



A fast-read update on Lake County's county-owned, high-speed fiber optic network

Lake Connections 2013 Year in Review

Project Overview

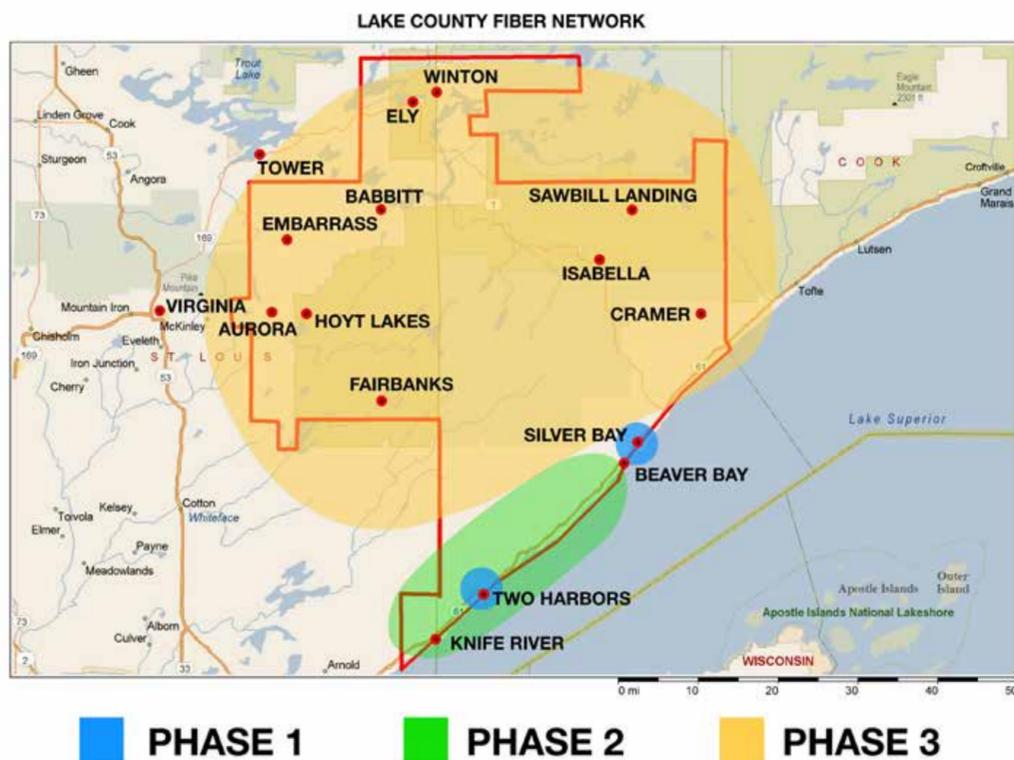
2013 was an exciting year for Lake Connections, the Lake County-owned fiber optic broadband project. There was considerable construction progress throughout the year with over 200 miles of fiber installed, and Lake Connections is gearing up for a busy 2014. Plans for this year include staffing up for service with the completion of the administrative and service headquarters in Two Harbors. In 2013 Lake Connections hired three full time Customer Service Representatives, and currently is looking for a Service Technician and a Network Data Technician. For more information about these opportunities, please visit the website at www.lakeconnections.com/careers. Be sure to continue to check the site for future employment opportunities.



In August Lake Connections held its grand opening for their headquarters with over 300 people in attendance. Representatives from Senator Amy Klobuchar, Senator Al Franken and Congressman Rick Nolan's offices each read letters from the respective officials, commending the project's successes to date, and the importance of investment in broadband services. To close the celebration, a ceremonious ribbon cutting took place with the Lake Connections partners. To recognize the unflinching support and dedication of the late Commissioner Paul Bergman, his wife, Jan Bergman, cut the ribbon. There will be a memorial placed onsite this spring to fully commemorate Commissioner Bergman's dedication to the project.



At a Glance Construction Update



ALL PHASES ARE SCHEDULED IN THE MOST EFFICIENT MANNER.

Phase One:

Two Harbors • Silver Bay

The crews in Silver Bay have completed installing the fiber that connects the network from the Lake Connections service center to the point of presence (PoP) location in Silver Bay. The PoP is an interface point where services terminate and communications to the network are executed. Silver Bay can expect to be live within the first quarter of 2014. A community meeting will be held in early February to inform and demonstrate the service offerings, more information to come soon.

Pole ownership disputes have continued to delay advancement in Two Harbors for the majority of 2013.

Phase Two:

Duluth Township • Knife River • Silver Creek Township • Beaver Bay Township

Close to 500,000 feet of fiber was installed in Fall 2013 alone. In the 2A area the crews are continuing to work on splicing. The crews have also started to blow (insert) the fiber into the nearly 100 miles of buried duct. Construction on phase 2A is over 60% completed, and is slated to be completed in the first half of 2014.

Phase Three:

Ely • Aurora • Babbitt • Hoyt Lakes • Basset Township • Colvin Township • Crystal Bay Township • Embarrass Township • Fall Lake Township • Morse Township • Stony River Township • Waasa Township • White Township • And several unorganized townships

Rural Utilities Service (RUS) is currently reviewing the \$20.3 million construction contract. Construction on the 750 miles of this phase is planned to begin in the first quarter of 2014.

Economic Impact

The Lake County broadband project also has served as a catalyst for business and economic development through:

Direct employment – The locally operated and staffed service headquarters will employ up to 20 technology-savvy individuals.

Construction employment – The construction crews for both the headquarters facility and the 2,000 miles of fiber being constructed created close to 30 full time jobs in 2013. Dozens more construction and professional service jobs in many trades were made possible by this project over the last 18 months.

Infrastructure investment – The fiber infrastructure supports further business development and investment that ultimately provides the foundation for high-tech careers and industry to expand and locate in Lake County.

2013 Challenges

Along with many successes, the broadband project has also had to contend with frustrations over the past year. Construction timelines are contingent on many factors, and almost all project delay experienced over the past year has been a direct cause of issues regarding attaching the fiber optic cable to someone else's utility poles, such as confusion on pole ownership, attachment hierarchy and construction standards.

Lake County and Lake Connections invested considerable human and financial resources regarding the use of third party utility poles in 2013. After limited movement to resolve the issue in the City of Two Harbors, on November 8, 2013, Lake County filed a complaint to the Federal Communications Commission (FCC) regarding Frontier Communications (Frontier) and the pole attachment hierarchy dispute in an effort to reach a resolution. The complaint was submitted to the FCC based on Frontier's failure to negotiate with Lake County regarding Frontier's demand that Frontier's telephone line must always be on the bottom of anyone's utility pole, based upon telephone company guidance. A complete listing of the arguments and Lake County's rebuttals can be found in the formal complaint document www.co.lake.mn.us.

Since filing the complaint in early November 2013, both Lake County and Frontier have agreed to a FCC mediation schedule, set to begin in mid-January.

Lake County fully operated within the timeline and confines of the broadband project, and only placed fiber on the poles in Two Harbors after obtaining the proper permitting from the city of Two Harbors. Pole ownership and Frontier and CenturyLink's position on hierarchy is the primary cause of project delay.

Lake County and Lake Connections continue to charge forward to bring broadband services to residents and businesses as efficiently and as quickly as possible. The construction team continues to move forward with installation activities, assuming that the issues will resolve themselves in a timely manner.

"Frontier's insistence for the bottom position on the utility poles and other arguments have no merit, and have caused this project considerable delay in progress, time and money. We are hoping for a timely resolution so that we can move forward and provide great service to our customers."

*Jeff Roiland,
Lake Connections
General Manager*

Projections for 2014

Lake Connections is YOUR broadband provider. We work here. We live here. We are committed to bringing these services to our community. Here is what we anticipate for 2014:

- Completion of Phase 2A in first half of the year
- Introduction of Digital Video during first half of the year
- New website for Lake Connections in first quarter
- Many new employment opportunities

Lake Connections will keep all residents and businesses informed on construction timelines, progress and challenges, as they arise in 2014. Thank you for supporting us in 2013, we look forward to 2014 with service availability right around the corner.

For project and construction updates see "Gaining Speed" on www.lakeconnections.com



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