



## **Covad releases white paper on future of Voice-Over-Internet-Protocol (VoIP) Service Offerings**

### ***Moving Forward, Business-Quality Services Offered by Facilities-Based Providers Well-Positioned to Succeed***

**San Jose, CA (July 20, 2004)**—Covad Communications Group, Inc. (OTCBB: COVD), a leading nationwide provider of integrated voice and data communications, today released a white paper that reviews the current status of Voice over Internet Protocol (VoIP) and compares offerings from the industry's main sectors. The paper, the first in a series, concludes that facilities-based competitive providers are best positioned to take advantage of VoIP because of their proprietary networks and minimal investments in legacy networks.

"Virtual providers, meaning those providers who do not own and manage their own networks, have helped to get VoIP on the map," said Charles Hoffman, president and chief executive officer of Covad. "Facilities-based providers like Covad who own and manage their own networks can control the quality of voice traffic over it. Covad is especially well-positioned to succeed in the small and medium-sized business category by offering a true replacement for local phone company service that includes other innovative features."

VoIP is a telephony term for a set of facilities for managing the delivery of voice information using Internet Protocol (IP). This means sending voice information in digital form in electronic packets rather than in the traditional public switched telephone network (PSTN). With Voice over IP—businesses are given the ability to manage calls at the IP layer which enables productivity enhancing features and services never before available at affordable prices.

According to a report from research firm In-Stat/MDR, by 2007 the U.S. VoIP market is forecast to grow to more than five million subscribers, a five-fold increase over 2002 levels. The Internet Protocol-PBX market, which has just under 100,000 lines today, is expected to grow to more than 1.7 million lines by 2007, according to Forrester Research.

Covad acquired VoIP provider GoBeam earlier this year to leapfrog the industry in the small-business segment. IDC senior telecommunications analyst William Stofega



said at the time of the GoBeam announcement: "Covad's national network is a perfect fit for GoBeam's distribution model and enables Covad to transition from a broadband provider to a national integrated communications provider."

The white paper highlights several areas where VoIP is especially likely to thrive, such as the distributed enterprise space, which consist of restaurant franchises or retail stores that have multiple locations. A VoIP provider can easily set up a large "virtual" telephone network at competitive pricing with features beyond those currently available. For example, calls between locations can be treated as internal intercom calls and dialed as a four-digit extension.

Covad is currently network ready for VoIP in 17 markets on the east and west coasts and will be reaching more than 100 of the top Metropolitan Statistical Areas MSAs in 35 states by year end.

#### **About Covad**

Covad is a leading nationwide provider of integrated voice and data communications. The company offers DSL, Voice Over IP, T1, Web hosting, managed security, IP and dial-up, and bundled voice and data services directly through Covad's network and through Internet Service Providers, value-added resellers, telecommunications carriers and affinity groups to small and medium-sized businesses and home users. Covad broadband services are currently available across the nation in 44 states and 235 Metropolitan Statistical Areas (MSAs) and can be purchased by more than 57 million homes and businesses, which represent over 50 percent of all US homes and businesses. Corporate headquarters is located at 110 Rio Robles San Jose, CA 95134. Telephone: 1-888-GO-COVAD. Web Site: [www.covad.com](http://www.covad.com).

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