



Covad Releases White Paper on Future of Voice over Internet Protocol (VoIP) Regulations

Industry Innovation and Facilities-Based Competition Can Turn the VoIP Revolution Into Reality

San Jose, Calif. (August 19, 2004)—Covad Communications Group, Inc. (OTCBB: COVD), a leading nationwide provider of integrated voice and data communications, today released a white paper offering recommendations for the future of regulations for Voice over Internet Protocol (VoIP) and on key social policy issues facing this technology. The paper, the second in a series, concludes that VoIP can and should be free of excessive retail-level regulation provided that competition is maintained by assured access to underlying facilities.

“Facilities-based providers like Covad are poised to make the VoIP revolution a reality,” said Charles Hoffman, president and chief executive officer of Covad. “VoIP should be viewed as an unregulated information service, free from outdated and excessive regulations that may stunt its growth. Important social policy challenges should be met by industry-led efforts, while competition and innovation are best maintained by ensuring access to the local loops that connect America's homes and businesses.”

VoIP allows voice information to travel in digital form as electronic packets rather than over the traditional Public Switched Telephone Network (PSTN). VoIP challenges the current regulatory framework by stretching traditional definitions of communications services.

As more homes and businesses turn to VoIP for their communications needs, it is essential that regulators maintain an environment that allows healthy, competitive growth. This can be accomplished by viewing VoIP as an unregulated information service and preserving access to the “last-mile” lines that facilities-based providers use to reach customers.

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.

The white paper offers a brief history of VoIP regulations, lending perspective to today's issues. After emphasizing the need for access to underlying facilities, the paper makes the case for industry-led rather than government-mandated solutions. Also included are specific recommendations on critical social policy issues ranging from 911 availability to law enforcement access.

Covad has launched business-class VoIP in 42 markets on the east and west coasts and will be reaching all 113 major metropolitan statistical areas (MSAs) covered by Covad's nationwide network by the end of 2004.

The white paper can be found online at:

<http://www.covad.com/voip/whitepapers.shtml>

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.

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