



March 9, 2009

Mr. Larry Klein
Ms. Yoriko Kishimoto
Mr. Greg Schmid

Council Member, City of Palo Alto
Council Member, City of Palo Alto
Council Member, City of Palo Alto

Mr. James Keene
Mr. Joe Saccio
Ms. Melissa Cavallo
Mr. Grant Kolling

City Manager, City of Palo Alto
City Staff, City of Palo Alto
City Staff, City of Palo Alto
Assistant Attorney, City of Palo Alto

Mr. Bob Harrington
Mr. Andy Poggio
Mr. Bern Beecham

Community Advisor, Resident of Palo Alto
Community Advisor, Resident of Palo Alto
Community Advisor, Resident of Palo Alto

(Delivered electronically)

Re: Palo Alto Open Access Fiber to Premise Discussions

Following the Palo Alto council meeting on Wednesday, February 25, 2009 there has been some dialogue as to how we might be able to move forward together with an acceptable plan to build and operate an open access fiber to the premise ("FTTP") network serving the Palo Alto community.

For background, this is our view of where we have come from, the process followed and the result of our discussions with the City of Palo Alto:

- The City of Palo Alto issued a Request for Proposal ("RFP") to select a partner(s) to build a FTTP network that would have minimal financial risk/commitment from the City.
- PacketFront and 180Connect responded to the original RFP and the City entered into discussions with them.
- In July 2008, after a series of discussions between the City, PacketFront and 180Connect and the withdrawal of the financing partner, Axia entered the discussions with the City, PacketFront and 180Connect with a view that together we could develop an alternative approach that would bring broader community benefits. This would involve a closer relationship with





the City along with a commitment of capital and usage from the City; these elements are key components to the success of Axia's open access model.

- Staff, council and advisory group members have worked very hard to consider Axia's approach by exploring several options. These were valuable discussions but at this point no solution appears possible within the constraints of the City of Palo Alto's financial condition, bylaws and process.

Unfortunately, at this stage, we now recognize that the City of Palo Alto has effectively rejected Axia's proposal.

From the time we got involved, we were consistent with our view of what was required to accomplish the Palo Alto objectives and we understood that meant more participation by the City than it had originally planned. We endeavored to make that clear at all stages of discussions.

Regretfully, in spite of genuine effort on both sides, we have not been able to agree to a model that works for both parties.

As a result, please be advised that Axia is not able to further consider this opportunity.

Thank you for your efforts and we wish you success in your pursuit of a FTTP network.

Kind regards,

AXIA NETMEDIA CORPORATION



Drew McNaughton
Chief Technology Officer

Cc: Mr. Art Price, CEO, Axia NetMedia Corporation
Mr. Tim Scott, Vice President, Packetfront USA

