



December 1st, 2011

To our existing and future customers,

This weekend we will celebrate seven years since we connected our first customer, who happens to be my dear friend Lloyd Tincher.

Our 7th anniversary coincides with the launch of our new service plans, and I wanted to take this opportunity to update you on these changes, and what else is in the plan for our 8th year.

But first, a bit of history; when we connected Lloyd, we used one makeshift tower to share a single T1 with half a dozen neighbors. Today, we connect thousands of customers over 80 towers and relays, in four counties, to multiple fiber optic backbones.

Providing high-speed Internet to rural areas of Northern California is not only what we do, it is our passion. And passionate we are! I'm very proud of our growing team that works tirelessly to bring and maintain the service rain or shine. I'm also proud of our commitment to the community which entails:

- ✓ Free service to the Fire Stations and Schools within our coverage,
- ✓ Scholarships and donations to the youth organizations in our communities, and
- ✓ Our commitment to hire team members from within our service areas.

If after reading this letter you have any questions about our new plans, or would like to send me or the team feedback, please use the Support tab on our home page. I receive and read **all** the support tickets that come in!

Happy Holidays and may we have a fruitful 2012!

Ofer

Ofer Tenenbaum - CEO

ValleyInternet



Evolved! How the way we use the Internet changed

In theory, the product we offer has not changed. We use low-power microwave technology to connect rural homes and businesses to the Internet.

In practice, the product we offer today is **significantly** different:

- ✓ Then it was for email and web
- ✓ Today it's for TV streaming, VoIP, Games, video chat, and some email and Web
- ✓ Then the max download speed was 0.64 Mbit
- ✓ Today it's 10 Mbit and climbing
- ✓ Then it was just WiFi packaged in outdoor casing
- ✓ Today we use carrier grade wireless technology
- ✓ Then the average number of online devices at the home was 1
- ✓ Today the average number is 6 (with many homes having a dozen or more)

The 'product' evolved from being just a fast connection to the web and email to a media pipeline into the home that services everything from TV set-top boxes to telephones, game consoles, tablet computers, cellphones, cameras, etc. (Oh, and desktop and laptop computers too).

The only way is up

For the past two years we watched the network utilization grow and scrambled to upgrade the network and keep up with the demand. Initially we thought that a small percentage of our customers would opt for the Internet video streaming and some Internet Radio and voice-over-IP... but now we realize that everyone is doing this - or will be doing it very soon.

- Over 25% of our customers utilize online backup (up from less than 3% a year ago)
- Over 33% of our customers play online games
- Over 40% of our subscribers stream Movies (up from less than 10% a year ago)
- Over 50% of our subscribers use some form of VoIP (Skype, Vonage, Ooma, etc.)
- Over 75% of our subscribers use some form of audio streaming
- Over 90% of our subscribers stream short videos (YouTube, news clips)

And the numbers rise by the day, literally. Every day we get a customer calling and asking to upgrade to a higher speed plan to be able to video stream.

The only way to deal with the increase in the demand is to, well, deal with it!



Effective January 2012 - About our updated pricing plan

Our new service plans are being updated to include only plans that can support the ‘new new’ way of using the Internet. We are not increasing our prices, but we are eliminating all the plans that can’t support what everyone is trying to do.

Our updated service plans include:

- ✓ Advertised burst and committed speeds
- ✓ Fixed IP (BusinessLinks can order multiple IPs at no additional cost)
- ✓ All the new plans above \$18 can support VoIP, Gaming, Internet Radio, and at least one Internet TV or movie stream

In addition to the new plans, we are also introducing two service options:

- ✓ Inside/Outside wiring warranty (\$8/month)
- ✓ Traffic and network monitoring with graphs, SMS and email alerts (\$3/month + \$40 setup)

Existing customers who do not need TV and Movie streaming may keep their current plans indefinitely!

Anticipated Questions (and answers)

Why is there a long break between the \$18 and the \$72 plans?

Our \$18/month plan is actually our better alternative to dial-up. It is designed to allow customers on a budget to get on the broadband wagon, surf the web, check email and allow the kids to use the Internet for school. The \$18 plan **does not allow** VoIP, gaming, video streaming, VPN or any protocol or function other than web and email. Our new media capable High-Speed Internet plans start at \$72 and up.

But why were the \$34 - \$60 plans removed?

The lower speed plans were designed for lower utilization than what is being done today on the network. Even customers that claim they “hardly use the Internet” don’t realize how much their devices still do. An average game update is 1 Gigabyte, an iPhone patch is 2 to 3 Gigabytes, and a Windows and Mac OS X software updates range from 500 Megabytes to easily over 3 or 4 Gigs. One update like that on its own is larger than what one household used to use in an entire month just a few years ago.

To meet the growing demands on the network, and to provide our customers with the service they need, we eliminated the \$34 - \$60 plans, lowered the higher plans and more than doubled the speed.



I have a lower than \$72 plan. Do I need to upgrade or can I keep my plan?

Existing customers who signed up prior to December 2011 can keep their existing \$18, \$34, \$48 or \$60 plans indefinitely.

The competitors don't advertise committed rates. Does that mean they provide faster service?

All service providers (DSL, Cable, Wireless, Satellite) take a pool of bandwidth and share it with their customers at different [over-subscription](#) levels. The key differences between market players are:

- How they manage the over-subscription throughout the network
- How much they disclose to their customers

When the local cable company tells you your download speed can be up to 50Mbit, they neglect to mention that some 500 additional customers are fighting over the same 50Mbit. Or maybe you need to pay more attention to the fine print that indicates that “Actual speeds vary and are not guaranteed. PowerBoost provides bursts of download and upload speeds for the first 20 MB and 10 MB of a file, respectively.” (And yes, this disclaimer was taken from the local cable company website when this letter was typed!)

Granted, we don't compete with cable companies or DSL. We focus on areas where wired technology is not available.

Most of our competitors in the rural areas don't have disclosures on what their committed speed plans are. Instead of using fine print, we decided to publish our committed and burst rates up front. The committed rates should be there for you as long as the network and your setup is healthy. The burst plans and network priorities are there to make the Internet experience more enjoyable.

What happened to the Tiered “Hop” pricing approach?

The short answer is: it was just too complicated for customers to understand and for us to communicate. More over, it became a technical nightmare to deploy and we decided to stop it in the eleventh hour.

Are there any caps or limits with the new plans?

There are no pre-set daily or monthly limits. However, you should consult our [acceptable usage policy](#) and [service agreement](#). Under certain circumstances we may deem your activity to be abusive or hogging the network. If we find that your utilization is excessive we will make you aware of our concerns.



What is in plan for 2012

Following is a partial list of some of the projects that are on the schedule for the coming year:

Lake County:

January - March

- Deploy our fiber network backbone in Lakeport
- Complete network upgrades from AirLink to Valley Internet
- Connect customers to our new Hidden Valley Lake relay

April - June

- Deploy 4G network
- Upgrade and install new relays in Upper Lake, Nice, and Lucerne

July - December

- Identify and deploy relays to connect Spring Valley, Blue Lakes, and if possible Anderson Springs area

Napa County:

Jan-Mar

- Deploy relays in Berryessa Estates community
- Upgrade (and add) core routers to key base stations
- Deploy 4G network
- Deploy our new upper valley relay to complete coverage in North St. Helena / Calistoga areas
- Continue to research a solution for lower Dry Creek Rd.

Apr-Jun

- Deploy our South Napa relay that will provide improved coverage and faster connections in American Canyon and the airport area.

Jul-Dec

- Deploy our first link into Sonoma county (yes, Sonoma, here we come!)

Solano County:

Jan-Mar

- Deploy 4G network into Vacaville, Dixon, and Woodland area
- Relocate one of our Blue-ridge base stations to its new home (and finalize its upgrade)

Apr-Jun

- Deploy our new “deep into Dixon farmland” relay at the old Voice of America towers.

Jul-Dec

- Deploy our new solar and wind powered backbone infrastructure on Horse-hill.