. The Obligations, when and if issued for the Project, shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the Host Municipalities, other than the County. The Obligations, when and if issued, shall recite in substance that the Obligations and the interest thereon, are payable solely from revenues received from the Project and property pledged for payment thereof, and shall not constitute a debt of the Host Municipalities, other than the County.

Adopted: November 15, 2010

By 
Its Mayor

Attest:

By 
Its City Administrator

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EXTRACT OF MINUTES OF A MEETING OF THE
GOVERNING BODY OF City of Silver Bay, MINNESOTA

Pursuant to due call and notice thereof, a regular meeting of the governing body of City of Silver Bay, Minnesota, was duly called and held at the City Hall located at 7 Davis Drive, Silver Bay, on Monday, November 15, 2010, at 7:00 p.m.

The following members were present: Scott Johnson, David Gustafson, Steven Marolt
Carlene Perfetto, and Joanne Johnson
and the following members were absent: none

MOTION: Member J. Johnson moved to adopt Resolution No. 2010-61, entitled:

RESOLUTION APPROVING A JOINT POWERS AGREEMENT WITH LAKE COUNTY
WITH RESPECT TO A FIBER-OPTIC NETWORK PROJECT

SECOND: Member Perfetto

RESULT: On a roll call vote the motion was carried.

Ayes: Johnson, Gustafson, Perfetto, Johnson, Marolt
Nays:
Not Voting:
Absent:

Lee Klein, City Administrator
City of Two Harbors
522 First Avenue
Two Harbors, MN 55616

John McCurtain, City Clerk
City of Beaver Bay
P.O. Box 466
Beaver Bay, MN 55601

Lana Fralich
City of Silver Bay
7 Davis Drive
Silver Bay, MN 55614

Terry Boese
City of Ely
209 East Chapman Street
Ely, MN 55731

Linda Cazin, City Clerk
City of Aurora
P.O. Box 160
Aurora, MN 55705

Pete Pastika, City Administrator
City of Babbitt
71 South Drive
Babbitt, MN 55706

Rick Bradford, Clerk
City of Hoyt Lakes
206 Kennedy Memorial Drive
Hoyt Lakes, MN 55750

Jill Anderson, Clerk
Town of Basset
3779 Old Highway 16
Brimson, MN 55602

Mary Jane VanDenHeuvel, Clerk
Town of Beaver Bay
P.O. Box 306
Beaver Bay, MN 55601

Natalie Beck, Clerk
Town of Colvin
2436 Vermilion Trail
Makinen, MN 55763

Judith L. Martell, Clerk
Town of Crystal Bay
5511 Little Marais Road
Finland, MN 55603

Ann K. Cox, Clerk
Town of Duluth
6092 Homestead Road
Duluth, MN 55804

Diane Nelmark, Clerk
Town of Embarrass
7503 Levander Road
Embarrass, MN 55732

Marlene E. Skube, Clerk
Town of Fall Lake
13550 Thirteen Corners Road
Ely, MN 55731

Nick Wognum, Clerk
Town of Morse
P.O. Box 660
Ely, MN 55731

Wendy S. Langanki, Clerk
Town of Silver Creek
1924 Town Road
Two Harbors, MN 55616

Patricia S. Thums, Clerk
Town of Stony River
9718 Highway 1
Isabella, MN 55607

Maude Igo, Clerk
Town of Waasa
4511 Highway 21
Embarrass, MN 55732

Mary Ann Helander, Clerk
Town of White
P.O. Box 146
Aurora, MN 55705

Barb Hayden
Planning & Development Director
St. Louis County
227 West First Street, Suite 100
Duluth, MN 55802

JOINT POWERS AGREEMENT
Lake County Fiber Network Project

This JOINT POWERS AGREEMENT dated as of _____, 2010 (this "Agreement"), is being entered into among:

i. Lake County, Minnesota, a municipal corporation and political subdivision organized and existing under the laws of the State of Minnesota (the "Issuer");

ii. the City of Two Harbors, Lake County, a municipal corporation and political subdivision organized and existing under the laws of the State of Minnesota ("Two Harbors");

iii. the City of Beaver Bay, Lake County, a municipal corporation and political subdivision organized and existing under the laws of the State of Minnesota ("Beaver Bay");

iv. the City of Silver Bay, Lake County, a municipal corporation and political subdivision organized and existing under the laws of the State of Minnesota ("Silver Bay");

v. the Town of Beaver Bay, Lake County, a municipal corporation and political subdivision organized and existing under the laws of the State of Minnesota ("Beaver Bay Township");

vi. the Town of Crystal Bay, Lake County, a municipal corporation and political subdivision organized and existing under the laws of the State of Minnesota ("Crystal Bay");

vii. the Town of Fall Lake, Lake County, a municipal corporation and political subdivision organized and existing under the laws of the State of Minnesota ("Fall Lake");

viii. the Town of Silver Creek, Lake County, a municipal corporation and political subdivision organized and existing under the laws of the State of Minnesota ("Silver Creek");

ix. the Town of Stony River, Lake County, a municipal corporation and political subdivision organized and existing under the laws of the State of Minnesota ("Stony River");

x. St. Louis County, Minnesota, a political subdivision organized and existing under the laws of the State of Minnesota ("St. Louis");

xi. the City of Ely, St. Louis County, a municipal corporation and political subdivision organized and existing under the laws of the State of Minnesota ("Ely");

xii. the City of Aurora, St. Louis County, a municipal corporation and political subdivision organized and existing under the laws of the State of Minnesota ("Aurora");

xiii. the City of Babbit, St. Louis County, a municipal corporation and political subdivision organized and existing under the laws of the State of Minnesota ("Babbit");

xiv. the City of Hoyt Lakes, St. Louis County, a municipal corporation and political subdivision organized and existing under the laws of the State of Minnesota (“Hoyt Lakes”);

xv. the Town of Basset, St. Louis County, a municipal corporation and political subdivision organized and existing under the laws of the State of Minnesota (“Basset”);

xvi. the Town of Colvin, St. Louis County, a municipal corporation and political subdivision organized and existing under the laws of the State of Minnesota (“Colvin”);

xvii. the Town of Duluth, St. Louis County, a municipal corporation and political subdivision organized and existing under the laws of the State of Minnesota (“Duluth Township”);

xviii. the Town of Embarrass, St. Louis County, a municipal corporation and political subdivision organized and existing under the laws of the State of Minnesota (“Silver Creek”);

xix. the Town of Morse, St. Louis County, a municipal corporation and political subdivision organized and existing under the laws of the State of Minnesota (“Morse”);

xx. the Town of Waasa, St. Louis County, a municipal corporation and political subdivision organized and existing under the laws of the State of Minnesota (“Waasa”); and

xxi. the Town of White, St. Louis County, a municipal corporation and political subdivision organized and existing under the laws of the State of Minnesota (“White”);

(The Issuer, Two Harbors, Beaver Bay, Silver Bay, Beaver Bay Township, Crystal Bay, Fall Lake, Silver Creek, Stony River, St. Louis, Ely, Aurora, Babbit, Hoyt Lakes, Basset, Colvin, Duluth Township, Silver Creek, Morse, Waasa and White are collectively referred to herein as the “Parties.” Two Harbors, Beaver Bay, Silver Bay, Beaver Bay Township, Crystal Bay, Fall Lake, Silver Creek, Stony River, St. Louis, Ely, Aurora, Babbit, Hoyt Lakes, Basset, Colvin, Duluth Township, Silver Creek, Morse, Waasa and White are collectively referred to herein as the “Municipalities” or individually as a “Municipality”)

1. Recitals.

a. This Agreement is being entered into pursuant to Minnesota Statutes, Sections 471.59 and 471.656 (collectively, the “Act”) and Chapter 238.

b. Issuer wishes to finance the costs of a fiber-optic broadband network to provide advanced voice, video and data services to every home and business in Lake County and portions of Eastern St. Louis County, Minnesota (the “Project”), to be owned by the Issuer and, at the Issuer’s sole election, managed for the Issuer by a third party under contract to the Issuer.

c. Issuer proposes to finance the Project through a grant and loan from the Rural Utility Service’s Broadband Infrastructure Program and an issuance of revenue

obligations pursuant to Minnesota Statutes, Chapter 475 (collectively, the "Obligations").

- d. Portions of the Project are located within the jurisdictional limits of each of the Parties.
- e. The Parties desire to have the Issuer construct and operate the Project within their individual jurisdictional limits in order to provide the services on an equal basis to the residents of each of the Parties.
- f. Each of the Parties is a governmental unit under the Act. Section 471.656 of the Act does not allow the Issuer to issue revenue obligations to finance the Project unless the Networked Municipalities each consent to such financing in a joint powers agreement entered into pursuant to the Act.
- g. Issuer has requested that the Parties cooperate, through this Agreement, to finance the Project through the issuance of the Obligations and consent to operation of the Project.

2. Findings.

- a. It is in the best interests of the Parties to cooperate with and facilitate the issuance of the Obligations and the operation of the Project by the Issuer.
- b. Each of the Parties will receive substantial benefit from the Project which will provide advanced voice, video and data services, accessible and available on an equal basis to residents of each of the Parties.
- c. The Parties hereby find that the facilities composing the Project are necessary to make Internet and other communications services that are not and will not be available through other providers or the private market accessible and available on an equal basis to the residents of each of the Parties.

3. Statement of Purpose and Authority. This Agreement is entered into for the purpose of providing for the consent of the Municipalities to the operation of the Project within their jurisdictions; to the issuance of the Obligations by the Issuer to finance the Project; and to facilitate the operation of the Project by the Issuer.

4. Consent. Each Municipality consents to the issuance of the Obligations by the Issuer and approves the issuance of the Obligations on their individual behalves by the Issuer, subject to the terms and conditions set forth herein. Each Municipality consents to the operation of the Project within its jurisdiction.

5. Authorizations.

- a. Each Municipality authorizes the Issuer to issue the portion of the Obligations allocable to that part of the Project located in its jurisdiction on its behalf in conformance with the terms and conditions set forth herein.

- b. The Issuer is authorized:
 - i. to exercise the powers under the Act by adopting, approving and executing such resolutions, documents and agreements as are necessary or convenient to authorize, issue and sell the Obligations and such other resolutions, documents and agreements are necessary or required in connection with the issuance of the Obligations and to give effect to or carry out the provisions of this Agreement and the documents under which the Obligations are issued and/or secured and
 - ii. to take all actions necessary or convenient in connection therewith and permitted by the Act.

6. Agreements.

- a. Each of the Parties will adopt a resolution (i) evidencing its intent to authorize the Issuer to undertake and operate the portion of the Project located within its jurisdictional boundaries, including a recital of the benefits to such Party from issuance of the Obligations to finance and operate the portion of the Project located within its jurisdictional boundaries, (ii) making specific findings regarding the benefits of the Project, including the findings in Section 2 of this Agreement, and (iii) authorizing the execution, delivery and performance of this Agreement.
- b. Each of the Parties will adopt a new ordinance, in a model form to be provided by the Issuer, or modify an existing ordinance allowing the Party to issue an extension permit to the Issuer pursuant to Chapter 238 of the Minnesota Statutes. Each of the Parties further agrees to issue an extension permit to the Issuer pursuant to the ordinance.
- c. Each of the Parties will, if requested by the Issuer, offer new terms to existing franchise agreements with cable communications providers within their municipal boundaries or will offer Issuer terms equal to those of existing franchises within their municipal boundaries to the to ensure compliance with Chapter 238 of the Minnesota Statutes.
- d. Each of the Parties will allow the Issuer to access all utility easements, as defined in Chapter 238 of the Minnesota Statutes, for the purpose of constructing and operating the Project.
- e. Each of the Parties controlling a public utility will enter into pole, duct and conduit agreements with the Issuer, as allowed by Sections 238.37 to 238.42 of the Minnesota Statutes, in order to construct and operate the Project.

7. Special Limited Obligations. The Obligations shall be special, limited obligations of the Issuer and shall not be payable from nor charged against any funds of any of the Parties, nor shall any of the Parties be subject to any liability thereon, nor shall any holder of the Obligations ever have the right to compel any exercise of the taxing power of any of the Parties to pay the Obligations or the interest thereon, nor to enforce payment against any

property of any of the Parties, nor shall the Obligations constitute a charge, lien or encumbrance, legal or equitable, upon any property of any of the Parties, nor shall the Obligations constitute a debt of any of the Parties within the meaning of any constitutional or statutory limitation.

8. Term. This Agreement shall continue until rescinded.
9. Distribution of Assets. Upon termination of this Agreement, any property acquired pursuant to this Agreement and any surplus moneys shall be distributed: first, according to the documents entered into by the Issuer in connection with its issuance of the Obligations, and second, pro-rata to each Party in proportion to the amount contributed by such party.
10. Amendments. This Agreement may not be amended while any portion of the Obligations remains outstanding, unless such amendment has been requested by the Issuer, the Parties agree to such amendment in writing, and the Issuer has received the opinion of nationally-recognized bond counsel that such amendment will not adversely affect the validity of the Obligations.
11. Counterparts. This Agreement may be executed in counterparts, each of which will be an original, but which together will constitute one and the same instrument.

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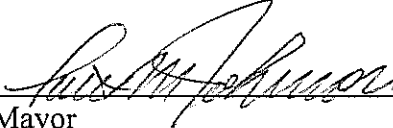
IN WITNESS WHEREOF, the Parties have caused their names to be signed by their respective officers thereunto duly authorized, as of the day and year first above written.

LAKE COUNTY MINNESOTA

By _____
Its Chair

By _____
Its Auditor

CITY OF SILVER BAY

By 
Mayor

By 
Administrator