

Before the
Federal Communications Commission
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)
)
Joint Application of NorthPoint)
Communications, Inc. and Verizon)
Communications for Authority)
Pursuant to Section 214 of the)
Communications Act of 1934,)
As Amended, to Transfer Control)
of Blanket Authorization To Provide)
Domestic Interstate Telecommunications)
Services as a Non-Dominant Carrier)

CC Docket No. 00-151

COMMENTS OF NETWORK ACCESS SOLUTIONS CORPORATION

If the FCC approves this merger, the public interest requires that it condition that approval upon actions by the merger parties, including amendments to the Merger Agreement as discussed below, that protect competition in DSL services. The public interest requires conditional, rather than unconditional, approval since Verizon's ILECs are the sole suppliers of inputs that are essential to providing retail DSL service in areas where those ILECs operate and since the proposed merger would combine the largest and third largest participants in retail DSL markets in those areas.

The service in which competition could be harmed *most* is business-class DSL service to customers in the area where Verizon ILECs operate.¹ Business-class DSL service is

1. Although the FCC has not formally defined separate residential and business-class DSL product markets, it has looked separately at competition in these two market segments as the Merger Application acknowledges. See Verizon/NorthPoint Merger Applic., Hazlett Aff.

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different than residential DSL service given the significant price difference between the two offerings that results from the substantially higher costs of providing business-class DSL service.² Verizon began providing business-class DSL service in the early 1990s using HDSL technology. It continues to do so today. While Verizon until recently was the *only* supplier of business-class DSL service in the region where Verizon ILECs operate, NorthPoint and other startups, including NAS, have begun to compete with Verizon in the business-class DSL market within the last two years.³ The Commission can obtain more precise numbers, but we estimate that as of July 1 Verizon provided business-class DSL service to at least 300,000 lines in the area where Verizon ILECs operate, that NorthPoint provided business-class DSL service within that area to at least

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2. While the price for residential DSL service typically is about \$40 per month, the price of business-class DSL service is at least four times that amount for low-speed service and five to ten times that amount for service providing transmission speeds of interest to most business customers. For example, NorthPoint's 1.5 mb/sec. business-class DSL offering is \$250 per month, and NAS markets its 768 kb/sec. business-class DSL offering for \$217 per month. It costs more to provide business-class DSL service than residential DSL service because of the high cost of providing the quality of service guarantees that business customers demand. For example, a service provider must spend far more per customer on dedicated transport to provide business-class service since business customers demand that data be transmitted at a speed close to the nominal speed. In order to provide this level of service, the service provider must place a lower cap on the number of end users whose traffic is transmitted over a given dedicated transport path than is required in providing residential DSL service.
 3. The overwhelming majority of NorthPoint's customers subscribe to its business-class service. *See Verizon/NorthPoint Merger Applic., Public Interest Statement at 3* ("NorthPoint has focused primarily on providing services for small- and mid-sized business customers using symmetric DSL ("SDSL") technology").

15,000 lines, and that all other CLECs together provided business-class DSL service to roughly 47,000 lines in that area, broken down as follows:

Covad	25,000 lines
NAS	7,700 lines
Rhythms	7,500 lines
All others	<u>7,000 lines</u>
	47,200 lines ⁴

Regardless of exact market share statistics, this merger plainly could harm competition in the business-class DSL market given the FCC 's finding that "the loss of even one significant market participant can adversely affect the development of competition."⁵ Competition could be harmed since the merger would eliminate one of Verizon's largest competitors in the area where Verizon ILECs operate while increasing Verizon's existing dominance in that region.

One important area where measures to protect competition are needed is in the text of the Merger Agreement itself since, as we show below, some existing terms of that Agreement create a risk that the merger would harm competition in the provision of DSL service. For convenience, a copy of the Merger Agreement is attached.

First, unconditioned approval of the Merger Agreement would permit Verizon unfairly to absorb the new NorthPoint's collocation costs in all situations where equipment used by

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4. Our estimates are based on total DSL subscribership data reported in Second Quarter 10-Q reports filed with the SEC. The estimates assume that about 25 percent of lines which NorthPoint, Covad and Rhythms report they provisioned as of July 1 are in areas where Verizon ILECs operate. This assumption is based on the facts that about 25 percent of all loops are owned by Verizon and that these three carriers provide DSL service broadly throughout the nation. Our estimates also make assumptions about what percentage of the total DSL lines served by each of these carriers transmit business-class DSL service, as follows: NorthPoint - 95%, Rhythms - 90%, and Covad 75%.
 5. *NYNEX/Bell Atlantic Merger Order*, 12 FCC Rcd. 1985 at ¶ 66 (1997); *id.* at ¶¶ 48, 95.

the new NorthPoint shares rack space with equipment used by Verizon to provide non-DSL services.⁶ Unfair cross subsidization of this sort could occur since the Merger Agreement gives Verizon and the new NorthPoint a right to allocate these costs “in a manner to be agreed upon” by those two parties. In the absence of clarification, this provision would permit the merger parties to agree to let Verizon absorb an unreasonably large percentage of the new NorthPoint’s collocation costs.

Nor is it clear this provision is lawful under existing FCC policy even if the parties could prove that it would not result in unfair cross subsidization. Under FCC policy, Verizon’s DSL affiliate must obtain collocation arrangements from Verizon ILECs on the same terms as any other CLEC. Verizon ILECs prohibit a non-affiliated CLEC from sharing rack space with Verizon ILECs if the CLEC subscribes to any form of collocation, including cageless collocation, other than virtual collocation. As a result, the Commission should require the merger parties to provide assurances that the new NorthPoint will share rack space with a Verizon ILEC only to the extent that the new NorthPoint subscribes to the ILEC’s virtual collocation offering.

Section 6.5(b)(i) of the Merger Agreement in its present form would appear to permit Verizon to discriminate unlawfully in favor of the new NorthPoint in another way. That Section states that existing leases granting Verizon’s present DSL affiliate an exclusive right to occupy any Verizon premises outside of a central office will be transferred to the new NorthPoint. First, the lawfulness of this provision is problematic since Section 1.3 of the Bell Atlantic/GTE Merger Conditions requires that Verizon comply with Section 272(c) of the Act. That statute, in turn, makes

6. Verizon/NorthPoint Merger Agreement at §6.5(a).

clear that Verizon “may not discriminate between” the new NorthPoint and any other CLEC “in the provision of or procurement of goods, services, facilities and information. . . .” Notwithstanding the nondiscrimination requirement in Section 272(c) of the Act, Section 6.5(b)(i) of the Merger Agreement purports broadly to transfer to the new NorthPoint *exclusive* rights to occupy non-central office space. For example, this broad authorization could include the grant of exclusive rights for the new NorthPoint’s to collocate equipment inside of remote terminals of the Verizon ILECs.

Unless modified, Section 6.5(b)(i) of the Merger Agreement would permit the new NorthPoint unfairly to shift DSL costs to Verizon even if it were lawful for Verizon to grant the new NorthPoint exclusive rights to occupy non-central office premises. It would do so by permitting Verizon to retain any lease giving Verizon’s existing DSL affiliate an exclusive right to occupy Verizon’s non-central office space if transfer of that lease “is subject to a regulatory prohibition or the imposition of incremental obligations on Verizon or its Affiliates, including a non-discrimination obligation.” Without clarification, Verizon and the new NorthPoint could use this ambiguous provision unfairly to attribute some of the new NorthPoint's collocation costs to Verizon ILECs or other Verizon affiliates.

Section 6.5 (b)(ii) creates yet another opportunity for the new NorthPoint to avoid costs that should be allocated to its DSL business. This section states appropriately in the first clause that existing arrangements permitting the Verizon DSL affiliate to share space at a premises other than a central office with another Verizon affiliate would be transferred to the new NorthPoint, but the second clause creates a loophole by stating that the new NorthPoint would pay only for its “relative use” of such premises. There are numerous ways to calculate “relative use”, many of which

would permit Verizon to absorb an unfair portion of these shared costs. The Merger Agreement makes no effort to explain how “relative use” is to be calculated.

Moreover, while Section 1.1(a) of the Merger Agreement properly requires Verizon to transfer to the new NorthPoint “all . . . assets . . . [that] are used exclusively . . . in connection with” Verizon’s DSL business, Section 1.1(b) states that notwithstanding this requirement Verizon may own all rights in any assets used exclusively in providing DSL service that fall within a potentially broad category of assets referred to by the Agreement as “Excluded Verizon Assets.”⁷ Permitting Verizon or a non-DSL Verizon subsidiary to purchase and own *any new network assets* used exclusively by the new NorthPoint in providing DSL service appears to be inconsistent with the requirement in the Bell Atlantic/GTE merger conditions order requiring *all such assets* to be purchased and owned by Verizon’s DSL subsidiary.⁸ But even if it were *not* inconsistent with the Bell Atlantic/GTE Merger Conditions, authorizing Verizon or any non-DSL Verizon subsidiary to own any new equipment assets used exclusively for the provision of DSL service would harm competition in the DSL market by making it easier for NorthPoint to set prices for DSL service based on a cost structure that excluded the costs of some assets necessary to provide DSL service.

While the applicants claim that the existence of minority shareholders in the new NorthPoint and the existence of non-Verizon board members on the new NorthPoint board will reduce the risk that Verizon would engage in predatory behavior, that is not true.⁹ The major risk

7. *Id.* at §1.1(a).

8. Conditions for Bell Atlantic/GTE Merger at §1.3.d.

9. *See Verizon/NorthPoint Merger Applic., Public Interest Statement* at 12.

that exists in this case is that Verizon would unfairly absorb costs that should be allocated to the new NorthPoint or that Verizon's ILECs would provide preferential treatment to the new NorthPoint *vis-a-vis* CLECs that compete with the new NorthPoint in the area where Verizon ILECs operate. The new NorthPoint's minority shareholders and outside directors have no less incentive than Verizon itself to allocate NorthPoint's costs to Verizon or to receive preferential treatment from Verizon's ILECs.

CONCLUSION

If the Commission approves the proposed merger by granting this application, it should condition that approval on the parties' compliance with specific requirements, including modifying the Merger Agreement as discussed above, in order to protect competition in the provision of DSL service in areas where Verizon's ILECs operate.

Respectfully submitted,

NETWORK ACCESS SOLUTIONS
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October 2, 2000

AGREEMENT AND PLAN OF MERGER

among

BELL ATLANTIC CORPORATION
(D/B/A VERIZON COMMUNICATIONS)

VERIZON VENTURES I INC.

VERIZON VENTURES II INC.

and

NORTHPOINT COMMUNICATIONS GROUP, INC.

Dated as of August 7, 2000

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AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER, dated as of August 7, 2000 (this

"Agreement"), by and among Bell Atlantic Corporation (d/b/a Verizon Communications), a Delaware corporation ("Verizon"), Verizon Ventures I Inc., a Delaware corporation ("Parent"), Verizon Ventures II Inc., a Delaware corporation and wholly owned subsidiary of Parent ("Merger Subsidiary"), and NorthPoint Communications Group, Inc., a Delaware corporation ("NorthPoint").

WHEREAS, the Boards of Directors of Verizon and NorthPoint have determined that it is in the best interests of their respective stockholders to combine their respective digital subscriber line ("DSL") operations in a business combination transaction in which (i) Verizon will contribute, or will cause to be contributed, to Parent (A) the Cash Amount (as defined below), of which \$350 million will be used to fund the Merger Consideration (as defined below), and (B) certain of the assets used by Verizon in connection with its wholesale DSL operations, in exchange for shares of common stock of Parent (the "Asset Contribution") and (ii) Merger Subsidiary will be merged with and into NorthPoint, with NorthPoint surviving as a wholly owned subsidiary of Parent as provided in this Agreement (the "Merger");

WHEREAS, concurrently with entering into this Agreement, Verizon is entering into (i) a commitment letter relating to a \$200 million senior secured debt facility (the "Debt Financing") and (ii) a securities purchase agreement relating to the purchase by Verizon of \$150 million of 9% Convertible Preferred Stock of NorthPoint (the "Preferred Financing");

WHEREAS, for U.S. federal income tax purposes, it is intended that (i) the Asset Contribution and the Merger each will qualify as a transaction described in Section 351 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) the Merger will qualify as a transaction described in Section 368(a) of the Code;

WHEREAS, for financial accounting purposes, it is intended that the transactions contemplated by this Agreement will be accounted for as a purchase transaction in accordance with United States generally accepted accounting principles ("GAAP"); and

WHEREAS, concurrently with the execution of this Agreement, Parent and certain stockholders of NorthPoint (including certain NorthPoint officers

and directors) are entering into a Voting and Lock-Up Agreement in the form attached as Exhibit A hereto.

NOW, THEREFORE, in consideration of the foregoing and the agreements contained in this Agreement, and intending to be legally bound hereby, the parties agree as follows:

ARTICLE I

THE TRANSACTIONS; CLOSING

Section 1.1 The Asset Contribution.

(a) Effective as of the Closing (as defined in Section 1.3 hereof), upon the terms and subject to the conditions set forth in this Agreement and in accordance with the Delaware General Corporation Law (the "DGCL") Verizon shall, or shall cause one or more of its Subsidiaries to, (A) contribute to Parent cash in an amount equal to \$800 million less (i) the aggregate principal amount of the Debt Financing and the Preferred Financing outstanding as of the Closing Date (as defined below) and (ii) any accrued and unpaid interest and dividends thereon through such date, and subject to adjustment pursuant to Sections 1.1(g) and 1.1(h) hereof (the "Cash Amount"), and (B) sell, convey, assign, transfer and deliver to Parent all of the right, title and interest of Verizon and its

Subsidiaries in and to all of the business, assets, properties, rights and interests (of whatever kind and nature, real or personal, tangible or intangible), other than the Excluded Verizon Assets (as defined below), that are owned, held or used by Verizon and/or any of its Subsidiaries on the Closing Date (as defined below) and relate exclusively to or are used exclusively by Verizon or its Subsidiaries in connection with, the Verizon DSL Business (collectively, the "Verizon DSL Assets"). Subject to Section 1.1(b) hereof, it is agreed and understood that the Verizon DSL Assets shall include the following:

(i) Verizon Network Equipment Assets. The network equipment assets used exclusively by the Verizon DSL Business and identified by category in Section 1.1(a)(i) of the Verizon Disclosure Schedule (the "Verizon Network Equipment Assets"), which assets are generally located at the central offices listed in Section 1.1(a)(i) of the Verizon Disclosure Schedule (the "Verizon Central Offices");

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(ii) Permits. To the extent assignable, all material consents, permits, licenses, orders, registrations, franchises, certificates, approvals or other similar rights from any federal, state or local regulatory agencies related exclusively to the Verizon DSL Business;

(iii) Contracts. Except as the parties may otherwise agree, the contracts, leases, indentures, agreements, commitments and all other legally binding agreements (including without limitation real estate, capital and operating leases) either described by category or identified in Section 1.1(a)(iii) of the Verizon Disclosure Schedule (the "Assumed Verizon Contracts");

(iv) Books and Records. Subject to any applicable legal restrictions, all books, records and files related exclusively to the Verizon DSL Business, including customer and supplier lists, sales and other records, promotional material, operating manuals and guidelines, equipment maintenance and warranty information, software manuals and documentation, files, documents, papers, data stored in electronic, optical or magnetic form, agreements, books of account, contracts, specifications and all correspondence with any customers, suppliers, employees or governmental entities or agencies related exclusively to the Verizon DSL Business and personnel records related to the Verizon DSL Employees;

(v) Certain Indebtedness. All of Verizon's rights with respect to any amounts outstanding under the Debt Financing at the Effective Time, including any accrued and unpaid interest thereon; and

(vi) Intellectual Property. (A) The intellectual property used by Verizon and its Subsidiaries exclusively in connection with the Verizon DSL Business and identified in Section 1.1(a)(vi) of the Verizon Disclosure Schedule and (B) any additional intellectual property developed after the date hereof and prior to the Effective Time which is used by Verizon and its Subsidiaries exclusively in connection with the Verizon DSL Business, all of which shall be listed in a closing schedule to be delivered by Verizon to NorthPoint at the Effective Time.

(b) Notwithstanding anything herein to the contrary, from and after the Closing, Verizon and each of its Subsidiaries shall retain all their respective right, title and interest in and to, and there shall be excluded from the sale, conveyance, assignment or transfer to Parent hereunder, and the Verizon DSL Assets shall not include, the following (collectively, the "Excluded Verizon Assets"):

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(i) any property or assets of Verizon or its Subsidiaries which are

(A) used in the general administration of Verizon's or its Subsidiaries' businesses or (B) not used exclusively for the benefit of the Verizon DSL Business or its activities;

(ii) all rights of Verizon or its Subsidiaries under this Agreement or any other agreements, instruments and certificates delivered in connection with this Agreement;

(iii) copies of all records prepared by Verizon and/or any of its Subsidiaries and counsel and advisors thereto in connection with the sale of the Verizon DSL Assets contemplated hereby;

(iv) all rights, claims, demands and judgments to the extent relating to, arising out of or used in connection with the Excluded Verizon Assets;

(v) all rights to claims for refunds of income taxes relating to the Verizon DSL Business for any taxable period ending on or before the Closing Date or the portion ending on the Closing Date of any taxable period that includes (but does not end on) such date;

(vi) all accounts receivable, notes receivable and all notes, bonds and other evidences of indebtedness of and rights to receive payments from any Person, in each case arising out of the conduct of the Verizon DSL Business prior to the Effective Time, and, except as provided in the Employee Matters Agreement, all cash and cash equivalents of the Verizon DSL Business as of the Effective Time; and

(vii) any and all rights and licenses in third party intellectual property which are not used in connection with the Verizon DSL Business or, if used in connection with the Verizon DSL Business, which cannot be conveyed or assigned to Parent by reason of: (A) the requested consent of such third party not having been obtained; (B) any requirement of payment of compensation or other consideration to any third party; or (C) any adverse effect on Verizon and its Subsidiaries.

(c) Notwithstanding anything herein to the contrary, Verizon shall not assign, and Parent shall not assume or undertake, any liabilities or obligations of Verizon, whether relating to the Verizon DSL Business or otherwise, except as

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expressly set forth in this Agreement. Parent shall assume the following obligations and liabilities:

(i) Contracts and Leases. All obligations and liabilities of Verizon and its Subsidiaries under the Assumed Verizon Contracts arising or to be performed after the Effective Time, including those under any real estate, operating or capital lease or arrangement identified as an Assumed Verizon Contract;

(ii) Operational Liabilities. All obligations and liabilities related to, arising from, or with respect to, the operation of the Verizon DSL Business from and after the Effective Time or any and all products or services sold (whether or not under warranty) by the Verizon DSL Business after the Effective Time, including obligations and liabilities for and with respect to (whether entered into before or after the Effective Time) outstanding commitments (in the form of accepted purchase orders or otherwise) to sell services, or outstanding quotations, proposals or bids with respect to the sale of services, any refunds, adjustments, allowances, repairs, exchanges, returns and warranty, merchantability, products liability and other claims;

(iii) Employee Liabilities. Subject to the provisions of the Employee Matters Agreement among Parent, NorthPoint and Verizon (the "Employee Matters Agreement"), all liabilities and obligations relating to the Verizon DSL Employees who will be employed by Parent, to the extent arising from and after

the Effective Time; and

(iv) Tax Liabilities. All liabilities and obligations relating to federal, state, local, foreign or other governmental taxes, assessments, duties, fees, levies or similar charges of any kind, including all interest, penalties and additions thereto, to the extent related to the operation of the Verizon DSL Business from and after the Effective Time.

(d) It is the intention of the Parties that the Asset Contribution shall not include any working capital items. The amount of (A) any current liabilities associated with the Verizon DSL Assets that cannot be excluded from the Verizon DSL Assets (such as an accrued and unpaid payment obligation under any Assumed Verizon Contract) and (B) any current assets associated with the Verizon DSL Assets that cannot be excluded from the Verizon DSL Assets (such as pre-paid expenses) shall be netted against each other and settled in cash between the Parties on the Closing Date or as promptly as practicable thereafter (it being understood and

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agreed that if clause (A) exceeds clause (B), Verizon shall pay Parent the difference between clause (A) and clause (B); and that if clause (B) exceeds clause (A), Parent shall pay to Verizon the difference between (A) and (B)).

(e) In consideration of the contribution of the Cash Amount, the contribution to Parent of the Verizon DSL Assets and the conversion of convertible preferred stock (and any securities of NorthPoint issued upon conversion thereof) held by Verizon pursuant to Section 2.2(a)(ii) hereof, Parent shall issue to Verizon at the Effective Time that number of fully paid and nonassessable shares of Parent Common Stock (the "Verizon Shares") such that Verizon's ownership interest in the issued and outstanding shares of Parent Common Stock immediately after giving effect to the Merger set forth in Section 1.2 hereof (the "Verizon Ownership Percentage") shall be equal to 55%, subject to upward adjustment as provided in Section 1.1(g)(iii) hereof. The Verizon Shares shall be validly issued, fully paid and nonassessable immediately upon issuance.

(f) (i) In further consideration of the contribution of the Cash Amount, the contribution to Parent of the Verizon DSL Assets and the conversion of convertible preferred stock held by Verizon pursuant to Section 2.2(a)(ii) hereof, from and after the Effective Time, immediately upon the exercise of any NorthPoint Equity Right outstanding immediately prior to the Effective Time (each a "Mirror Equity Right"), Parent shall issue to Verizon that number of shares of Parent Common Stock (the "Mirror Shares") equal to (A) the Mirror Share Number (as defined below) multiplied by (B) the difference (if positive) obtained by subtracting (x) the number of shares of Parent Common Stock, if any, repurchased in the open market (the "Repurchased Shares") on the date of issuance of shares pursuant to the Mirror Equity Right with the proceeds received by NorthPoint upon exercise of such Mirror Equity Right from (y) the number of shares of Parent Common Stock issued on such date in respect of such Mirror Equity Right; provided, however, that if at any time Parent shall fail to

issue to Verizon the appropriate number of Mirror Shares on the date of issuance of shares pursuant to any Mirror Equity Right, then the number of Repurchased Shares shall thereafter be deemed to be zero for all future issuances of shares of Parent Common Stock upon the exercise of any Mirror Equity Right. The Mirror Shares and the Verizon Shares are being issued to Verizon in consideration of the aforementioned transactions and shall be validly issued, fully paid and nonassessable immediately upon issuance.

(ii) For purposes of this Agreement, the "Mirror Share Number" shall be equal to (A) the percentage of the issued and outstanding shares of

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Parent Common Stock owned by Verizon immediately following the Effective Time after giving effect to any adjustments to reflect the NorthPoint Shortfall Amount (as defined in Section 1.1(g) hereof), if any, divided by (B) the percentage of the issued and outstanding shares of Parent Common Stock owned by all stockholders of Parent other than Verizon immediately following the Effective Time after giving effect to any adjustments to reflect the NorthPoint Shortfall Amount, if any.

(iii) For a period of two years after the date hereof, upon the exercise of any Mirror Equity Right, Parent shall provide Verizon with a report setting forth in reasonable detail the number of shares of Parent Common Stock issued upon each exercise of a Mirror Equity Right, the proceeds received by Parent upon such exercise, the number of Repurchased Shares (if any) in respect of that Mirror Equity Right, the price paid for the Repurchased Shares and the number of Mirror Shares issued to Verizon. The Mirror Shares shall be issued to Verizon automatically, without any further action on the part of Verizon and without payment of any further consideration.

(iv) The number or type of Mirror Shares shall be adjusted if and whenever Parent shall (A) subdivide or combine its securities, (B) declare a stock dividend or (C) effect a reorganization, reclassification, recapitalization, consolidation or merger, in the same manner and in accordance with the same terms as the number or type of shares issuable upon exercise of the Mirror Equity Right shall be adjusted pursuant to the terms of the Mirror Equity Right. Parent will not enter into a transaction or agreement for the acquisition of a majority of the capital stock or voting power of Parent by another person or entity by means of any transaction or series of related transactions (including, without limitation, any reorganization, merger, consolidation or purchase of stock) unless the person or entity resulting from such reorganization, merger or consolidation or the person or entity purchasing such capital stock or voting power shall expressly assume the due and punctual performance and observance of Parent's obligation to issue the Mirror Shares pursuant to this Section 1.1(f) and agrees not to treat Verizon less favorably than any holders of an Equity Right, by supplemental agreement satisfactory in form and substance to Verizon and executed and delivered to Verizon.

(v) Parent shall issue the Mirror Shares only as whole shares of Parent Common Stock in certificated form to Verizon. To the extent that Verizon is entitled to receive a fractional share upon exercise of a Mirror Equity Right, Parent shall add such fractional share to any future issuances of Mirror Shares.

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(vi) Parent shall not, by amendment of its organizational documents or through any reorganization, transfer of assets, consolidation, merger, issue or sale of securities or otherwise, avoid or take any action which would have the effect of avoiding the observance or performance of any of the terms to be observed or performed by Parent with respect to Verizon's right to receive the Mirror Shares, but will at all times in good faith assist in carrying out all of the provisions of such right and in taking of all such action as may be necessary or appropriate in order to protect Verizon's right to receive the Mirror Shares against dilution or other impairment.

(vii) Each of the Parties hereto agrees that in the event of any breach or default or threatened breach or threatened default by Parent of any covenant, agreement, obligation or other provision relating to Verizon's right to receive the Mirror Shares, monetary damages are not adequate remedies to compensate Verizon, and Verizon shall be entitled (in addition to any other remedy that may be available to it) to (A) a decree or order of specific performance of such right, and (B) an injunction restraining such breach or threatened breach, without, in either case, the posting of any bond and, to the extent permissible by applicable law, each Party waives any objection to the imposition of such relief.

(g) (i) On or prior to December 31, 2000, an inventory of the used

and useful Verizon Network Equipment Assets shall be conducted by an independent appraiser selected by Verizon and such inventory shall be brought down by such appraiser to a date that is not more than five business days prior to the earlier of the Closing and December 31, 2000 (the "Verizon Asset Inventory"). Verizon shall bear the cost of conducting the Verizon Asset Inventory. The gross book value (including any capitalized labor and other costs associated with the installation, provisioning, modification and upgrading of equipment) of the Verizon Network Equipment Assets reflected in the Verizon Asset Inventory as of the date thereof is herein referred to as the "Verizon Network Equipment Asset Value." The term "Verizon Network Equipment Asset Value" does not include Capitalized Co-Location Fees (as defined in Section 6.6 hereof).

(ii) If the Closing occurs on or after December 31, 2000, to the extent that the Verizon Network Equipment Asset Value is less than \$513.5 million, the Cash Amount shall be increased by the amount of such difference. If the Closing occurs before December 31, 2000, to the extent that the Verizon Network Equipment Asset Value is less than (x) \$513.5 million minus (y) \$277 million divided by 365 and multiplied by the number of days remaining in the year 2000

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after the Closing, the Cash Amount shall be increased by the amount of such difference.

(iii) The number of shares of Parent Common Stock to be issued to Verizon pursuant to Section 1.1(e) hereof shall be increased in an amount equal to the NorthPoint Shortfall Amount (as defined below) divided by the average of the closing prices of NorthPoint Common Stock on the Nasdaq National Market ("Nasdaq") (as reported in The Wall Street Journal) on the 30 trading days immediately prior to the Closing Date and all references in this Agreement to the Verizon Ownership Percentage as of the Effective Time shall be adjusted to be references to a percentage equal to such increased number of shares divided by the issued and outstanding shares of Parent Common Stock immediately after giving effect to the Merger. If the Closing occurs on or after December 31, 2000, if and to the extent that the audited consolidated balance sheet of NorthPoint as of December 31, 2000 reflects gross property, plant and equipment of less than \$513.5 million, the "NorthPoint Shortfall Amount" shall be equal to the difference obtained by subtracting NorthPoint's gross property, plant and equipment from \$513.5 million. If the Closing occurs prior to December 31, 2000, if and to the extent that the audited consolidated balance sheet of NorthPoint as of the Closing Date reflects gross property, plant and equipment of less than (x) \$513.5 million minus (y) \$270 million divided by 365 and multiplied by the number of days remaining in the year 2000 after the Closing (the "2000 Target Amount"), the "NorthPoint Shortfall Amount" shall be equal to the difference between the gross property, plant and equipment of NorthPoint as of the Closing Date and the 2000 Target Amount.

(iv) In the event that it is impossible to determine the NorthPoint Shortfall Amount at the Closing Date because of the unavailability of an audited balance sheet as contemplated by this Section 1.1.(g), the adjustments referred to herein shall be made as soon as practicable after the Closing Date and shall be retroactive in all respects to the Effective Time.

(h) The Cash Amount shall be further adjusted with respect to Regulatory Compliance Costs in accordance with Section 6.4 hereof.

Section 1.2 The Merger. At the Effective Time, upon the terms and

subject to the conditions set forth in this Agreement and in accordance with the DGCL, Merger Subsidiary shall merge with and into NorthPoint. NorthPoint shall be the surviving corporation in the Merger (the "Surviving Corporation") and shall thereupon become a direct, wholly owned subsidiary of Parent.

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Section 1.3 Closing.

(a) The closing (the "Closing") of the Asset Contribution and the Merger shall take place no later than the second business day after satisfaction or waiver of the conditions set forth in Article VIII unless another time or date is agreed to by the parties hereto (the date of the Closing being referred to as the "Closing Date"). The Closing shall be held at the offices of Skadden, Arps, Slate, Meagher & Flom LLP, Four Times Square, New York, New York, unless another place is agreed to by the Parties.

(b) At the Closing:

(i) Verizon shall deliver or cause to be delivered to Parent (unless previously delivered), such appropriately executed bills of sale for the Verizon DSL Assets, instruments of assignment and assumption with respect to the Assumed Verizon Contracts and such other documents of title, assignments, instruments of sale, conveyance or transfer or other documents and certificates as may be reasonably requested by any Party prior to the Closing with respect to the Verizon DSL Business or the Assumed Verizon Contracts; and

(ii) Parent shall deliver to Verizon stock certificates representing the Verizon Shares and such appropriately executed bills of sale for the Verizon DSL Assets, instruments of assignment and assumption with respect to the Assumed Verizon Contracts and such other documents of title, assignments, instruments of sale, conveyance or transfer or other documents and certificates as may be reasonably requested by NorthPoint prior to the Closing with respect to the Verizon DSL Business or the Assumed Verizon Contracts.

(iii) In consideration of the agreements contained in this Agreement and for other good and valuable consideration, Verizon shall deliver an executed intellectual property agreement (the "Intellectual Property Agreement") which grants to Parent, for so long as Parent is a majority-owned subsidiary of Verizon, a non-exclusive license to use all intellectual property owned by Verizon and its Subsidiaries which is used in connection with (but not exclusively in connection with) the Verizon DSL Business as of the Closing Date, including the intellectual property described in Section 1.3(b)(iii) of the Verizon Disclosure Schedule; provided that such license shall be limited to the use or uses to which

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Verizon employs such intellectual property at the Effective Time in connection with the Verizon DSL Business.

Section 1.4 Effective Time of the Merger. Subject to the

provisions of this Agreement, as soon as practicable on the Closing Date, the parties shall file with the Secretary of State of the State of Delaware a certificate of merger duly completed and executed in accordance with the relevant provisions of the DGCL and shall make all other filings required under the DGCL to effect the Merger. The Merger shall become effective at the actual time of the filing of such certificate of merger, or at such other later time as is specified in the certificate of merger and agreed to by the parties hereto (the time at which the Merger has become fully effective being hereinafter referred to as the "Effective Time").

Section 1.5 Effects of the Merger. The Merger shall have the

effects set forth in Section 259 of the DGCL. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time all the property, rights, privileges, powers and franchises of NorthPoint and Merger Subsidiary shall continue with, or vest in, as the case may be, NorthPoint as the Surviving Corporation, and all debts, liabilities and duties of NorthPoint and Merger Subsidiary shall continue to be, or become, as the case may be, the debts,

liabilities and duties of NorthPoint as the Surviving Corporation.

Section 1.6 Subsequent Actions. If at any time after the Effective

Time, the Surviving Corporation or Parent shall consider or be advised that any deeds, bills of sale, assignments, assurances or any other actions or things are necessary or desirable to continue in, vest, perfect or confirm of record or otherwise in the Surviving Corporation or Parent, as the case may be, its right, title or interest in, to or under any of the rights, properties, privileges, franchises or assets to be acquired by the Surviving Corporation or Parent as a result of, or in connection with, the Asset Contribution or the Merger or to otherwise to carry out this Agreement, the officers of Verizon and the officers and directors of each of Parent and the Surviving Corporation shall be directed and authorized to execute and deliver all such deeds, bills of sale, assignments and assurances and to take and do, in the name and on behalf of each of such corporations or otherwise, all such other actions and things as may be necessary or desirable to vest, perfect or confirm any and all right, title and interest in, to and under such rights, properties, privileges, franchises or assets or otherwise to carry out this Agreement.

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Section 1.7 Certificate of Incorporation; By-laws; Directors and

Officers of the Surviving Corporation. Unless otherwise agreed to by NorthPoint

and Verizon before the Effective Time, at the Effective Time:

(a) The Certificate of Incorporation and the By-laws of Merger Subsidiary, as in effect immediately prior to the Effective Time, shall be the Certificate of Incorporation and By-laws, respectively, of the Surviving Corporation.

(b) The directors of Merger Subsidiary immediately prior to the Effective Time shall be the directors of the Surviving Corporation until the next annual meeting of stockholders of the Surviving Corporation (or their earlier resignation or removal) and until their respective successors are duly elected and qualified, as the case may be.

(c) The officers of NorthPoint immediately prior to the Effective Time shall continue to serve in their respective offices of the Surviving Corporation from and after the Effective Time, in each case until their respective successors are duly elected or appointed and qualified or until their resignation or removal.

ARTICLE II

EFFECT ON THE STOCK OF NORTHPOINT AND MERGER SUBSIDIARY

Section 2.1 Conversion of Securities. The manner and basis of

converting the shares of common stock of NorthPoint and of Merger Subsidiary at the Effective Time, by virtue of the Merger and without any action on the part of any of the Parties or the holder of any of such securities, shall be as hereinafter set forth in this Article II.

Section 2.2 Conversion of Shares.

(a) Cancellation of Treasury Shares and Convertible Preferred Shares Held by Verizon. (i) At the Effective Time, each share of NorthPoint Common Stock held in the treasury of NorthPoint or beneficially owned by NorthPoint immediately prior to the Effective Time shall be cancelled and retired and no shares of stock or other securities of Parent or the Surviving Corporation shall be issuable, and no payment or other consideration shall be made, with respect

thereto.

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(ii) At the Effective Time, each share of 9% Convertible PIK Preferred Stock of NorthPoint (the "NorthPoint Preferred Stock") held by Verizon immediately prior to the Effective Time shall cease to exist and shall be converted into shares of Parent Common Stock in accordance with Section 1.1(e) hereof.

(b) Conversion of Common Stock of Merger Subsidiary into Common Stock of the Surviving Corporation. As of the Effective Time, each share of common stock, par value \$0.01, of Merger Subsidiary (the "Merger Subsidiary Common Stock") issued and outstanding immediately prior to the Effective Time, and all rights in respect thereof, shall, without any action of any holder thereof, forthwith cease to exist and be converted into one validly issued, fully paid and nonassessable share of common stock, par value \$0.01 per share, of the Surviving Corporation (the "Surviving Corporation Common Stock"). Immediately after the Effective Time and upon surrender by Parent of the certificate representing the shares of Merger Subsidiary Common Stock, NorthPoint as the Surviving Corporation shall deliver to Parent an appropriate certificate or certificates representing the Surviving Corporation Common Stock created by conversion of the Merger Subsidiary Common Stock owned by Parent.

(c) Conversion of NorthPoint Common Stock. Subject to Sections 2.3(g) and 2.6 hereof, each share of common stock, par value \$0.001, of NorthPoint ("NorthPoint Common Stock") issued and outstanding immediately before the Effective Time (excluding those cancelled or converted pursuant to Section 2.2(a) hereof) and all rights in respect thereof, shall at the Effective Time, without any action on the part of any holder thereof, forthwith cease to exist and be converted into and become one validly issued, fully paid and nonassessable share of common stock, par value \$0.001 per share, of Parent ("Parent Common Stock") and the right to receive an amount in cash (the "Cash Consideration Amount") equal to (i) \$350 million divided by (ii) the number of issued and outstanding shares of NorthPoint Common Stock immediately prior to the Effective Time plus the number of shares of NorthPoint Common Stock subject to warrants and convertible securities outstanding (excluding stock options issued pursuant to any NorthPoint Plan and excluding NorthPoint's Preferred Stock) immediately prior to the Effective Time (collectively, the "Merger Consideration").

(d) Cancellation of NorthPoint Common Stock. As of the Effective Time, all shares of NorthPoint Common Stock converted pursuant to

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Section 2.2(c) hereof shall no longer be outstanding and shall automatically be cancelled and retired and shall cease to exist, and each holder of a certificate (each, an "Old Certificate") representing any such shares of NorthPoint Common Stock shall cease to have any rights with respect thereto, except the right to receive the Merger Consideration, in accordance with Section 2.2(c) hereof, certain dividends or other distributions in accordance with Section 2.3(f) hereof and any cash in lieu of fractional shares of Parent Common Stock to be issued or paid in consideration therefor upon surrender of such certificate in accordance with Section 2.3(g) hereof, without interest.

Section 2.3 Exchange Procedures.

(a) Subject to the terms and conditions hereof, at or prior to the Effective Time, Parent shall appoint a bank or trust company to act as exchange agent (the "Exchange Agent") to effect the payment of the Merger Consideration in accordance with the provisions of this Article II.

(b) As soon as practicable following the Effective Time, Parent shall

deposit, or cause to be deposited, with the Exchange Agent a sufficient amount of cash and certificates representing Parent Common Stock for exchange for Old Certificates in accordance with the provisions of Section 2.2(c) hereof, including any Excess Parent Shares to be used to pay cash in lieu of fractional shares of Parent Common Stock (such cash and certificates, together with any dividends or distributions with respect thereto, being herein referred to as the "Exchange Fund").

(c) Promptly following the Effective Time, Parent shall cause the Exchange Agent to mail (and to make available for collection by hand) to each holder of an Old Certificate (i) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to each Old Certificate shall pass, only upon proper delivery of such Old Certificate to the Exchange Agent and which shall be in the form and have such other provisions as Parent may reasonably specify) and (ii) instructions for use in effecting the surrender of the Old Certificates in exchange for the Merger Consideration (or cash in lieu of fractional shares of Parent Common Stock).

(d) Upon surrender of an Old Certificate for cancellation to the Exchange Agent, together with a letter of transmittal duly completed and validly executed in accordance with the instructions thereto, and such other documents as may be required pursuant to such instructions, the holder of such Old Certificate

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shall be entitled to receive in exchange therefor the Merger Consideration for each share of NorthPoint Common Stock formerly represented by such Old Certificate, to be mailed (or made available for collection by hand if so elected by the surrendering holder) within three business days of receipt thereof, and the Old Certificate so surrendered shall be forthwith cancelled.

(e) The Exchange Agent shall accept such Old Certificates upon compliance with such reasonable terms and conditions as the Exchange Agent may impose to effect an orderly exchange thereof in accordance with normal exchange practices. No interest shall be paid or accrued for the benefit of holders of the Old Certificates on the Merger Consideration (or the cash pursuant to subsections (f) and (g) below) payable upon the surrender of the Certificates.

(f) No dividends or other distributions with respect to Parent Common Stock with a record date on or after the Effective Time shall be paid to the holder of any unsurrendered Old Certificate with respect to the shares of Parent Common Stock represented thereby ("Pre-Surrender Dividends") by reason of the conversion of shares of NorthPoint Common Stock pursuant to Section 2.2(c) hereof and no cash payment in lieu of fractional shares of Parent Common Stock shall be paid to any such holder pursuant to Section 2.3(g) hereof until such Old Certificate is surrendered in accordance with this Article II. Subject to the effect of applicable laws, following surrender of any such Old Certificate, there shall be paid, without interest, to the Person in whose name the shares of Parent Common Stock representing such securities are registered (i) at the time of such surrender or as promptly after the sale of the Excess Parent Shares as practicable, the amount of any cash payable in lieu of fractional shares of Parent Common Stock to which such holder is entitled pursuant to Section 2.3(g) hereof and the proportionate amount of Pre-Surrender Dividends, and (ii) at the appropriate payment date or as promptly as practicable thereafter, the proportionate amount of dividends or other distributions with a record date after the Effective Time but prior to such surrender and a payment date subsequent to such surrender payable with respect to such shares of Parent Common Stock.

(g) Notwithstanding any other provision of this Agreement, no fraction of a share of Parent Common Stock will be issued and no dividend or other distribution, stock split or interest with respect to shares of Parent Common Stock shall relate to any fractional share of Parent Common Stock, and such fractional interest shall not entitle the owner thereof to vote or to any rights as a holder of the shares of Parent Common Stock. In lieu of any such

fractional security, each holder

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of Parent Common Stock otherwise entitled to a fraction of a share of Parent Common Stock will be entitled to receive in accordance with the provisions of this Section 2.3 from the Exchange Agent a cash payment representing such holder's proportionate interest in the net proceeds from the sale by the Exchange Agent on behalf of all such holders of the aggregate of the fractions of shares of Parent Common Stock which would otherwise be issued (the "Excess Parent Shares"). The sale of the Excess Parent Shares by the Exchange Agent shall be executed on Nasdaq and shall be executed in round lots to the extent practicable. Until the net proceeds of such sale or sales have been distributed to the holders of shares of NorthPoint Common Stock, the Exchange Agent will, subject to Section 2.3(h) hereof, hold such proceeds in trust for the holders of shares of NorthPoint Common Stock (the "Parent Shares Trust"). NorthPoint shall pay all commissions, transfer taxes (other than those transfer taxes for which NorthPoint's stockholders are solely liable) and other out-of-pocket transaction costs, including the expenses and compensation, of the Exchange Agent incurred in connection with such sale of the Excess Parent Shares. As soon as practicable after the determination of the amount of cash, if any, to be paid to holders of shares of NorthPoint Common Stock in lieu of any fractional Parent Common Stock interests, the Exchange Agent shall make available such amounts to such holders of shares of NorthPoint Common Stock without interest.

(h) Any portion of the Merger Consideration in the Exchange Fund which remains undistributed to the holders of the Old Certificates for six months after the Effective Time shall be delivered to Parent, upon demand, and any holders of shares of NorthPoint Common Stock prior to the Merger who have not theretofore complied with this Article II shall thereafter look for payment of their claim, as general creditors thereof, only to Parent for their claim for (i) cash, (ii) shares of Parent Common Stock, (iii) any cash, to be paid, in lieu of any fractional shares of Parent Common Stock and (iv) any dividends or other distributions with respect to shares of Parent Common Stock to which such holders may be entitled.

(i) None of Parent, Verizon, NorthPoint, Merger Subsidiary or the Exchange Agent shall be liable to any Person in respect of any shares of Parent Common Stock or cash held in the Exchange Fund (and any cash, dividends and other distributions payable in respect thereof) delivered to a public official pursuant to any applicable abandoned property, escheat or similar law. If any Old Certificates shall not have been surrendered prior to one year after the Effective Time (or immediately prior to such earlier date on which (i) any cash, (ii) any shares of Parent Common Stock, (iii) any cash in lieu of fractional shares of Parent Common Stock or (iv) any dividends or distributions with respect to shares of Parent Common Stock in

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respect of such Certificate would otherwise escheat to or become the property of any Governmental Entity (as defined herein)), any such shares of Parent Common Stock, cash, dividends or distributions in respect of such Certificate shall, to the extent permitted by applicable law, become the property of Parent, free and clear of all claims or interest of any Person previously entitled thereto.

(j) The Exchange Agent shall invest any cash included in the Exchange Fund, as directed by Parent on a daily basis. Any interest and other income resulting from such investments shall be paid to Parent. Nothing contained in this Section 2.3(j) shall relieve Parent or the Exchange Agent from making the payments required by this Article II to be made to the holders of shares of Common Stock.

Section 2.4 Transfer Books. The stock transfer books of

NorthPoint shall be closed at the Effective Time and no transfer of any shares

of NorthPoint Common Stock will thereafter be recorded on any of such stock transfer books. In the event of a transfer of ownership of NorthPoint Common Stock that is not registered in the stock transfer records of NorthPoint at the Effective Time, the Merger Consideration into which such shares of NorthPoint Common Stock shall have been converted shall be issued to the transferee together with a cash payment in lieu of fractional shares, if any, in accordance with Section 2.3(g) hereof, and a cash payment in the amount of Pre-Surrender Dividends, if any, in accordance with Section 2.3(f) hereof, if the Old Certificate therefor is surrendered as provided in Section 2.3 hereof, accompanied by all documents required to evidence and effect such transfer and by evidence of payment of any applicable stock transfer tax. The whole shares of Parent Common Stock to be delivered to such holder shall be delivered in book-entry form, unless such holder shall timely elect in writing to receive the certificates representing such shares.

Section 2.5 Transfer Taxes; Withholding. If any certificate for a

share of Parent Common Stock is to be issued to, or cash is to be remitted to, a Person (other than the Person in whose name the Old Certificate surrendered in exchange therefor is registered), it shall be a condition of such exchange that the Old Certificate so surrendered shall be properly endorsed and otherwise in proper form for transfer and that the Person requesting such exchange shall pay to the Exchange Agent any transfer or other Taxes (as defined herein) required by reason of the payment of the Merger Consideration to a Person other than the registered holder of the Old Certificate so surrendered, or shall establish to the satisfaction of the Exchange Agent that such Tax either has been paid or is not applicable. Parent or the

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Exchange Agent shall be entitled to deduct and withhold from the shares of Parent Common Stock (or cash in lieu of fractional shares of Parent Common Stock) otherwise payable pursuant to this Agreement to any holder of shares of NorthPoint Common Stock such amounts as Parent or the Exchange Agent are required to deduct and withhold under the Code, or any provision of state, local or foreign Tax law, with respect to the making of such payment. To the extent that amounts are so withheld by Parent or the Exchange Agent, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of shares of NorthPoint Common Stock in respect of whom such deduction and withholding was made by Parent or the Exchange Agent.

Section 2.6 Dissenting Shares. Notwithstanding Section 2.2

hereof, shares of NorthPoint Common Stock issued and outstanding immediately prior to the Effective Time and held by a holder who has properly exercised and perfected his or her demand for appraisal rights under Section 262 of the DGCL (the "Dissenting Shares") shall not be converted into the right to receive the Merger Consideration, but the holders of Dissenting Shares shall be entitled to receive from NorthPoint such consideration as shall be determined pursuant to Section 262 of the DGCL; provided, however, that if any such holder shall have

failed to perfect or shall effectively withdraw or lose his or her right to appraisal and payment under the DGCL, such holder's shares of NorthPoint Common Stock shall thereupon be deemed to have been converted as of the Effective Time into the right to receive the Merger Consideration, without any interest thereon, and such shares shall not be deemed to be Dissenting Shares.

Section 2.7 Options to Purchase NorthPoint Common Stock. At the

Effective Time, each option granted pursuant to a NorthPoint Plan by NorthPoint to purchase shares of NorthPoint Common Stock (including, without limitation, any option to purchase shares of NorthPoint Common Stock outstanding under any employee stock purchase plan maintained by NorthPoint which is intended to constitute an "employee stock purchase plan" (as defined in Section 423 of the Code)) which is outstanding and unexercised immediately prior to the Effective Time shall be converted into an option to purchase shares of Parent Common Stock

in such amount and at such exercise price as provided below and otherwise having the same terms and conditions as are in effect immediately prior to the Effective Time (except to the extent that such terms, conditions and restrictions may be altered in accordance with their terms as a result of the transactions contemplated hereby). At the Effective Time, the NorthPoint Plans, and each outstanding option to purchase shares of NorthPoint Common Stock under the NorthPoint Plans, whether vested or unvested,

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will be assumed by Parent. Notwithstanding anything to the contrary, no cash shall be paid pursuant to Section 2.2(c) hereof with respect to the options so assumed and converted pursuant to the following sentence. Each such option so assumed by Parent under this Agreement shall continue to have, and be subject to, the same terms and conditions set forth in the NorthPoint Plans and the applicable stock option agreement as in effect immediately prior to the Effective Time, except that:

(i) the number of whole shares of Parent Common Stock for which the option will be exercisable immediately after the Effective Time shall be equal to the number of shares of NorthPoint Common Stock subject to such option immediately prior to the Effective Time multiplied by a fraction the numerator of which is the Cash Consideration Amount plus the Closing Market Value and the denominator of which is the Closing Market Value (such fraction, the "Option Ratio"), with the resulting number of shares of Parent Common Stock subject to the assumed option to be rounded down to the next whole number of shares of Parent Common Stock, and

(ii) the per share exercise price for the shares of Parent Common Stock issuable upon exercise of such assumed option will be equal to the quotient determined by dividing the original exercise price by the Option Ratio, with such adjusted per share exercise price to be rounded up to the next whole cent.

(iii) "Closing Market Value" means the average of the last sale prices for a share of Parent Common Stock as quoted on the Nasdaq National Market (as reported in The Wall Street Journal) for the first five full trading days immediately following the Effective Time.

The adjustments provided herein with respect to any options which are "incentive stock options" (as defined in Section 422 of the Code) shall be effected in a manner consistent with Section 424(a) of the Code or which are options granted under an employee stock purchase plan (as defined in Section 423 of the Code) .

Section 2.8 Restricted Stock. At the Effective Time, any shares

of NorthPoint Common Stock awarded pursuant to any plan, arrangement or transaction, and outstanding immediately prior to the Effective Time shall be converted into cash and shares of Parent Common Stock in accordance with Section 2.2(c) hereof, subject to the same terms, conditions and restrictions as in effect immediately prior to the Effective Time, except to the extent that such terms, conditions and restrictions may be altered in accordance with their terms as a result of the transactions contemplated hereby.

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Section 2.9 Certain Adjustments. If between the date hereof and

the Effective Time, the outstanding shares of NorthPoint Common Stock or of Parent Common Stock shall be changed into a different number of shares by reason of any reclassification, recapitalization, split-up, combination or exchange of shares, or any dividend payable in stock or other securities shall be declared thereon with a record date within such period, the Merger Consideration shall be adjusted accordingly to provide to the holders of NorthPoint Common Stock and NorthPoint Preferred Stock the same economic effect as contemplated by this

Agreement prior to such reclassification, recapitalization, split-up, combination, exchange or dividend.

ARTICLE III

CERTAIN ADDITIONAL MATTERS

Section 3.1 Certificate of Incorporation and By-laws of Parent.

 Prior to the Effective Time and subject to and upon the terms and conditions of this Agreement, Verizon shall cause the Certificate of Incorporation and By-laws of Parent to be amended and restated to be in the form of Exhibit B and Exhibit C, respectively.

Section 3.2 Corporate Headquarters. Immediately following the

 Effective Time, the headquarters of Parent shall be located at the current corporate headquarters of NorthPoint.

Section 3.3 Corporate Identity. At the Effective Time, the

 corporate name of Parent shall be NorthPoint Communications Group, Inc.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF NORTHPOINT

Except as set forth in the disclosure schedule delivered by NorthPoint to Verizon on the date hereof (the "NorthPoint Disclosure Schedule") (each section of which qualifies the correspondingly numbered representation and warranty or covenant as specified therein), NorthPoint hereby represents and warrants to Verizon as follows:

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Section 4.1 Organization and Qualification; Subsidiaries. Each of

 NorthPoint and its Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization. Each of NorthPoint and its Subsidiaries has the requisite corporate power and authority and any necessary governmental authority, franchise, license, certificate or permit to own, operate or lease the properties that it purports to own, operate or lease and to carry on its business as it is now being conducted, and is duly qualified as a foreign corporation to do business, and is in good standing, in each jurisdiction where the character of its properties owned, operated or leased or the nature of its activities makes such qualification necessary, except for such failure which, when taken together with all other such failures, would not have a Material Adverse Effect on NorthPoint.

Section 4.2 Certificate of Incorporation and By-laws. NorthPoint

 has heretofore furnished, or otherwise made available, to Verizon a complete and correct copy of the Certificate of Incorporation and the By-laws of NorthPoint, each as amended to the date hereof. Such Certificate of Incorporation and By-laws are in full force and effect. Neither NorthPoint nor any of its Subsidiaries is in violation of any of the provisions of its respective Certificate of Incorporation or its By-laws.

Section 4.3 Capitalization.

(a) The authorized capital stock of NorthPoint consists of (i) 281,250,000 shares of common stock, par value \$0.001 per share, of which, as of August 4, 2000, (A) 132,742,066 shares are outstanding, (B) 200,000 shares are held in the treasury of NorthPoint, (C) not more than 21,093,985 shares are issuable upon the exercise of options outstanding under the NorthPoint option plans, (D) 13,388,155 shares are reserved for issuance in connection with the NorthPoint Plans (as defined in Section 4.11(b) hereof), and (ii) 24,276,843 shares of preferred stock, par value \$0.001 per share, 1,500,000 of which are designated as 9% Convertible Preferred Stock and none of which is currently outstanding or reserved for issuance. Except as permitted by Section 6.1 hereof and except in connection with the Preferred Financing, since June 20, 2000, no shares of NorthPoint Common Stock or NorthPoint preferred stock have been issued, except upon the exercise of options described in the immediately preceding sentence or as contemplated by this Agreement. Section 4.3(a) of the NorthPoint Disclosure Schedule sets forth a complete and accurate list, as of the date hereof, of all NorthPoint Equity Rights, including the holders thereof, the number of shares of NorthPoint capital stock subject to each such NorthPoint Equity Right, the exercise or vesting schedule, the

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exercise price per share and the term of each such NorthPoint Equity Right. On the day immediately preceding the Closing Date, NorthPoint shall deliver to Parent an updated Section 4.3(a) of the NorthPoint Disclosure Schedule, current as of the Closing Date. Except as set forth in Section 4.3(a) of the NorthPoint Disclosure Schedule, there are no NorthPoint Equity Rights outstanding as of the date hereof.

(b) Except as set forth in Section 4.3(b) of the NorthPoint Disclosure Schedule, or, after the date hereof, as permitted by Section 6.1 hereof, there are no outstanding obligations of NorthPoint or any of NorthPoint's Subsidiaries to repurchase, redeem or otherwise acquire any shares of capital stock of NorthPoint.

(c) All of the issued and outstanding shares of NorthPoint Common Stock are validly issued, fully paid and nonassessable.

(d) All of the outstanding capital stock of each of NorthPoint's Subsidiaries is owned directly or indirectly by NorthPoint and is duly authorized, validly issued, fully paid and nonassessable. Except as set forth in Section 4.3(d) of the NorthPoint Disclosure Schedule, all of the outstanding capital stock of each of NorthPoint's Subsidiaries is owned by NorthPoint free and clear of any liens, security interests, pledges, agreements, claims, charges or encumbrances ("Liens"). Except as hereafter issued or entered into in accordance with Section 6.1 hereof, there are no Equity Rights to purchase or otherwise acquire from NorthPoint or any of NorthPoint's Subsidiaries at any time, or upon the happening of any stated event, any shares of the capital stock of any NorthPoint Subsidiary, whether or not presently issued or outstanding, or any of NorthPoint's direct or indirect interests in any Material Investment, and there are no outstanding obligations of NorthPoint or any of NorthPoint's Subsidiaries to repurchase, redeem or otherwise acquire any shares of capital stock of any of NorthPoint's Subsidiaries or securities related to any investments.

Section 4.4 Authority Relative to this Agreement. NorthPoint has

the necessary corporate power and authority to enter into this Agreement and, subject to obtaining the requisite approval of this Agreement by NorthPoint's stockholders required by the DGCL (the "NorthPoint Stockholder Approval"), to perform its obligations hereunder. The execution and delivery of this Agreement by NorthPoint, and the consummation by NorthPoint of the transactions contemplated hereby, have been duly authorized by all necessary corporate action on the part of NorthPoint, subject to obtaining the NorthPoint Stockholder Approval. This Agreement has been

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duly executed and delivered by NorthPoint and, assuming the due authorization, execution and delivery thereof by each of Verizon, Parent and Merger Subsidiary, constitutes a legal, valid and binding obligation of NorthPoint, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting the rights and remedies of creditors generally and to general principles of equity (regardless of whether considered in a proceeding in equity or at law).

Section 4.5 No Conflict; Required Filings and Consents.

(a) Except as described in subsection (b) below or except as set forth in Section 4.5 of the NorthPoint Disclosure Schedule, the execution and delivery of this Agreement by NorthPoint do not, and the performance of this Agreement by NorthPoint will not, (i) violate or conflict with the Certificate of Incorporation or By-laws of NorthPoint, (ii) conflict with or violate any law, regulation, court order, judgment or decree applicable to NorthPoint or any of its Subsidiaries or by which any of their respective property or assets (including investments) is bound or affected, (iii) violate or conflict with the Certificate of Incorporation or By-laws of any of NorthPoint's Subsidiaries, or (iv) result in any breach of or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination or cancellation of, or result in the creation of a lien or encumbrance on any of the properties or assets (including investments) of NorthPoint or any of its Subsidiaries pursuant to, result in the loss of any material benefit under, or result in any modification or alteration of, or require the consent of any other party to, any contract, instrument, permit, license or franchise to which NorthPoint or any of its Subsidiaries is a party or by which NorthPoint, any of such Subsidiaries or any of their respective property or assets (including investments) is bound or affected, except in the case of this clause (iv) for conflicts, violations, breaches, defaults, results or consents which, individually or in the aggregate, would not have a Material Adverse Effect on NorthPoint.

(b) Except as set forth in Section 4.5 of the NorthPoint Disclosure Schedule and except for applicable requirements, if any, of state or foreign public utility commissions or laws or similar local or state or foreign regulatory bodies or laws, state or foreign antitrust or foreign investment laws and commissions, the Federal Communications Commission, stock exchanges or other self-regulatory body upon which securities of NorthPoint are listed, the Exchange Act, the premerger notification requirements of the HSR Act, filing and recordation of appropriate

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merger or other documents as required by the DGCL and any filings required pursuant to any state securities or "blue sky" laws or the rules of any applicable stock exchanges or other self-regulatory body, (i) neither NorthPoint nor any of its Subsidiaries is required to submit any notice, report or other filing with any federal, state, local or foreign government, any court, administrative, regulatory or other governmental agency, commission or authority or any non-governmental U.S. or foreign self-regulatory agency, commission or authority or any arbitral tribunal (each, a "Governmental Entity") in connection with the execution, delivery or performance of this Agreement and (ii) no waiver, consent, approval or authorization of any Governmental Entity is required to be obtained by NorthPoint or any of its Subsidiaries in connection with its execution, delivery or performance of this Agreement.

Section 4.6 SEC Filings; Financial Statements.

(a) NorthPoint has filed all forms, reports and documents required to be filed with the Securities and Exchange Commission ("SEC") since May 16, 1997, and has heretofore delivered or made available to Verizon, in the form filed

with the SEC, together with any amendments thereto, its (i) Annual Reports on Form 10-K for the fiscal year ended December 31, 1999, (ii) all proxy statements relating to NorthPoint's meetings of stockholders (whether annual or special) held since May 16, 1997, (iii) Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2000, and (iv) all other reports or registration statements filed by NorthPoint with the SEC since May 16, 1997 (collectively, the "NorthPoint SEC Reports", with such NorthPoint SEC Reports filed with the SEC prior to the date hereof being referred to as "NorthPoint Filed SEC Reports"). The NorthPoint SEC Reports (i) were prepared substantially in accordance with the requirements of the 1933 Act or the Exchange Act, as the case may be, and the rules and regulations promulgated under each of such respective acts, and (ii) did not at the time they were filed contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(b) The financial statements, including all related notes and schedules, contained in the NorthPoint SEC Reports (or incorporated by reference therein) fairly present the consolidated financial position of NorthPoint and its Subsidiaries as at the respective dates thereof and the consolidated results of operations and cash flows of NorthPoint and its Subsidiaries for the periods indicated in accordance with GAAP applied on a consistent basis throughout the periods

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involved (except for changes in accounting principles disclosed in the notes thereto) and subject in the case of interim financial statements to normal year-end adjustments. The books and records of NorthPoint and its Subsidiaries have been kept in accordance with sound business practices, including the maintenance of an adequate system of internal controls for recording revenue and expenses in accordance with GAAP applied on a consistent basis throughout the periods involved.

Section 4.7 Absence of Certain Changes or Events. Except as

disclosed in the NorthPoint Filed SEC Reports and in Section 4.7 of the NorthPoint Disclosure Schedule, since December 31, 1999, and except as permitted by this Agreement or consented to by Verizon hereunder, NorthPoint and its Subsidiaries have not incurred any liability required to be disclosed on a balance sheet of NorthPoint and its Subsidiaries or the footnotes thereto prepared in conformity with GAAP, except in the ordinary course of their businesses consistent with their past practices, and there has not been any Material Adverse Effect on NorthPoint, and NorthPoint and its Subsidiaries have conducted their respective businesses in the ordinary course consistent with their past practices, except as set forth in the Master Services Agreement attached as Exhibit H hereto.

Section 4.8 Litigation. There are no claims, actions, suits,

proceedings or investigations pending or, to NorthPoint's knowledge, threatened against NorthPoint or any of its Subsidiaries, or any properties or rights of NorthPoint or any of its Subsidiaries, by or before any Governmental Entity, except for those that do not, individually or in the aggregate, have a Material Adverse Effect on NorthPoint or prevent or materially delay the ability of NorthPoint to consummate the transactions contemplated hereby.

Section 4.9 Permits; No Violation of Law.

(a) NorthPoint and its Subsidiaries have all Federal Communications Commission ("FCC") licenses and authorizations and all state governmental authorizations and certificates, and have filed all required federal and state notifications (all of the above being collectively referred to as "Governmental Approvals") necessary for the operation of their currently conducted

telecommunications businesses in the United States, except for those Government Approvals the absence of which, individually or in the aggregate, would not have a Material Adverse Effect on NorthPoint. All material Governmental Approvals granted to NorthPoint and its Subsidiaries are listed in Section 4.9 of the NorthPoint

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Disclosure Schedule and remain in full force and effect, and have not been revoked, suspended, cancelled or modified in any adverse way, and are not subject to any conditions or requirements that are not generally imposed by the FCC or the issuing state communications regulatory agency upon the holders of such Government Approvals.

(b) The businesses of NorthPoint and its Subsidiaries are not being conducted in violation of any statute, law, ordinance, regulation, judgment, order or decree of any Governmental Entity (including any stock exchange or other self-regulatory body) ("Legal Requirements"), or in violation of any Government Approvals or other permits, franchises, licenses, authorizations, certificates, variances, exemptions, orders, registrations or consents that are granted by any Governmental Entity (including any stock exchange or other self-regulatory body) ("Permits"), except for possible violations none of which, individually or in the aggregate, may reasonably be expected to have a Material Adverse Effect on NorthPoint. No investigation or review by any Governmental Entity (including any stock exchange or other self-regulatory body) with respect to NorthPoint or its Subsidiaries in relation to any alleged violation of law or regulation is pending or, to NorthPoint's knowledge, threatened, nor has any Governmental Entity (including any stock exchange or other self-regulatory body) indicated an intention to conduct the same, except for such investigations which, if they resulted in adverse findings, would not have, individually or in the aggregate, a Material Adverse Effect on NorthPoint. Except as set forth in Section 4.9 of the NorthPoint Disclosure Schedule, neither NorthPoint nor any of its Subsidiaries is subject to any cease and desist or other order, judgment, injunction or decree issued by, or is a party to any written or oral Agreement, consent or memorandum of understanding with, or is a party to any commitment letter or similar undertaking to, or is subject to any order or directive by, or has adopted any board resolutions at the request of, any Governmental Entity that materially restricts the conduct of its business or which may reasonably be expected to have a Material Adverse Effect on NorthPoint, nor has NorthPoint or any of its Subsidiaries been advised that any Governmental Entity is considering issuing or requesting any of the foregoing.

Section 4.10 Proxy Statement. None of the information supplied or

to be supplied by or on behalf of NorthPoint for inclusion or incorporation by reference in the registration statement to be filed with the SEC by Parent in connection with the issuance of shares of Parent Common Stock in the Merger (the "Registration Statement") will, at the time the Registration Statement becomes effective under the 1933 Act, contain any untrue statement of a material fact or omit

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to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. None of the information supplied or to be supplied by or on behalf of NorthPoint for inclusion or incorporation by reference in the proxy statement, in definitive form as it may be supplemented or amended, relating to the NorthPoint Stockholders' Meeting or in the related proxy and notice of meeting, or soliciting material used in connection therewith (referred to herein collectively as the "Proxy Statement") will, at the dates mailed to stockholders and at the time of the NorthPoint Stockholders' Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The

Registration Statement and the Proxy Statement (except for information relating solely to Verizon) will comply as to form in all material respects with the provisions of the 1933 Act and the Exchange Act and the rules and regulations promulgated thereunder.

Section 4.11 Employee Matters; ERISA.

(a) Except where the failure to be true would not, individually or in the aggregate, have a Material Adverse Effect on NorthPoint, (i) each NorthPoint Plan has been operated and administered in accordance with applicable law, including but not limited to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the Code, (ii) each NorthPoint Plan intended to be "qualified" within the meaning of Section 401(a) of the Code is so qualified, (iii) except as required by COBRA, no NorthPoint Plan provides death or medical benefits (whether or not insured), with respect to current or former employees of NorthPoint or of any trade or business, whether or not incorporated, which together with NorthPoint would be deemed a "single employer" within the meaning of Section 4001 of ERISA (a "NorthPoint ERISA Affiliate"), beyond their retirement or other termination of service, (iv) no liability under Title IV of ERISA has been incurred by NorthPoint or any NorthPoint ERISA Affiliate that has not been satisfied in full, and no condition exists that presents a material risk to NorthPoint or any NorthPoint ERISA Affiliate of incurring any such liability (other than PBGC premiums), (v) all contributions or other amounts due from NorthPoint or any NorthPoint ERISA Affiliate with respect to each NorthPoint Plan have been paid in full, (vi) neither NorthPoint nor any NorthPoint ERISA Affiliate has engaged in a transaction in connection with which NorthPoint or any of its Subsidiaries could reasonably be expected to be subject to either a civil penalty assessed pursuant to Section 409 or 502(i) of ERISA or a tax imposed pursuant to Section 4975 or 4976

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of the Code, (vii) to the best knowledge of NorthPoint, there are no pending, threatened or anticipated claims (other than routine claims for benefits) by, on behalf of or against any NorthPoint Plan or any trusts related thereto, and (viii) neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will (A) result in any payment (including, without limitation, severance, unemployment compensation, golden parachute or otherwise) becoming due to any director or any employee of NorthPoint or any of its Subsidiaries under any NorthPoint Plan or otherwise, (B) materially increase any benefits otherwise payable under any NorthPoint Plan or (C) result in any acceleration of the time of payment or vesting of any such benefits.

(b) For purposes of this Agreement, "NorthPoint Plan" shall mean each deferred compensation, bonus or other incentive compensation, stock purchase, stock option or other equity compensation plan, program, agreement or arrangement; each severance or termination pay, medical, surgical, hospitalization, life insurance or other "welfare" plan, fund or program (within the meaning of section 3(1) of ERISA); each profit-sharing, stock bonus or other "pension" plan, fund or program (within the meaning of section 3(2) of ERISA); each employment, termination or severance agreement; and each other employee benefit plan, fund, program, agreement or arrangement, in each case, that is sponsored, maintained or contributed to or required to be contributed to by NorthPoint or by any NorthPoint ERISA Affiliate or to which NorthPoint or any NorthPoint ERISA Affiliate is party, whether written or oral, for the benefit of any employee or former employee of NorthPoint or any NorthPoint ERISA Affiliate.

Section 4.12 Labor Matters.

(a) Neither NorthPoint nor any of its Subsidiaries is a party to any collective bargaining or other labor union contract applicable to Persons employed by NorthPoint or any of its Subsidiaries and no collective bargaining agreement is being negotiated by NorthPoint or any of its Subsidiaries. There

has not been, since NorthPoint's or any of its Subsidiaries' inception, any labor strike, dispute, walkout, work stoppage, slow-down or lockout against NorthPoint or any of its Subsidiaries, nor is there one pending or, to the knowledge of NorthPoint, threatened, which may interfere with the respective business activities of NorthPoint or any of its Subsidiaries.

(b) To the knowledge of NorthPoint, there is no charge, complaint or investigation against NorthPoint or any of its Subsidiaries (i) before the National

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Labor Relations Board or any comparable Governmental Entity pending or threatened in writing or (ii) asserting that it or any of its Subsidiaries has committed an unfair labor practice nor is NorthPoint or any of its Subsidiaries the subject of any proceeding seeking to compel it to bargain with any labor union or labor organization. To the knowledge of NorthPoint, none of NorthPoint, any of its Subsidiaries or any of their respective representatives or employees has committed any unfair labor practice in connection with the operation of the respective business of NorthPoint or any of its Subsidiaries.

Section 4.13 Environmental Matters. Except as could not,

individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on NorthPoint, (i) each of NorthPoint and its Subsidiaries has complied with all applicable Environmental Laws (as defined below); (ii) the properties currently owned or operated by NorthPoint or any of its Subsidiaries (including soils, groundwater, surface water, buildings or other structures) are not contaminated with any Hazardous Substances (as defined below); (iii) the properties formerly owned or operated by NorthPoint or any of its Subsidiaries were not contaminated with Hazardous Substances during the period of ownership or operation by it or any of its Subsidiaries; (iv) neither NorthPoint nor any of its Subsidiaries is subject to liability for any Hazardous Substance disposal or contamination on any third party property; (v) neither NorthPoint nor any Subsidiary has been associated with any release or threat of release of any Hazardous Substance that is reasonably expected to result in liability; (vi) neither NorthPoint nor any Subsidiary has received any notice, demand, letter, claim or request for information alleging that it or any of its Subsidiaries may be in violation of or liable under any Environmental Law (including any claims relating to electromagnetic fields or microwave transmissions); (vii) neither NorthPoint nor any of its Subsidiaries is subject to any orders, decrees, injunctions or other arrangements with any Governmental Entity or is subject to any indemnity or other agreement with any third party relating to liability under any Environmental Law or relating to Hazardous Substances; and (viii) there are no circumstances or conditions involving NorthPoint or any of its Subsidiaries that could reasonably be expected to result in any claims, liability, investigations, costs or restrictions on the ownership, use, or transfer of any of its properties pursuant to any Environmental Law.

Section 4.14 Tax Matters. Except as set forth in Section 4.14 of

the NorthPoint Disclosure Schedule:

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(a) All material federal, state, local and foreign Tax Returns (as defined herein) required to have been filed by NorthPoint or its Subsidiaries have been filed with the appropriate governmental authorities by the due date thereof including extensions;

(b) The Tax Returns referred to in paragraph (a) of this Section 4.14 were true, correct and complete in all material respects;

(c) All material Taxes shown as due on those Tax Returns referred to in paragraph (a) of this Section 4.14 as well as material withholding Taxes

imposed on or in respect of any amounts paid to or by NorthPoint or any of its Subsidiaries, whether or not such withholding Taxes are referred to or shown on any Tax Returns referred to in Section 4.14 (a) hereof, have been fully paid or adequately reflected as a liability on NorthPoint's or its Subsidiaries' financial statements included in the NorthPoint SEC Reports;

(d) With respect to any period for which Tax Returns have not yet been filed, or for which Taxes are not yet due or owing, NorthPoint and its Subsidiaries have made due and sufficient accruals in accordance with GAAP for such Taxes in their respective books and records and financial statements;

(e) Neither NorthPoint nor any of its Affiliates has taken, agreed to take or omitted to take any action that would prevent or impede the Asset Contribution and the Merger from qualifying as either (i) a tax-free reorganization under Section 368(a) of the Code or (ii) a transaction described in Section 351 of the Code (it being agreed that it shall not be a violation of this Section 4.14(e) if the payment of the Cash Consideration Amount causes the Merger not to qualify as a tax-free reorganization under Section 368(a) of the Code);

(f) No deficiencies for any Taxes have been proposed, asserted or assessed against NorthPoint or any of its Subsidiaries that are not adequately reserved for under GAAP, except for deficiencies that individually or in the aggregate would not have a Material Adverse Effect on NorthPoint;

(g) NorthPoint is not aware of any material liens for Taxes upon any assets of NorthPoint or any of its Subsidiaries apart from liens for Taxes not yet due and payable; and

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(h) As used in this Agreement, "Taxes" shall include all (x) federal, state, local or foreign income, property, sales, excise, use, occupation, service, transfer, payroll, franchise, withholding and other taxes or similar governmental charges, fees, levies or other assessments including any interest, penalties or additions with respect thereto, (y) liability for the payment of any amounts of the type described in clause (x) as a result of being a member of an affiliated, consolidated, combined or unitary group, and (z) liability for the payment of any amounts as a result of being party to any tax sharing agreement or as a result of any express or implied obligation to indemnify any other Person with respect to the payment of any amounts of the type described in clause (x) or (y). As used in this Agreement, "Tax Return" shall include any declaration, return, report, schedule, certificate, statement or other similar document (including relating or supporting information) required to be filed with a taxing authority or, where none is required to be filed with a taxing authority, the statement or other document issued by a taxing authority in connection with any Tax, including any information return, claim for refund, amended return or declaration of estimated Tax.

Section 4.15 Intellectual Property.

(a) As used in this Agreement, "NorthPoint Intellectual Property" means all of the following which are necessary to conduct the business of NorthPoint and its Subsidiaries as presently conducted or as currently proposed to be conducted: (i) trademarks, trade dress, service marks, copyrights, logos, trade names, corporate names and all registrations and applications to register the same; (ii) patents and pending patent applications; (iii) all computer software programs, databases and compilations (collectively, "Computer Software"); (iv) all technology, know-how and trade secrets; and (v) all material licenses and agreements to which NorthPoint or any of its Subsidiaries is a party which relate to any of the foregoing.

(b) Except as set forth in Section 4.15(b) of the NorthPoint Disclosure Schedule, NorthPoint or its Subsidiaries owns or has the right to use, sell or license all NorthPoint Intellectual Property, free and clear of all

liens or encumbrances, and all registrations of NorthPoint Intellectual Property are valid and enforceable and have been duly recorded and maintained, except, in each case, as would not, individually or in the aggregate, have a Material Adverse Effect on NorthPoint.

(c) Except as set forth in Section 4.15(c) of the NorthPoint Disclosure Schedule, to the knowledge of NorthPoint, the conduct of NorthPoint's

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and its Subsidiaries' business or the use of the NorthPoint Intellectual Property does not infringe, violate, misappropriate or misuse any intellectual property rights or any other proprietary right of any Person or give rise to any obligations to any Person as a result of co-authorship, and neither NorthPoint nor any of its Subsidiaries has received any notice of, not satisfactorily resolved, any claims or charges of infringement or misappropriation or threats that the conduct of NorthPoint's or its Subsidiaries' business or NorthPoint's or its Subsidiaries' use of any of the NorthPoint Intellectual Property materially infringes, violates, misappropriates or misuses, or is otherwise in conflict with, any intellectual property or proprietary rights of any Person or that any of the NorthPoint Intellectual Property is invalid or unenforceable.

(d) NorthPoint and its Subsidiaries have used reasonable efforts to maintain the confidentiality of their trade secrets and other confidential NorthPoint Intellectual Property.

Section 4.16 Insurance. Except as set forth in Section 4.16 of the

NorthPoint Disclosure Schedule, each of NorthPoint and each of its Subsidiaries is, and has been continuously since December 31, 1999 (or such later date as such Subsidiary was organized or acquired by NorthPoint), insured with financially responsible insurers in such amounts and against such risks and losses as are customary for companies conducting the business as conducted by NorthPoint and its Subsidiaries during such time period. Except as set forth in Section 4.16 of the NorthPoint Disclosure Schedule, since December 31, 1999, neither NorthPoint nor any of its Subsidiaries has received notice of cancellation or termination with respect to any material insurance policy of NorthPoint or its Subsidiaries. The insurance policies of NorthPoint and its Subsidiaries are valid and enforceable policies.

Section 4.17 Certain Contracts.

(a) Section 4.17(a) of the NorthPoint Disclosure Schedule and NorthPoint's Annual Report on Form 10-K for the year ended December 31, 1999 and the Quarterly Report on Form 10-Q for the quarter ended March 31, 2000 together set forth a true and complete list of (i) all strategic and joint venture agreements, material DSL service contracts and agreements with DSL equipment vendors to which NorthPoint or any of its Subsidiaries is a party or may be bound and (ii) all contracts described in Item 601(b)(10) of Regulation S-K to which NorthPoint or its Subsidiaries is a party or may be bound (collectively, the "NorthPoint Contracts"). All NorthPoint Contracts are valid and in full force and

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effect on the date hereof except to the extent they have previously expired in accordance with their terms or if the failure to be in full force and effect, individually and in the aggregate, would not have a Material Adverse Effect on NorthPoint. Neither NorthPoint nor any of its Subsidiaries has violated any provision of, or committed or failed to perform any act which with or without notice, lapse of time or both would constitute a default under the provisions of, any NorthPoint Contract, except in each case for those NorthPoint Contracts which, individually and in the aggregate, would not result in a Material Adverse Effect on NorthPoint.

(b) Set forth in Section 4.17 (b) of the NorthPoint Disclosure Schedule is a list of each contract, agreement or arrangement to which NorthPoint or any of its Subsidiaries is a party or may be bound which limits or restrains Verizon, NorthPoint, any Verizon or NorthPoint Subsidiary or any successor thereto from engaging or competing in any business which arrangement has, or could reasonably be expected to have in the foreseeable future, a Material Adverse Effect on NorthPoint, or to NorthPoint's knowledge, on Verizon.

Section 4.18 Board Action; Vote Required; Applicability of Section

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(a) The Board of Directors of NorthPoint has unanimously determined that the transactions contemplated by this Agreement are in the best interests of NorthPoint and its stockholders and has resolved to recommend to such stockholders that they vote in favor of this Agreement and the Merger.

(b) The approval of this Agreement and the Merger by a majority of the outstanding shares entitled to vote thereon by all holders of NorthPoint Common Stock and, if then entitled to vote, the 9% Convertible Preferred Stock of NorthPoint, voting together as a single class, is the only vote of the holders of any class or series of the capital stock of NorthPoint required to approve this Agreement, the Merger and the other transactions contemplated hereby.

(c) The provisions of Section 203 of the DGCL will not apply to this Agreement or any of the transactions contemplated hereby.

Section 4.19 Opinions of Financial Advisors. NorthPoint has

received the opinion of Goldman, Sachs & Co., dated as of August 7, 2000, to the effect that, as of such date, the Merger Consideration to be received by the holders of

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NorthPoint Common Stock pursuant to this Agreement is fair from a financial point of view to such holders.

Section 4.20 Brokers. Except for Goldman Sachs & Co., a true and

complete copy of whose engagement letter has been provided to Verizon prior to the execution hereof, and Frank Yeary, the terms of whose engagement have been disclosed to Verizon prior to the execution hereof, no broker, finder or investment banker is entitled to any brokerage, finder's, investment banking or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of NorthPoint or any of its Subsidiaries.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF VERIZON

Except as set forth in the disclosure schedule delivered by Verizon to NorthPoint on the date hereof (the "Verizon Disclosure Schedule") (each section of which qualifies the correspondingly numbered representation and warranty or covenant as specified therein), Verizon hereby represents and warrants to NorthPoint as follows:

Section 5.1 Organization and Qualification; Subsidiaries. Each of

Verizon, Parent and Merger Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of

incorporation or organization. Verizon has the requisite corporate power and authority and any necessary governmental authority, franchise, license or permit to own, operate or lease the properties that it purports to own, operate or lease and to carry on the Verizon DSL Business as it is now being conducted, and is duly qualified as a foreign corporation to do business, and is in good standing, in each jurisdiction where the character of its DSL properties owned, operated or leased or the nature of its DSL activities makes such qualification necessary, except for such failures which, when taken together with all other such failures, would not have a Material Adverse Effect on the Verizon DSL Business.

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Section 5.2 Authority Relative to this Agreement. Each of

Verizon, Parent and Merger Subsidiary has the necessary corporate power and authority to enter into this Agreement to perform its obligations hereunder. The execution and delivery of this Agreement by Verizon, Parent and Merger Subsidiary and the consummation by Verizon, Parent and Merger Subsidiary of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Verizon, Parent and Merger Subsidiary. This Agreement has been duly executed and delivered by Verizon, Parent and Merger Subsidiary and, assuming the due authorization, execution and delivery thereof by the other Parties, constitutes a legal, valid and binding obligation of Verizon, Parent and Merger Subsidiary, enforceable against each of them in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting the rights and remedies of creditors generally and to general principles of equity (regardless of whether considered in a proceeding in equity or at law).

Section 5.3 No Conflict; Required Filings and Consents.

(a) Except as described in subsection (b) below, the execution and delivery of this Agreement by Verizon, Parent and Merger Subsidiary do not, and the performance of this Agreement by Verizon, Parent and Merger Subsidiary will not, (i) violate or conflict with the Certificate of Incorporation or By-laws of Verizon, Parent or Merger Subsidiary, (ii) conflict with or violate any law, regulation, court order, judgment or decree applicable to Verizon, Parent or Merger Subsidiary or by which any of their respective property or assets (including investments) is bound or affected, or (iii) result in any breach of or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination or cancellation of, or result in the creation of a lien or encumbrance on any of the properties or assets (including investments) of Verizon or Parent pursuant to, result in the loss of any material benefit under, or result in any modification or alteration of, or require the consent of any other party to, any contract, instrument, permit, license or franchise to which Verizon or Parent is a party or by which Verizon or Parent or any of their respective property or assets (including investments) is bound or affected, except in the case of this clause (iii) for conflicts, violations, breaches, defaults, results or consents which, individually or in the aggregate, would not have a Material Adverse Effect on the Verizon DSL Business.

(b) Except for applicable requirements, if any, of state or foreign public utility commissions or laws or similar local or state foreign regulatory bodies

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or laws, state or foreign antitrust or foreign investment laws and commissions, the Federal Communications Commission, the Exchange Act, the premerger notification requirements of the HSR Act, filing and recordation of appropriate merger or other documents as required by the DGCL and any filings required pursuant to any state securities or "blue sky" laws or the rules of any applicable stock exchanges or other self-regulatory body, (i) none of Verizon,

Parent or Merger Subsidiary is required to submit any notice, report or other filing with any Governmental Entity in connection with the execution, delivery or performance of this Agreement and (ii) no waiver, consent, approval or authorization of any Governmental Entity is required to be obtained by Verizon or Parent in connection with its execution, delivery or performance of this Agreement.

Section 5.4 Litigation. Except as set forth in Section 5.4 of the

Verizon Disclosure Schedule, there are no claims, actions, suits, proceedings or investigations pending or, to Verizon's knowledge, threatened against Verizon or Parent in respect of the Verizon DSL Business, or to which any properties or rights of Verizon included in the Verizon DSL Assets are subject, by or before any Governmental Entity, except for those that are not, individually or in the aggregate, reasonably likely to have a Material Adverse Effect on the Verizon DSL Business or prevent, materially delay or intentionally delay the ability of Verizon to consummate the transactions contemplated hereby.

Section 5.5 Permits; No Violation of Law.

(a) Verizon or one or more of its Subsidiaries have all Governmental Approvals necessary for the operation of the Verizon DSL Business, except for those Government Approvals the absence of which, individually or in the aggregate, would not have a Material Adverse Effect on the Verizon DSL Business. All material Government Approvals granted to Verizon and its Subsidiaries with respect to the Verizon DSL Business are listed in Section 5.5 of the Verizon Disclosure Schedule and remain in full force and effect, and have not been revoked, suspended, cancelled or modified in any adverse way, and are not subject to any conditions or requirements that are not generally imposed by the FCC or the issuing state communications regulatory agency upon the holders of such Government Approvals.

(b) The Verizon DSL Business is not being operated in violation of any Legal Requirements or in violation of any Permits, except for possible violations none of which, individually or in the aggregate, may reasonably be

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expected to have a Material Adverse Effect on the Verizon DSL Business. No investigation or review by any Governmental Entity (including any stock exchange or other self-regulatory body) with respect to Verizon in relation to any alleged violation of law or regulation is pending or, to Verizon's knowledge, threatened, nor has any Governmental Entity (including any stock exchange or other self-regulatory body) indicated an intention to conduct the same, except for such investigations which, if they resulted in adverse findings, would not have, individually or in the aggregate, a Material Adverse Effect on the Verizon DSL Business. Except as set forth in Section 5.5 of the Verizon Disclosure Schedule, neither Verizon nor any of its Subsidiaries is subject to any cease and desist or other order, judgment, injunction or decree issued by, or is a party to any written or oral Agreement, consent or memorandum of understanding with, or is a party to any commitment letter or similar undertaking to, or is subject to any order or directive by, or has adopted any board resolutions at the request of, any Governmental Entity that materially restricts the ownership or operation of the Verizon DSL Business or which may reasonably be expected to have a Material Adverse Effect on the Verizon DSL Business, nor has Verizon or any of its Subsidiaries been advised that any Governmental Entity is considering issuing or requesting any of the foregoing.

Section 5.6 Proxy Statement. None of the information supplied or

to be supplied by or on behalf of Verizon for inclusion or incorporation by reference in the Registration Statement will, at the time the Registration Statement becomes effective under the 1933 Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances

under which they were made, not misleading. None of the information supplied or to be supplied by or on behalf of Verizon for inclusion or incorporation by reference in the Proxy Statement will, at the dates mailed to stockholders and at the times of the NorthPoint stockholders' meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Registration Statement and the Proxy Statement (except for information relating solely to NorthPoint) will comply as to form in all material respects with the provisions of the 1933 Act and the Exchange Act and the rules and regulations promulgated thereunder.

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Section 5.7 Labor Matters.

(a) Except as set forth in Section 5.7 of the Verizon Disclosure Schedule, neither Verizon nor any of its Subsidiaries is a party to any collective bargaining or other labor union contract applicable to Verizon DSL Employees and no collective bargaining agreement is being negotiated by Verizon or any of its Subsidiaries which would affect Verizon DSL Employees. Since January 1, 1997, there has not been any labor strike, dispute, walkout, work stoppage, slow-down or lockout against Verizon or any of its Subsidiaries by any Verizon DSL Employees, nor is there one pending or, to the knowledge of Verizon, threatened, which interfere with the Verizon DSL Business, except where such strike, dispute, walkout, work stoppage, slow-down or lockout individually or in the aggregate is not reasonably likely to have a Material Adverse Effect on the Verizon DSL Business.

(b) To the knowledge of Verizon, there is no charge, complaint or investigation related to the Verizon DSL Business against Verizon or any of its Subsidiaries (i) before the National Labor Relations Board or any comparable Governmental Entity pending or threatened in writing or (ii) asserting that it or any of its Subsidiaries has committed an unfair labor practice nor is Verizon or any of its Subsidiaries the subject of any proceeding seeking to compel it to bargain with any labor union or labor organization, except in each case as is not, individually or in the aggregate, reasonably likely to have a Material Adverse Effect on the Verizon DSL Business. To the knowledge of Verizon, none of Verizon, any of its Subsidiaries or any Verizon DSL Employees has committed any unfair labor practice in connection with the Verizon DSL Business.

Section 5.8 Environmental Matters. Except as could not,

individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on the Verizon DSL Business, (i) each of Verizon and its Subsidiaries has owned and operated the Verizon DSL Business in compliance with all applicable Environmental Laws; (ii) the properties included in the Verizon DSL Assets which are currently owned or operated by it or any of its Subsidiaries (including soils, groundwater, surface water, buildings or other structures) are not contaminated with any Hazardous Substances; (iii) the properties formerly owned or operated by Verizon or any of its Subsidiaries in connection with the Verizon DSL Business were not contaminated with Hazardous Substances during the period of ownership or operation by Verizon or any of its Subsidiaries; (iv) the Verizon DSL Business is not subject to liability for any Hazardous Substance disposal or contamination on any third party property; (v) the Verizon DSL Business has not been associated with any

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release or threat of release of any Hazardous Substance; (vi) neither Verizon nor any of its Subsidiaries has received any notice, demand, letter, claim or request for information alleging that it or any of its Subsidiaries may be in violation of or liable under any Environmental Law (including any claims relating to electromagnetic fields or microwave transmissions) with respect to the Verizon DSL Business; (vii) neither Verizon nor any of its Subsidiaries is

subject to any orders, decrees, injunctions or other arrangements with any Governmental Entity or is subject to any indemnity or other agreement with any third party relating to liability under any Environmental Law or relating to Hazardous Substances with respect to the Verizon DSL Business; and (viii) there are no circumstances or conditions involving Verizon or any of its Subsidiaries that could reasonably be expected to result in any claims, liability, investigations, costs or restrictions on the ownership, use, or transfer of any of the Verizon DSL Assets pursuant to any Environmental Law.

Section 5.9 Assets. Verizon or one or more of its Subsidiaries

has, and at or prior to the Closing will deliver to Parent, good and valid title to, or valid leasehold interests in, all of the Verizon DSL Assets, free and clear of all Liens (except for Liens to be assumed by Parent pursuant to this Agreement, including Liens associated with leased equipment and Liens securing maintenance and similar contracts). The Verizon Network Equipment Assets and Facilities Assets are in good working order, normal wear and tear excepted, and are fit for their intended purposes, except as would not have a Material Adverse Effect on the Verizon DSL Business. Verizon believes in good faith that (i) the Verizon Network Equipment Assets, (ii) the DSL subscriber contracts to which Verizon or one of its Subsidiaries is a party, (iii) the Transferred Employees, (iv) the assets used exclusively by the Transferred Employees, (v) the Assumed Verizon Contracts, (vi) the OSS Support Agreement, (vii) the commercial contracts and arrangements at tariffed rates relating exclusively to the Verizon DSL Business, (viii) the future contracts with respect to assets which are not used exclusively in the Verizon DSL Business that may be entered into pursuant to Section 6.8 hereof, (ix) the Facilities Assets, (x) Capitalized Co-Location Fees and (xi) the Verizon DSL Assets (to the extent not listed above), taken together in the aggregate, will be sufficient to provide services in a manner substantially similar to those provided by the Verizon DSL Business prior to the Effective Time.

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Section 5.10 Certain Contracts.

(a) All Assumed Verizon Contracts are valid and in full force and effect on the date hereof except to the extent they have previously expired in accordance with their terms or if the failure to be in full force and effect, individually and in the aggregate would not have a Material Adverse Effect on the Verizon DSL Business. Neither Verizon nor any of its Subsidiaries has violated any provision of, or committed or failed to perform any act which with or without notice, lapse of time or both would constitute a default under the provisions of, any Assumed Verizon Contract, except in each case for those Assumed Verizon Contracts which, individually and in the aggregate, would not result in a Material Adverse Effect on the Verizon DSL Business.

(b) Set forth in Section 5.10 of the Verizon Disclosure Schedule is a list of each contract, agreement or arrangement to which Verizon or any of its Subsidiaries is a party or may be bound which is an arrangement limiting or restraining Verizon, NorthPoint, any Verizon or NorthPoint Subsidiary or any successor thereto from engaging or competing in any business which arrangement has, or could reasonably be expected to have in the foreseeable future, a Material Adverse Effect on the Verizon DSL Business.

Section 5.11 Intellectual Property.

(a) As used in this Agreement, "Verizon Intellectual Property" means all of the intellectual property included in the Verizon DSL Assets and identified in Section 1.1(a)(vi) of the Verizon Disclosure Schedule. The Verizon Intellectual Property constitutes all of the intellectual property used by Verizon or its Subsidiaries on the date hereof exclusively in connection with Verizon DSL Business.

(b) Except as set forth in Section 5.11(b) of the Verizon Disclosure Schedule, Verizon or its Subsidiaries owns or has the right to use, sell or license all Verizon Intellectual Property, free and clear of all liens or encumbrances.

(c) Except as set forth in Section 5.11(c) of the Verizon Disclosure Schedule, to the knowledge of Verizon, the ownership and operation of the Verizon DSL Business does not materially infringe, violate or misuse any intellectual property rights or any other proprietary right of any Person or give rise to

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any obligations to any Person as a result of co-authorship, and neither Verizon nor any of its Subsidiaries has received any notice, not satisfactorily resolved, of any claims or threats that the Verizon DSL Business or the use of any Verizon Intellectual Property in the Verizon DSL Business materially infringes, violates, misappropriates or misuses, or is otherwise in conflict with any intellectual property or proprietary rights of any Person.

(d) Verizon and its Subsidiaries have used reasonable efforts to maintain the confidentiality of the trade secrets and other confidential Verizon Intellectual Property which is included in the Verizon Intellectual Property.

Section 5.12 Brokers. Except for Morgan Stanley & Co. Incorporated,

the fees of which will be paid by Verizon, no broker, finder or investment banker is entitled to any brokerage, finder's, investment banking or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Verizon or any of its Subsidiaries.

Section 5.13 Tax Matters. Except as set forth in Section 5.13 of

the Verizon Disclosure Schedule:

(a) Verizon has paid in full or discharged, or caused to be paid in full or discharged, all Taxes (i) related to the Verizon DSL Assets or arising out of the conduct of the Verizon DSL Business that are required to be paid (whether or not such Taxes are shown as due on any Tax Return) and (ii) the non-payment of which has resulted in or which could result in a lien on the Verizon DSL Assets in the hands of Parent.

(b) Neither Verizon nor any of its Affiliates has taken, agreed to take or omitted to take any action that would prevent or impede the Asset Contribution and the Merger from qualifying as either a (i) tax-free reorganization under Section 368(a) of the Code or (ii) transaction described in Section 351 of the Code (it being agreed that it shall not be a violation of this Section 5.13(b) if the payment of the Cash Consideration Amount causes the Merger not to qualify as a tax-free reorganization under Section 368(a) of the Code).

Section 5.14 Insurance. Except as set forth in Section 5.14 of the

Verizon Disclosure Schedule, the Verizon DSL Business is, and has been continuously since December 31, 1999, insured with financially responsible insurers in such amounts and against such risks and losses as are customary for companies conducting the business as conducted by Verizon and its Subsidiaries during such time period. Except as set forth in Section 5.14 of the Verizon Disclosure Schedule, since December 31, 1999, neither Verizon nor any of its Subsidiaries has received notice of cancellation or termination with respect to any material insurance policy covering the Verizon DSL Business. The insurance policies of Verizon and its Subsidiaries with respect to the Verizon DSL Business are valid and enforceable policies.

Section 5.15 No Business Activities. Merger Subsidiary and Parent

have not conducted any activities and have no obligations and liabilities, in each case

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other than in connection with their organization, the negotiation and execution of this Agreement and the consummation of the transactions contemplated hereby. Merger Subsidiary has no Subsidiaries and Parent has no Subsidiaries other than Merger Subsidiary.

ARTICLE VI

COVENANTS AND AGREEMENTS

Section 6.1 Conduct of Business of NorthPoint Pending the Effective

Time. NorthPoint covenants and agrees that between the date hereof and the

Effective Time, unless Verizon shall otherwise consent in writing, and except as described in Section 6.1 of the NorthPoint Disclosure Schedule or as otherwise expressly contemplated hereby, the business of NorthPoint and its Subsidiaries shall be conducted only in, and such entities shall not take any action except in, the ordinary course of business and in a manner consistent with past practice; and each of NorthPoint and its Subsidiaries will use its commercially reasonable efforts to preserve substantially intact their business organizations, to keep available the services of those of their present officers, employees and consultants who are integral to the operation of their businesses as presently conducted and to preserve their present relationships with significant customers and suppliers and with other Persons with whom they have significant business relations. By way of amplification and not limitation, except as set forth in Section 6.1 of the NorthPoint Disclosure Schedule or as otherwise expressly contemplated by this Agreement or in the Employee Matters

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Agreement, NorthPoint and its Subsidiaries will not, between the date hereof and the Effective Time, directly or indirectly, do any of the following without the prior written consent of Verizon:

(a) (i) issue, sell, pledge, dispose of, encumber, authorize, or propose the issuance, sale, pledge, disposition, encumbrance or authorization of any shares of capital stock of any class, or any options, warrants, convertible securities or other rights of any kind to acquire any shares of capital stock of, or any other ownership interest in, NorthPoint or any of its Subsidiaries (excluding such as may arise upon the exercise of existing rights), except for (A) the issuance of shares of NorthPoint Common Stock in order to satisfy obligations under the NorthPoint Plans in effect on the date hereof and NorthPoint Equity Rights issued thereunder, which issuances shall be consistent with its existing policy and past practice; (B) grants of stock options with respect to NorthPoint Common Stock to employees in the ordinary course of business and in amounts and in a manner consistent with past practice; and (C) the issuance of securities by a Subsidiary of NorthPoint to any Person which is directly or indirectly wholly owned by NorthPoint; (ii) amend or propose to amend the Certificate of Incorporation or By-laws of NorthPoint or any of its Subsidiaries or adopt, amend or propose to amend any stockholder rights plan or related rights agreement; (iii) split, combine or reclassify any outstanding shares of NorthPoint Common Stock, or declare, set aside or pay any dividend or distribution payable in cash, stock, property or otherwise with respect to shares of NorthPoint Common Stock; (iv) redeem, purchase or otherwise acquire or offer to redeem, purchase or otherwise acquire any shares of its capital stock (provided that in the case of any repurchase of shares of NorthPoint Common Stock upon the termination of employment of one of the five founders of NorthPoint at the contractual price but in no event more than \$0.08 per share, Verizon shall be deemed to have consented to such repurchase five business days after receiving written notice from NorthPoint of its intent to effect such