



Covad, Verizon and MCI Announce a New Relationship

San Jose, Calif. (December 28, 2005)—Covad and Verizon today announced a comprehensive settlement agreement that resolves all pending litigation and disputes between them. The agreement includes the dismissal of both Covad's pending antitrust case against Verizon, and a separate suit that Verizon had filed against Covad. The settlement provides a full resolution to all billing disputes.

A related agreement also expands Covad's existing commercial line sharing agreement to enable Covad to provide its xDSL services over lines being used by resellers of Verizon's voice services. "We are pleased to be able to expand our existing wholesale relationship with this highly valued customer," said Virginia Ruesterholz, Verizon's President—Wholesale Markets.

Separately, Covad and MCI entered into an agreement under which Covad will be a preferred provider of local access and network services to MCI's DSL business customers.

"These agreements build a new, positive relationship with Verizon," said Charles Hoffman, Covad president and CEO. "MCI has been a valued customer and vendor to Covad for many years. The agreements we are announcing today provide an exciting opportunity to grow our business with the combined companies upon closing of the MCI acquisition. MCI has a substantial customer base outside of Verizon's local footprint."

"We look forward to a continuing relationship with Covad as a valued supplier and customer to MCI" said Randal Milch, Senior Vice President and Deputy General Counsel of Verizon. "We are also pleased to begin this new chapter in the Covad-Verizon relationship."

Financial terms of the agreements were not disclosed.

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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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. Examples of forward-looking statements include expectations regarding regulatory decisions. 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 future changes in telecommunications regulations and litigation concerning current regulations, 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.

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