

ORIGINAL

March 23, 2001

Blanca S. Bayo
Director
Florida Public Service Commission
Division of Records & Reporting
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

RECEIVED
FLORIDA PUBLIC
SERVICE COMMISSION
01 MAR 26 AM 10:07
MAIL ROOM

Re: NorthPoint Communications

010000-PU

Dear Sir or Madam:

As you may be aware, on January 16, 2001, NorthPoint Communications, Inc. ("NorthPoint") filed for federal bankruptcy protection in the wake of Verizon's termination of its agreement to merge with NorthPoint. For the last nine weeks, NorthPoint has worked tirelessly to seek new sources of financing, or a strategic partner, that would allow it to continue as a going concern.

Up to March 21, 2001, we received and reviewed bids filed pursuant to the procedures approved by the federal bankruptcy court. Unfortunately, no bid emerged that offered NorthPoint any opportunity to continue as a going concern. Yesterday afternoon, the United States Bankruptcy Court ordered the bulk of NorthPoint's assets sold to the highest bidder (AT&T), with the proceeds of that sale being used to pay NorthPoint's creditors.

Not surprisingly, our creditors have now declined to extend us the funding necessary for us to continue operations. We have run completely out of cash and have no other source of funding or credit available. Unable to pay our vendors and without funds to operate our network, we have no choice but to discontinue our services.

We are aware that many states have statutory and regulatory requirements regarding discontinuation of service. Due to circumstances beyond our control, however, NorthPoint's network is now being disconnected and operations discontinued. We therefore respectfully request that you take the following actions:

1. Please withdraw any operating authority you previously granted NorthPoint, and withdraw any tariffs applicable to NorthPoint. Once NorthPoint's operating authority is withdrawn, NorthPoint may no longer be subject to the jurisdiction of state public utility commissions.
2. To the extent that any approvals or consents are required even after the withdrawal of NorthPoint's operating authority, please consider this letter a request for approval and waiver of all applicable laws, rules and/or regulations (or *nunc pro tunc* approval of all actions) related to discontinuation of service, withdrawal of operating authority, transfer of NorthPoint assets, and any other actions NorthPoint must take in

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

5858 Horton St., 5th Floor Emeryville, CA 94608 | 510.450.7300 main | 510.597.8042 fax | www.northpoint.net



NorthPoint

NorthPoint Communications

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accordance with or as a result of the United States Bankruptcy Court's order.

In considering NorthPoint's request, please consider the following factors:

- While NorthPoint is certificated as a Competitive Local Exchange Carrier (CLEC) or its equivalent in many locations, NorthPoint does not provide dial tone service to consumers. Its business is high speed DSL data service previously determined by the Federal Communications Commission to be an interstate special access service.
- The United States Bankruptcy Court has ordered NorthPoint's assets sold to pay its creditors. A copy of that order is attached here, and further information should be provided to you by the court as you were listed as an interested party when NorthPoint initially filed its petition for bankruptcy protection.
- NorthPoint has no retail customers; its only customers are businesses that resell NorthPoint DSL services.
- NorthPoint has no customers of any type in many states receiving this letter.
- Within minutes of the decision by the United States Bankruptcy Court, NorthPoint began making a good faith effort to notify all of its customers that their service is being terminated, and has provided them with as much information as it has concerning alternative service providers. A copy of that letter is enclosed, and information is posted at www.northpoint.net.
- NorthPoint is making every possible effort to migrate its existing subscribers to alternate DSL service providers.
- Effective immediately, and except to the extent necessary to wind down the business in accordance with federal bankruptcy court's forthcoming order, NorthPoint will cease all operations.

If there is any other information I can provide please call me at 510-735-3871.

Very truly yours,



Michael E. Olsen
Vice President and Deputy
General Counsel, Government
and Industry Affairs



March 22, 2001

Dear Partner:

On January 16, 2001, in the wake of Verizon's unexpected termination of our merger agreement, NorthPoint Communications filed for the protection of the United States Bankruptcy Court. We did this to ensure that we were able to provide uninterrupted service to you while we began a restructuring process and sought new sources of financing, including strategic partnerships, that would allow the company to continue to provide services as a going concern. Immediately upon filing for bankruptcy protection, we commenced a sale process under the supervision of the bankruptcy court in order to find a buyer for our company. At that time we also obtained debtor-in-possession financing to finance our operations through the sale process.

At this point it is clear that the sale process to which we have dedicated much effort has not yielded long term financing, or a strategic partnership that will allow NorthPoint to continue its current level of operations. **As a result, the cessation of services to our customers and the complete shut down of our network is imminent. We will take the following steps:**

- 1) **effective immediately all pending orders will be held until further notice**
- 2) **effective March 23, 2001 we will no longer accept new orders and will cease all new service installations.**

We urge you to take immediate action to secure alternate services for your needs.

We are currently negotiating with a group of our ISP partners for interim funding to support the migration of existing subscribers to alternate DSL service providers. Additional partners are welcome to join this discussion in order to facilitate the migration of their subscribers. Please call your NorthPoint account representative for more information. If we are unable to reach an agreement with our partners for interim funding to support the subscriber migration, we will immediately begin the shut down of our network. We will inform you of the outcome of these negotiations and the time frame for the eventual network shutdown as soon as information is available. We expect resolution within the next few days.

We are disappointed and regret that we are unable to continue to provide you with services. I thank you for your past business and for your support of NorthPoint during these last few difficult months.

Sincerely,

Elizabeth Fetter
President and Chief Executive Officer

COPY

LATHAM & WATKINS

Michael S. Lurey (State Bar No. 048235)

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Anissa D. Seymour (State Bar No. 199044)

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Telephone: (213) 485-1234

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Counsel for Debtors and
Debtors-in-Possession

FILED

MAR 22 2001

KEENAN G. CASADY, CLERK
UNITED STATES BANKRUPTCY COURT
SAN FRANCISCO, CA

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN FRANCISCO DIVISION

In Re:

Case No. 01-30127
(Jointly Administered)

Chapter 11

NORTHPOINT COMMUNICATIONS
GROUP, INC., *et al.*,

Debtors.

ORDER UNDER 11 U.S.C. §§ 105, 363, 365
AND 1146(c) APPROVING (A) ASSET
PURCHASE AGREEMENT WITH AT&T
CORP.; (B) SALE OF DEBTORS' ASSETS
TO AT&T CORP. FREE AND CLEAR OF
ALL LIENS, CLAIMS, ENCUMBRANCES
AND INTERESTS AND EXEMPT FROM
ANY STAMP, TRANSFER,
RECORDING OR SIMILAR TAX, (C)
ASSUMPTION AND ASSIGNMENT OF
EXECUTORY CONTRACTS, (D) FIXING
LEASE AND EXECUTORY CONTRACT
CURE AMOUNTS AND (E) GRANTING
RELATED RELIEF.

HEARING

DATE: March 22, 2001

TIME: 10:00 a.m.

PLACE: 235 Pine Street
23rd Floor

THIS MATTER CAME BEFORE THE COURT on March 22, 2001 at 10:00

a.m. (the "Sale Hearing") on the Motion of Debtors With Respect to Proposed Sale of

Substantially All of the Debtors' Assets Free and Clear of Liens, Claims and Encumbrances for

1 an Order Approving (A) the Sale to the Successful Bidder and (B) Treatment of Executory
2 Contracts and Unexpired Leases and (C) Related Relief (the "Motion") filed by NorthPoint
3 Communications Group, Inc., NorthPoint Communications, Inc., NorthPoint Communications of
4 Virginia, Inc. and NorthPoint International, Inc. (collectively, the "Debtors") in these chapter 11
5 cases (the "Cases").

6 **NOW, THEREFORE**, the Court having considered the Motion; the Supplement
7 to Motion of Debtors With Respect to Proposed Sale of Substantially All of the Debtors' Assets
8 Free and Clear of Liens, Claims and Encumbrances (the "Supplement" and, collectively with the
9 Motion, the "Sale Motion"); the Debtors' oral report at the Sale Hearing regarding the results of
10 the auction of the Debtors' assets in accordance with the "Bidding Procedures" approved by this
11 Court's Order with respect to the Motion entered on or about February 23, 2001 (the "Procedures
12 Order"); the Debtors' request that the Court approve the sale to AT&T Corp. or an Acquisition
13 Subsidiary ("AT&T") of the assets of the Debtors specified in that certain asset purchase
14 agreement, dated as of March 16, 2001, amended and restated as of March 22, 2001, a true and
15 correct copy of which is attached hereto as Exhibits A and B (the "Asset Purchase
16 Agreement,"¹), pursuant to which the Debtors have agreed to (i) assume, assign and sell to
17 AT&T, pursuant to section 365 of title 11 of the United States Code (11 U.S.C. §§ 101 et seq.,
18 the "Bankruptcy Code"), the Contracts listed on Exhibits 1.1(g) and 1.1(g)(i) to the Asset
19 Purchase Agreement, including each individual Collocation Contract, each individual Tariffed
20 Collocation Contract and the Specified Contracts (collectively, the "Subject Contracts"). (as such
21 Exhibits may be amended in accordance with the terms of the Asset Purchase Agreement, the
22 "Assumed Contracts") and (ii) sell to AT&T, pursuant to section 363(b) of the Bankruptcy Code,
23 all of the assets of the Debtors identified in Section 1.1 of the Asset Purchase Agreement (the
24 "Assets," and including the Assumed Contracts, the "Sale Assets"), as such transactions
25 (collectively, the "Sale") are more fully set forth in the Asset Purchase Agreement; the evidence
26

27
28 ¹ All otherwise undefined capitalized terms used herein having the meaning provided in the
Asset Purchase Agreement.

1 proffered or adduced at, memoranda and objections, if any, filed in connection with, and
2 arguments of counsel made at, the Sale Hearing; and upon the entire record of the Sale Hearing
3 and these Cases; and good cause appearing therefor;

4 **IT IS HEREBY FOUND THAT:**

5 A. The Court has jurisdiction over the Sale Motion pursuant to 28 U.S.C.
6 §§157 and 1334, and this matter is a core proceeding pursuant to 28 U.S.C. §157(b)(2)(A) and
7 (N). Venue of these Cases and the Sale Motion in this district is proper under 28 U.S.C. §§1408
8 and 1409.

9 B. The statutory predicates for the relief sought in the Sale Motion are
10 sections 105(a), 363(b), (f), (m) and (n), 365, and 1146(c) of the Bankruptcy Code, and Rules
11 2002, 6004, 6006 and 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy
12 Rules").

13 C. The Debtors have followed the procedures set forth in the Procedures
14 Order for giving notice of the Sale Motion and the Sale Hearing on approval of the Asset
15 Purchase Agreement set forth in the Procedures Order.

16 D. The Bidding Procedures established by the Procedures Order (the
17 "Bidding Procedures") have been fully complied with in all material respects.

18 E. Proper, timely, adequate and sufficient notice of the Sale Motion, the Sale
19 Hearing, the Sale and the assumption and assignment of Assumed Contracts, including the
20 assumption and assignment of each individual Subject Contract and other transactions
21 contemplated thereby has been provided in accordance with sections 102(1), 105(a), 363 and 365
22 of the Bankruptcy Code and Rules 2002, 6004 and 9014 of the Bankruptcy Rules and in
23 compliance with the Bidding Procedures, such notice was good and sufficient, and appropriate
24 under the particular circumstances, and no other or further notice of the Sale Motion, the Sale
25 Hearing, the Sale and the assumption and assignment of Assumed Contracts and other
26 transactions contemplated hereby, or the entry of this Sale Order is required.

1 F. A reasonable opportunity to object or be heard with respect to the Sale
2 Motion and the relief requested therein has been afforded to all interested persons and entities,
3 including (i) the Office of the United States Trustee for the Northern District of California; (ii)
4 the Official Committee of Creditors Holding Unsecured Claims (the "Committee"); (iii) all lien
5 holders; (iv) all parties to the Assumed Contracts; (v) all known creditors, and equity security
6 holders, including the list of creditors holding the twenty largest unsecured claims and the
7 Indenture Trustee for the Bondholders; (vi) all entities known to have expressed an interest in
8 potentially acquiring Debtors' assets; (vii) the Internal Revenue Service and all appropriate
9 federal, state and local taxing authorities; (viii) the Pension Benefit Guaranty Corporation; and
10 (ix) all other entities that had filed requests for notices pursuant to Bankruptcy Rule 2002.

11 G. Certain parties objected to the adequacy of the cure amounts or the
12 assignability of their executory contracts with the Debtors (the "Preserved Sale Objection
13 Parties"). A complete and exclusive list of the Preserved Sale Objection Parties is attached
14 hereto as Exhibit D. Pursuant to a Scheduling Order Re: Objections to Cure Amounts and
15 Assignability of Executory Contracts ("Cure Objection Scheduling Order"), the objections of
16 the Preserved Sale Objecting Parties are preserved. No provision of this Sale Order relating to
17 the Assumed Contracts or Cure Amounts shall impair the rights of the Preserved Sale Objection
18 Parties as set forth in the Cure Objection Scheduling Order. No finding of the Court with respect
19 to the Assumed Contracts or the Cure Amounts shall increase any existing obligation of AT&T
20 or give rise to any new obligation of AT&T, nor shall it increase or give rise to any Assumed
21 Liability under the Asset Purchase Agreement.

22 H. The Debtors have marketed the Assets and conducted the sale process in
23 compliance with the Bidding Procedures, the Orders of this Court and the requirements of
24 applicable law.

25 I. The Debtors have full corporate power and authority to execute the Asset
26 Purchase Agreement and all other documents contemplated thereby, and the sale of the Sale
27 Assets has been duly and validly authorized by all necessary corporate action of the Debtors.

1 The Debtors have all the corporate power and authority necessary to consummate the
2 transactions contemplated by the Asset Purchase Agreement

3 J. No consents or approvals, other than those expressly provided for in the
4 Asset Purchase Agreement, are required for the Debtors to consummate the Sale and the
5 assumption and assignment of Assumed Contracts, including each individual Subject Contract
6 and other transactions contemplated thereby.

7 K. The Asset Purchase Agreement, including, without limitation, the
8 assumption and assignment of the Assumed Contracts (including each individual Subject
9 Contract included therein), reflects the exercise of the Debtors' sound business judgment.

10 L. Approval at this time of the Asset Purchase Agreement and consummation
11 of the Sale and the assumption and assignment of Assumed Contracts, including each individual
12 Subject Contract, and other transactions contemplated thereby is in the best interests of the
13 Debtors, their creditors, their estates, and other parties in interest.

14 M. The Debtors have demonstrated both (i) good, sufficient, and sound
15 business purpose and justification; and (ii) compelling circumstances for the Sale and the
16 assumption and assignment of Assumed Contracts, including the assumption and assignment of
17 each individual Subject Contract and other transactions contemplated thereby pursuant to section
18 363(b) of the Bankruptcy Code without the filing and confirmation of a plan of reorganization in
19 these Cases, including, without limitation, that (a) the Debtors have been incurring, are incurring,
20 and are projected to continue to incur substantial operating losses; (b) the Debtors are unable to
21 obtain sufficient financing to continue their operations on a stand-alone basis; (c) the value of the
22 Debtors is placed at risk by their current financial condition; (d) AT&T is a financially healthy
23 purchaser that made a substantial offer to acquire certain of the Debtors' assets; and (e) the
24 auction process proposed by the Debtors, approved by the Court in the Procedures Order and
25 required by section 363 of the Bankruptcy Code has permitted AT&T's offer to be tested against
26 other offers.

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N The Debtors reasonably believed that the sale would result in the sale of the Debtors' businesses on an operating basis. The fact that the sale may result in the closure of substantial portions of the Debtors' business operations and the layoff of numerous employees of the Debtors was not reasonably foreseeable at the time the Sale Motion was filed or at any time prior to the conclusion of the Sale pursuant to the Bidding Procedures.

O The Asset Purchase Agreement was negotiated, proposed and entered into by the Debtors and AT&T without collusion, in good faith, and from arm's-length bargaining positions. Neither the Debtors nor AT&T has engaged in any conduct that would cause or permit the Asset Purchase Agreement to be avoided under section 363(n) of the Bankruptcy Code.

P AT&T is a good faith purchaser within the meaning of section 363(m) of the Bankruptcy Code and, as such, is entitled to all of the protections afforded thereby. AT&T will be acting in good faith within the meaning of section 363(m) of the Bankruptcy Code in closing the transactions contemplated by the Asset Purchase Agreement at all times after the entry of this Sale Order.

Q The terms and conditions of the Asset Purchase Agreement and the Purchase Price to be provided by AT&T pursuant to the Asset Purchase Agreement (i) are fair and reasonable, (ii) represent the highest and best offer for the Sale Assets, (iii) will provide a greater recovery for the Debtors' creditors than would be provided by any other practical available alternative and (iv) constitutes fair consideration.

R The Sale and the assumption and assignment of Assumed Contracts, including the assumption and assignment of each individual Subject Contract, and other transactions contemplated thereby must be approved and consummated promptly in order to preserve the value of the Sale Assets.

S The transfer of the Assets and the assignment of the Assumed Contracts, including the assignment of each individual Subject Contract, pursuant to the Asset Purchase Agreement upon the Closing will (i) be legal, valid, and effective transfers of property of the

1 Debtors' estates to AT&T, and (ii) vest AT&T with good title to the Assets and the Assumed
2 Contracts, including each individual Subject Contract, free and clear of all liens, claims,
3 encumbrances and interests other than any expressly defined as Permitted Encumbrances in the
4 Asset Purchase Agreement.

5 T. All amounts, if any, to be paid by the Debtors pursuant to the Asset
6 Purchase Agreement constitute administrative expenses under sections 503(b) and 507(a)(1) of
7 the Bankruptcy Code and are due and payable if and when any Debtor's obligations arise under
8 the Asset Purchase Agreement without further order of the Court.

9 U. All of the provisions of this Sale Order and the Asset Purchase Agreement
10 are nonseverable and mutually dependent.

11 V. AT&T would not have entered into the Asset Purchase Agreement and
12 would not consummate the Sale and the assumption and assignment of Assumed Contracts,
13 including each individual Subject Contract, and other transactions contemplated thereby, thus
14 adversely affecting the Debtors, their estates, and their creditors, if the Sale of the Assets to
15 AT&T and the assignment of the Assumed Contracts, including each individual Subject
16 Contract, to AT&T were not free and clear of all liens, claims, encumbrances and interests of any
17 kind or nature whatsoever, except any expressly defined as Permitted Encumbrances in the Asset
18 Purchase Agreement, or if AT&T would, or in the future could, be liable for any liens, claims,
19 encumbrances and interests of any kind or nature whatsoever except those expressly defined as
20 Permitted Encumbrances in the Asset Purchase Agreement.

21 W. The Debtors may sell the Sale Assets free and clear of all liens, claims,
22 encumbrances and interests of any kind or nature whatsoever because, in each case, one or more
23 of the standards set forth in sections 363(f)(1)-(5) of the Bankruptcy Code has been satisfied.
24 Those non-Debtor parties with liens, claims, encumbrances and interests of any kind or nature
25 whatsoever in the Debtors' Sale Assets who did not object, or who withdrew their objections, to
26 the Sale and the assumption and assignment of Assumed Contracts, and other transactions
27 contemplated thereby or the Sale Motion are deemed to have consented pursuant to sections

1 363(f)(2) and 365 of the Bankruptcy Code. Those non-Debtor parties with liens, claims,
2 encumbrances and interests of any kind or nature whatsoever in the Debtors' Sale Assets who
3 did object fall within one or more of the other subsections of sections 363(f) and 365 of the
4 Bankruptcy Code and are adequately protected by having their interests attributed to the net
5 proceeds of the property against or in which they claim a lien, claim, encumbrance or interest of
6 any kind or nature whatsoever.

7 X. Each agreement relating to (i) any individual Collocation Site, which is a
8 location at which Sellers, pursuant to the Subject Contract, have or purport to have the right to
9 locate their Network Equipment Assets and connect them to incumbent local exchange carriers'
10 or other carriers' networks; and (ii) the Collocation Rights for such site of any Seller, which are
11 all rights of any Seller (whether written or oral, absolute or contingent, presently existing or
12 hereafter arising) that (a) are set out in the sections of, or attachments to, the Interconnection
13 Agreement identified next to such Interconnection Agreement on Section 3.19(d) of the Seller
14 Disclosure Schedule (as well as any pre-bankruptcy amendments and modifications thereto) or in
15 an interstate or intrastate tariff or statement of generally available terms; (b) otherwise relate to
16 collocation provisioning, installation, buildout, activation, occupancy, testing, maintenance,
17 safety, security or use, as well as access or entry to, connections to or from equipment used in,
18 pricing or billing of, heating, air conditioning, ventilation or powerage of, or enclosure of
19 collocation space at such site or which govern the Sellers' occupancy or use of such Collocation
20 Site; or (c) terms and provisions of general applicability listed on such Section 3.19(d) of the
21 Seller Disclosure Schedule and each other Subject Contract, constitutes a separate contract for
22 the purpose of assumption and assignment under section 365 of the Bankruptcy Code.

23 Y. Pursuant to sections 365(a) and 365(f), the Debtors may assume and
24 assign any Assumed Contract, consisting of Collocation Contracts, Tariffed Collocation
25 Contracts or Subject Contracts, separately from the related Interconnection Agreement or
26 intrastate or interstate tariffs or statement of generally available terms with the same carrier;

27 ///

1 provided, however, that any non-Debtor party to an Assumed Contract shall have ten (10) days
2 from the entry of this Sale Order to file an objection with this Court relating solely to the
3 assumption and assignment of any individual Subject Contract separately from any
4 corresponding Interconnection Agreement or intrastate or interstate tariff or statement of
5 generally available terms.

6 Z. Consummation of the Sale, including, without limitation, the transfer of
7 the Assets to AT&T and the assumption and assignment to AT&T of the Assumed Contracts,
8 including the assumption and assignment of each individual Subject Contract, will not subject
9 AT&T to any debts, liabilities, obligations, commitments, responsibilities or claims of any kind
10 or nature whatsoever, whether known or unknown, contingent or otherwise, existing as of the
11 date hereof or hereafter arising, of or against the Debtors, any affiliate of the Debtors, or any
12 other person by reason of such transfers and assignments, including, without limitation, based on
13 any theory of antitrust or successor or transferee liability, except that AT&T shall be liable for
14 payment only of the Assumed Liabilities.

15 AA. The sale of the Sale Assets to AT&T is a prerequisite to the Debtors'
16 ability to confirm and consummate a plan or plans of liquidation. The Sale is a sale in
17 contemplation of a plan and, accordingly, a transfer pursuant to section 1146(c) of the
18 Bankruptcy Code, which shall not be taxed under any law imposing a stamp, transfer, recording
19 or similar tax.

20 BB. The Debtors have demonstrated that it is an exercise of their sound
21 business judgment to assume and assign the Assumed Contracts, including each individual
22 Subject Contract, to AT&T in connection with the consummation of the Sale and the assumption
23 and assignment of Assumed Contracts, and other transactions contemplated thereby, and the
24 relief requested in the Sale Motion, including approval of the Asset Purchase Agreement, the
25 Sale and the assumption and assignment of the Assumed Contracts, and other transactions
26 contemplated thereby pursuant to the Asset Purchase Agreement is in the best interests of the
27 Debtors, their estates, and their creditors. The Assumed Contracts, including each individual

1 Subject Contract, being assigned to AT&T are an integral part of the assets being purchased by
2 AT&T and, accordingly, such assumption and assignment of Assumed Contracts, is reasonable,
3 enhances the value of the Debtors' estates, and does not constitute unfair discrimination.

4 CC. The cure amounts in respect of the Assumed Contracts, including each
5 individual Subject Contract, set forth on Exhibit C hereto (the "Cure Amounts"), if any, are the
6 sole amounts necessary to cure all defaults, and to pay all established actual or pecuniary losses
7 that have resulted from such defaults under the Assumed Contracts.

8 DD. AT&T has provided adequate assurance of AT&T's future performance of
9 and under the Assumed Contracts, including each individual Subject Contract, within the
10 meaning of sections 365(b)(1)(C) and (f)(2)(B) of the Bankruptcy Code.

11 EE. No defaults exist in the Debtors' performance under the Assumed
12 Contracts as of the date of this Sale Order other than the failure to pay amounts equal to the Cure
13 Amounts set forth in Exhibit C hereto.

14 **NOW THEREFORE, IT IS HEREBY ORDERED, ADJUDGED, AND**
15 **DECREED THAT:**

16 General Provisions

17 1. The Sale Motion shall be, and it hereby is, granted, as further described
18 herein.

19 2. The above Findings are inapplicable to all preserved Sale Objection
20 Parties *with respect to issues related to assumption and assignment of executory contracts*

21 3. All objections, if any, to the Sale Motion or to the relief requested therein
22 that have not been withdrawn, waived, or settled, and all reservations of rights included therein,
23 are hereby overruled on the merits; provided, however, that (i) notwithstanding anything in this
24 Order or the Asset Purchase Agreement, all rights and objections of all Preserved Objection
25 Parties are preserved, including but not limited to, matters asserted or which hereafter may be
26 asserted by any such Preserved Sale Objection Parties; and that (ii) any non-Debtor party to an
27 Assumed Contract, other than a Preserved Sale Objection Party, including each individual

1 Subject Contract shall have ten (10) days from the entry of this Sale Order to file an objection
2 with this Court relating solely to the assumption and assignment of any individual Subject
3 Contract separately from any corresponding Interconnection Agreement or intrastate or interstate
4 tariff or statement of generally available terms.

5 Approval of the Asset Purchase Agreement

6 4. The terms and conditions and transactions contemplated by the Asset
7 Purchase Agreement between the Debtors and AT&T are hereby approved in all respects, and
8 the Closing of the Sale and the assumption and assignment of Assumed Contracts, including the
9 assumption and assignment of each individual Subject Contract, and other transactions
10 contemplated thereby is hereby approved, authorized and directed under section 363(b) of the
11 Bankruptcy Code.

12 5. Pursuant to sections 363(b) and 365 of the Bankruptcy Code, each of the
13 Debtors is hereby authorized, directed and empowered to fully assume, perform under,
14 consummate and implement the Asset Purchase Agreement, together with all additional
15 instruments and documents that may be reasonably necessary or desirable to implement the
16 Asset Purchase Agreement and the transactions contemplated thereby, and to take all further
17 actions as may reasonably be requested by AT&T for the purpose of assigning, transferring,
18 granting, conveying and conferring to AT&T, or reducing to possession, any or all of the Sale
19 Assets, or as may be necessary or appropriate to the performance of the Debtors' obligations as
20 contemplated by the Asset Purchase Agreement.

21 Transfer of Sale Assets

22 6. Pursuant to sections 105(a) and 363(f) of the Bankruptcy Code, upon the
23 closing under the Asset Purchase Agreement (the "Closing"), the Sale Assets shall be transferred
24 to AT&T, free and clear of all mortgages, security interests, conditional sale or other title
25 retention agreements, pledges, liens, judgments, demands, encumbrances, easements, restrictions
26 or charges of any kind or nature, if any, including, but not limited to, any restriction on the use,
27 voting, transfer, receipt of income or other exercise of any attributes of ownership (the foregoing

1 collectively referred to as "Liens" herein) and all debts arising in any way in connection with any
2 acts of the Debtors, claims (as that term is defined in the Bankruptcy Code), obligations,
3 demands, guaranties, options, rights, contractual commitments, restrictions, interests and matters
4 of any kind and nature, arising prior to the Closing Date or relating to acts occurring prior to the
5 Closing Date, and whether imposed by agreement, understanding, law, equity or otherwise (the
6 foregoing collectively referred to as "Claims") herein, with all such Liens to attach to the net
7 proceeds of the Sale, with the same validity, enforceability, priority, force and effect that they
8 now have as against the Sale Assets, subject to the rights, claims, defenses and objections, if any,
9 of the Debtors and all interested parties with respect to such Liens and Claims; provided,
10 however, that AT&T shall remain liable for the Assumed Liabilities as provided in the Asset
11 Purchase Agreement.

12 7. Except as expressly permitted by the Asset Purchase Agreement with
13 respect to Assumed Liabilities, all persons and entities, including, but not limited to, all debt
14 security holders, equity security holders, governmental, tax, and regulatory authorities, lenders,
15 trade and other creditors, holding Liens or Claims against the Debtors or the Sale Assets
16 (whether legal or equitable, secured or unsecured, matured or unmatured, contingent or
17 noncontingent, senior or subordinated), arising on or before the Closing Date, or out of, under, in
18 connection with, or in any way relating to, events occurring prior to the Closing Date, with
19 respect to Sale Assets hereby are forever barred, estopped, and permanently enjoined from
20 asserting such Liens and Claims of any kind and nature against AT&T, its successors or assigns,
21 their property, or the Sale Assets.

22 8. The transfer of the Sale Assets to AT&T pursuant to the Asset Purchase
23 Agreement constitutes a legal, valid, and effective transfer of the Sale Assets, and, except as
24 provided in the Asset Purchase Agreement with respect to any Permitted Encumbrances, vests or
25 will vest AT&T with good title to the Sale Assets free and clear of all liens, claims,
26 encumbrances and interests of any kind or nature whatsoever under section 363(f) of the
27 Bankruptcy Code.

9 The transfer of the Sale Assets pursuant to the Sale is not subject to
10 taxation under any federal, state, local, municipal or other law imposing or purporting to impose
11 a stamp, transfer, recording, sale or any other similar tax on any of the Debtors' transfers or sales
12 of real estate, personal property or other assets owned by it in accordance with sections 1146(c)
13 and 105(a) of the Bankruptcy Code.

14 Assumption and Assignment to Purchasers of Assumed Contracts

15 10. The Debtors are hereby authorized and directed, in accordance with
16 sections 105(a) and 365 of the Bankruptcy Code, and subject to the terms of the Asset Purchase
17 Agreement, to (i) assume and assign to AT&T each of the Assumed Contracts, including each
18 individual Subject Contract, identified on Exhibits 1.1(g) and 1.1.(g)(i) to the Asset Purchase
19 Agreement, pursuant to the provisions of section 365 of the Bankruptcy Code, in each case, free
20 and clear of all Liens and Claims, and (ii) execute and deliver to AT&T such documents or other
21 instruments as may be necessary to assign and transfer such Assumed Contracts to AT&T.

22 11. In consideration of AT&T's assumption of the Collocation Obligations of
23 the Debtors (and no other liabilities, debts, commitments or obligations under any of the
24 Debtors' Interconnection Agreements), AT&T shall have and be entitled to exercise from and
25 after the Closing all Collocation Rights of any Debtor under each Interconnection Agreement,
26 each interstate or intrastate tariff and each statement of generally available terms to which any
27 Debtor is a party.

28 12. The terms and provisions of this Sale Order shall not affect or impair any
rights that AT&T may have under 47 U.S.C. § 252(i) to subsequently modify or supersede any of
the individual Subject Contracts by exercising its rights under 47 U.S.C. § 252(i).

 13. AT&T shall have no obligation to make any true-up or other payments
arising out of any post-Closing order, law or regulation that purports to increase charges under
any of the individual Subject Contracts for any pre-Closing period.

 14. No claim of any kind asserted by any Debtor at any time against any party
to an Assumed Contract, including each individual Subject Contract, (whether pursuant to

Section 1.2(d) of the Asset Purchase Agreement or otherwise) shall entitle such party to assert, as against AT&T, any claim, counterclaim, defense or offset, or affect or impair in any respect the obligations of such party to AT&T under such Assumed Contract.

15. From time to time after the entry of this Sale Order, in accordance with the Asset Purchase Agreement, AT&T may add or remove any Contract from Exhibits 1.1(g) and 1.1(g)(i) to the Asset Purchase Agreement by giving written notice to the Debtors and the non-Debtor parties thereto of the election to make such Contract an Assumed Contract and add it to such Exhibits or delete it from such Exhibits and cease to include it among the Assumed Contracts, as the case may be, whereupon such Contract shall (if added to Exhibits 1.1(g) and 1.1(g)(i) to the Asset Purchase Agreement) be an Assumed Contract for all purposes of this Sale Order as fully as if originally listed in the Exhibits or (if deleted from such Exhibits) cease to be an Assumed Contract for any purpose whatsoever.

16. The Assumed Contracts, including each individual Subject Contract, listed on Exhibits 1.1(g) and 1.1(g)(i) to the Asset Purchase Agreement shall, upon assignment to AT&T, be deemed to be valid and binding and in full force and effect and enforceable in accordance with their respective terms, except as otherwise specifically determined by the Court, without giving effect to any oral or written amendment, waiver, supplement or other modification thereto not reflected in such enclosed form and notwithstanding any provision in any such Assumed Contract (including those of the type described in sections 365(b)(2) and (f) of the Bankruptcy Code) that prohibits, restricts, or conditions such assignment or transfer and, pursuant to section 365(k) of the Bankruptcy Code, the Debtors shall be relieved from any liability for failure on the part of AT&T to perform any Assumed Liability.

17. Pursuant to the terms of the Asset Purchase Agreement and consistent with the requirements of the Bankruptcy Code, the Debtors are hereby obligated, authorized, empowered and directed to pay the Cure Amounts, if any, in respect of the assumption, assignment and sale to AT&T of the Assumed Contracts, including each individual Subject Contract, being assigned to AT&T, by paying all Cure Amounts prior to or concurrently with the

1 Closing or as otherwise ordered by the Court AT&T shall have no obligation to pay, or any
2 liability for, such Cure Amounts.

3 18. All defaults or other obligations of the Debtors under the Assumed
4 Contracts (including each individual Subject Contract listed on Exhibits 1.1(g) and 1.1(g)(i) to
5 the Asset Purchase Agreement) arising or accruing prior to the date of this Sale Order (without
6 giving effect to any acceleration clauses or any default provisions of the kind specified in section
7 365(b)(2) of the Bankruptcy Code) shall be deemed cured upon payment by the Debtors at the
8 Closing of the Sale and the assumption and assignment of Assumed Contracts and other
9 transactions contemplated thereby, or as soon thereafter as practicable, of the Cure Amounts set
10 forth on Exhibit C hereto.

11 19. Except for the Debtors' obligation to pay the Cure Amounts, each non-
12 Debtor party to an Assumed Contract, including each non-Debtor party to a Subject Contract, is
13 hereby forever barred, estopped, and permanently enjoined from asserting against the Debtors or
14 AT&T, or the property of any of them, any default existing as of the date of the Sale Hearing, or
15 any counterclaim, defense, setoff or any other claim asserted or assertable against the Debtors.

16 20. Each non-Debtor party to an Assumed Contract, including each non-
17 debtor party to each individual Subject Contract listed on Exhibits 1.1(g) and 1.1(g)(i) to the
18 Asset Purchase Agreement, is hereby forever barred, estopped, and permanently enjoined from
19 asserting against AT&T or its successors or assigns any default existing as of the Closing Date or
20 any counterclaim, defense, setoff or any other claim asserted or assertable against the Debtors.

21 21. The failure of the Debtors or AT&T to enforce at any time one or more
22 terms or conditions of any Assumed Contract shall not be a waiver of such terms or conditions,
23 or of the Debtors' and AT&T's rights to enforce every term and condition of the Assumed
24 Contracts.

25 22. The Debtors may, without further order from the Court, reject any of the
26 Contracts that are not Assumed Contracts by filing and serving notice thereof.

Additional Provisions

23. On the Closing Date of the Sale and the assumption and assignment of Assumed Contracts and other transactions contemplated thereby, each of the Debtors' creditors is authorized and directed to execute such documents and take all other actions as may be necessary to release its Liens or Claims, if any, against the Sale Assets, as such Liens or Claims may have been recorded or may otherwise exist

24. The proceeds of the Sale shall first be used to repay the Debtor-in-Possession loan in full, including principal, interest and costs. Thereafter, proceeds shall be used to repay the debt of pre-petition secured bank loans, subject to the Debtors' right to seek to use cash collateral or other Court order.

25. AT&T shall have no obligations under the engagement letter between the Debtors and the Restructure Advisor (as defined in the Asset Purchase Agreement).

26. This Sale Order (a) is and shall be effective as a determination that, on the Closing Date, all Liens existing as to the Sale Assets prior to the Closing have been unconditionally released, discharged and terminated, and that the conveyance of the Sale Assets described herein have been effected, and (b) is and shall be binding upon and shall govern the acts of all entities, including, without limitation, all filing agents, filing officers, title agents, title companies, recorders of mortgages, recorders of deeds, registrars of deeds, registrars of patents, trademarks or other intellectual property, administrative agencies, governmental departments, secretaries of state, federal, state, and local officials, and all other persons and entities who may be required by operation of law, the duties of their office, or contract, to accept, file, register or otherwise record or release any documents or instruments, or who may be required to report or insure any title or state of title in or to any of the Sale Assets.

27. Each and every federal, state, and local governmental agency or department is hereby directed to accept any and all documents and instruments necessary and appropriate to consummate the transactions contemplated by the Asset Purchase Agreement

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28 If any person or entity that has filed financing statements mortgages,
mechanic's liens, *lis pendens*, or other documents or agreements evidencing Liens on or interests
in the Sale Assets shall not have delivered to the Debtors prior to the Closing Date, in proper
form for filing and executed by the appropriate parties, termination statements, instruments of
satisfaction, releases of all Liens or other interests that the person or entity has with respect to the
Sale Assets or otherwise, then (a) the Debtors are hereby authorized and directed to execute and
file such statements, instruments, releases and other documents on behalf of the person or entity
with respect to the Sale Assets and (b) AT&T is hereby authorized to file, register, or otherwise
record a certified copy of this Sale Order, which, once filed, registered, or otherwise recorded,
shall constitute conclusive evidence of the release of all Liens or other interests of any kind or
nature whatsoever in the Sale Assets.

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29 All entities who are presently, or on the Closing Date may be, in
possession of some or all of the Sale Assets are hereby directed to surrender possession of said
Sale Assets to AT&T on the Closing Date.

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30 Except as provided in the Asset Purchase Agreement with respect to
Assumed Liabilities, AT&T is not assuming nor shall it in any way whatsoever be liable or
responsible, as a successor or otherwise, for any liabilities, debts, commitments or obligations
(whether known or unknown, disclosed or undisclosed, absolute, contingent, inchoate, fixed or
otherwise) of the Debtors or any liabilities, debts, commitments or obligations in any way
whatsoever relating to or arising from the Sale Assets or the Debtors' operations or use of the
Sale Assets, including, without limitation, the Assumed Contracts, on or prior to the Closing
Date or any such liabilities, debts, commitments or obligations that in any way whatsoever relate
to periods on or prior to the Closing Date or are to be observed, paid, discharged or performed on
or prior to the Closing Date (in each case, including any liabilities that result from, relate to or
arise out of tort or other product liability claims), or any liabilities calculable by reference to the
Debtors or their assets or operations, or relating to continuing conditions existing on or prior to
the Closing Date, which liabilities, debts, commitments and obligations are hereby extinguished

1 insofar as they may give rise to successor liability, without regard to whether the claimant
2 asserting any such liabilities, debts, commitments or obligations has delivered to AT&T a release
3 thereof. Without limiting the generality of the foregoing, except as provided in the Asset
4 Purchase Agreement with respect to Assumed Liabilities, AT&T shall not be liable or
5 responsible, as a successor or otherwise, for the Debtors' liabilities, debts, commitments or
6 obligations, whether calculable by reference to the Debtors or their Operations, or under or in
7 connection with (i) any employment or labor agreements, consulting agreements, severance
8 arrangements, change-in-control agreements or other similar agreement to which any Debtor is a
9 party, (ii) any pension, welfare, compensation or other employee benefit plans, agreements,
10 practices and programs, including, without limitation, any pension plan of the Debtors, (iii) the
11 cessation of the Debtors' operations, dismissal of employees, or termination of employment or
12 labor agreements or pension, welfare, compensation or other employee benefit plans,
13 agreements, practices and programs, obligations that might otherwise arise from or pursuant to
14 the Employee Retirement Income Security Act of 1974, as amended, the Fair Labor Standard
15 Act, Title VII of the Civil Rights Act of 1964, the Age Discrimination and Employment Act of
16 1967, the Federal Rehabilitation Act of 1973, the National Labor Relations Act, the Consolidated
17 Omnibus Budget Reconciliation Act of 1985, COBRA, or the Worker Adjustment and
18 Retraining Notification Act, (iv) workmen's compensation, occupational disease or
19 unemployment or temporary disability insurance claims, (v) environmental liabilities, debts,
20 claims or obligations arising from conditions first existing on or prior to Closing (including,
21 without limitation, the presence of hazardous, toxic, polluting, or contaminating substances or
22 wastes), which may be asserted on any basis, including, without limitation, under the
23 Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601 et
24 seq., (vi) any bulk sales or similar law, (vii) any liabilities, debts, commitments or obligations of,
25 or required to be paid by, the Debtors for any Taxes of any kind for any period, (viii) any
26 liabilities, debts, commitments or obligations for any Taxes relating to the Operations or the Sale
27 Assets for or applicable to the Pre-Closing Tax Period, including any Property Taxes, (ix) any

1 liabilities, debts, commitments or obligations for any Transfer Taxes, (x) any Cure Amounts
2 payable pursuant to Section 365(b)(1)(A), (B) or (C) of the Bankruptcy Code in order to
3 effectuate, pursuant to the Bankruptcy Code, the assumption by the Debtors and assignment to
4 AT&T of the Assumed Contracts, (xi) any liabilities, debts, commitments or obligations of any
5 kind under any Contract that is not an Assumed Contract, (xii) any liabilities, debts,
6 commitments or obligations under any of the Debtors' Interconnection Agreements other than
7 Collocation Obligations, (xiii) any litigation, and (xiv) any products liability or similar claims,
8 whether pursuant to any state or any federal laws or otherwise.

9 31. The recitation, in the immediately preceding paragraph of this Sale Order,
10 of specific agreements, plans or statutes is not intended, and shall not be construed, to limit the
11 generality of the categories of liabilities, debts, commitments or obligations referred to therein.

12 32. Except as provided in the Asset Purchase Agreement with respect to
13 Assumed Liabilities, no person or entity, including, without limitation, any federal, state or local
14 governmental agency, department or instrumentality, shall assert by suit or otherwise against
15 AT&T or its successors in interest any claim that they had, have or may have against the
16 Debtors, or any liability, debt or obligation relating to or arising from the Sale Assets, or the
17 Debtors' operations or use of the Sale Assets, including, without limitation, any liabilities
18 calculable by reference to the Debtors or their assets or operations, and all persons and entities
19 are hereby enjoined from asserting against AT&T in any way any such claims, liabilities, debts
20 or obligations.

21 33. Any amounts that become payable by the Debtors pursuant to the Asset
22 Purchase Agreement or any of the documents delivered by the Debtors pursuant to or in
23 connection with the Asset Purchase Agreement shall (a) constitute administrative expenses of the
24 Debtors' estates under sections 503(b) and 507(a)(1) of the Bankruptcy Code and (b) be due and
25 payable paid by the Debtors in the time and manner as provided in the Asset Purchase
26 Agreement, without further order of this Court.

1 34 Subject to the provisions, and except as provided in, Section 11.5 of the
2 Asset Purchase Agreement, this Court retains jurisdiction (i) to enforce and implement the terms
3 and provisions of the Asset Purchase Agreement, all amendments thereto, any waivers and
4 consents thereunder, and of each of the agreements executed in connection therewith, (ii) to
5 compel delivery of the Sale Assets to AT&T, (iii) to compel delivery of the Purchase Price and
6 all adjustments to the Purchase Price under the Asset Purchase Agreement, (iv) to resolve any
7 disputes, controversies or claims arising out of or relating to the Asset Purchase Agreement, and
8 (v) to interpret, implement, and enforce the provisions of this Sale Order.

9 35. Nothing contained in any plan of reorganization or liquidation confirmed
10 in these Cases or any Order of this Court confirming such plan or any other order entered in
11 these Cases shall conflict with or derogate from the provisions of the Asset Purchase Agreement
12 or the terms of this Sale Order, *subject to paragraphs 2 and 3 hereof.*

13 36. In the absence of a stay pending appeal, if AT&T and the Debtors elect to
14 close under the Asset Purchase Agreement at any time after entry of this Sale Order, then, with
15 respect to the Sale and the assumption and assignment of the Assumed Contracts and other
16 transactions contemplated thereby approved and authorized herein, AT&T, as a purchaser in
17 good faith, shall be entitled to the protections of section 363(m) of the Bankruptcy Code if this
18 Sale Order or any authorization contained herein is reversed or modified on appeal.

19 37. Except as expressly provided in the Asset Purchase Agreement with
20 respect to Assumed Liabilities, AT&T is not acquiring or assuming, and the consummation of
21 the Sale and the assumption and assignment of Assumed Contracts and other transactions
22 contemplated thereby shall not subject AT&T to, any debts, liabilities, obligations,
23 commitments, responsibilities or claims of any kind or nature whatsoever, whether known or
24 unknown, contingent or otherwise, existing as of the date hereof or hereafter arising, of or
25 against the Debtors, any affiliate of the Debtors, or any other person by reason of such transfer,
26 assignment and delivery including, without limitation, based, in whole or in part, directly or
27 indirectly, on any theory of equitable subordination or successor or transferee liability.

1 38. The terms and provisions of the Asset Purchase Agreement together with
2 the terms and provisions of this Sale Order, shall be binding in all respects upon, and shall inure
3 to the benefit of, the Debtors, their estates and creditors, AT&T, and their respective affiliates,
4 successors and assigns, and shall be binding in all respects upon any affected third parties,
5 including, but not limited to, all non-Debtor parties to the Assumed Contracts listed on Exhibits
6 1.1(g) and 1.1(g)(i) to the Asset Purchase Agreement to be assigned to AT&T pursuant to the
7 Asset Purchase Agreement, and all persons asserting a Claim against or interest in the Debtors'
8 estates or any of the Sale Assets to be sold to AT&T pursuant to the Asset Purchase Agreement.
9 The Asset Purchase Agreement and the transactions contemplated thereby shall be specifically
10 performable and enforceable against and binding upon, and not subject to rejection or avoidance
11 by, the Debtors or any chapter 7 or chapter 11 trustee of the Debtors and their respective estates.

12 39. The failure specifically to include any particular provisions of the Asset
13 Purchase Agreement in this Sale Order shall not diminish or impair the effectiveness of such
14 provisions, it being the intent of the Court that the Asset Purchase Agreement be authorized and
15 approved in its entirety, *subject to paragraphs 2 and 3 hereof.*

16 40. The Asset Purchase Agreement and any related agreements, documents or
17 other instruments may be modified, amended or supplemented by the parties thereto in
18 accordance with the terms thereof without further order of the Court, provided that any such
19 modification, amendment or supplement is not material.

20 41. This Court hereby orders that the ten-day stay provided for in Bankruptcy
21 Rule 6004(g) shall not be in effect with respect to the Sale and the assumption and assignment of
22 Assumed Contracts and other transactions contemplated thereby, and thus this Sale Order shall
23 be effective and enforceable immediately upon entry. Any party objecting to this Sale Order

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1 must exercise due diligence in filing an appeal and pursuing a stay or risk its appeal being
2 foreclosed as moot in the event AT&T and the Debtors elect to close prior to this Sale Order
3 becoming a Final Order.

4 Dated: March 22, 2001

THOMAS E. CARLSON

The Honorable Thomas E. Carlson
United States Bankruptcy Judge

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Submitted by:

LATHAM & WATKINS

Michael S. Lurey
Gregory O. Lunt
Anissa D. Seymour

By Michael S. L.

Michael S. Lurey, Counsel for Debtors and
Debtors-in-Possession NorthPoint Communications
Group, Inc., NorthPoint Communications, Inc.,
NorthPoint Communications of Virginia, Inc.,
NorthPoint International, Inc.