



Covad Response to FCC Fiber Deregulation Decision

FCC Reaffirms Covad's Continued Access to Line-Sharing Under Section 271 of the 1996 Telecommunications Act

San Jose, Calif. (October 27, 2004)—In the course of granting fiber relief to the local Bell phone companies, the Federal Communications Commission (FCC) today clarified a key issue under its Triennial Review Order and retained legacy loop unbundling requirements under Section 271 of the Telecommunications Act of 1996. In particular, the FCC removed Section 271 unbundling requirements for fiber-based facilities, while keeping in place Section 271 unbundling obligations for legacy copper facilities, including line sharing.

In a separate order released last week, the FCC also eliminated unbundling requirements for mass market "fiber to the curb" facilities, defined as fiber that extends within 500 feet of customer premises.

Covad Communications Group, Inc. (OTCBB: COVD), a leading national provider of broadband voice and data communications, uses line sharing to provide last-mile access for some of its broadband services. As a result of the FCC ruling, the obligations of the local Bell companies to provide companies like Covad continued access to line sharing under Section 271 were reaffirmed.

James A. Kirkland, Covad senior vice president and general counsel, said: "We are very pleased that the FCC expressly declined to grant Section 271 forbearance relief to the Bell companies for line sharing, which involves access to legacy copper loops, rather than new fiber facilities.

"In reaffirming Covad's continued access to line sharing under Section 271 of the Telecommunications Act, the FCC has preserved an important source of broadband competition and paved the way for the introduction of new and innovative broadband services, such as Voice over IP services, over legacy copper facilities."

Kirkland added: "Even under the most aggressive fiber deployment scenarios, it is clear that legacy copper loops will remain a ubiquitous infrastructure for reaching consumers and businesses for many years to come. New technologies, such as ADSL 2+, will ensure that these copper facilities can be utilized to provide a wide variety of new and innovative services."



With respect to the fiber relief which the FCC granted, Kirkland observed that “Covad’s current business plans are not based on having access to these new mass market fiber facilities, so we do not view this as a significant development,” Kirkland said.

Additional Background

In the Triennial Review decision, the FCC removed obligations to unbundle certain fiber-based facilities, as well as obligations to provide access to copper facilities via line sharing, under Section 251 of the Telecommunications Act. Section 251 sets forth the unbundling obligations of all local phone companies, whether or not they were formerly part of AT&T prior to the 1984 divestiture.

Section 271 of the Telecommunications Act and decisions implementing it set forth independent unbundling requirements for the local Bell companies, including a requirement that these companies provide access to line sharing. In its Triennial Review decision, the FCC stated that its actions under Section 251 did not affect these independent Section 271 unbundling requirements, and this portion of the FCC's decision was affirmed by the D.C. Circuit in its recent decision.

About Covad

Covad is a leading nationwide provider of broadband 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.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995:

The foregoing contains “forward-looking statements” which are based on management’s current information and beliefs as well as on a number of assumptions concerning future events made by management. Readers are cautioned not to put undue reliance on such forward-looking statements, which are not a



guarantee of performance and are subject to a number of uncertainties and other factors, many of which are outside Covad's control that could cause actual results to differ materially from such statements. These risk factors include the impact of increasing competition, pricing pressures, consolidation in the telecommunications industry, uncertainty in telecommunications regulations and changes in technologies, among other risks. For a more detailed description of the risk factors that could cause such a difference, please see Covad's 10-K, 10-Q, 8-K and other filings with the Securities and Exchange Commission. Covad disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. This information is presented solely to provide additional information to further understand the results of Covad.

© 2006 Covad Communications Group.

###