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Attorneys for E. Lynn Schoenmann, as Trustee of the  
chapter 7 estates of NorthPoint Communications, Inc.;  
NorthPoint Communications of Virginia, Inc.;  
and NorthPoint International, Inc.

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF CALIFORNIA

SAN FRANCISCO DIVISION

In re  
  
NORTHPOINT COMMUNICATIONS  
GROUP, INC.; NORTHPOINT  
COMMUNICATIONS, INC.; NORTHPOINT  
COMMUNICATIONS OF VIRGINIA, INC.;  
AND NORTHPOINT INTERNATIONAL,  
INC.,  
  
Debtors.

Case No. 01-30127  
  
(Jointly Administered with: 01-30125-C7,  
01-30126-C7, and 01-30128-C7)  
  
Chapter 7  
  
Date: January 13, 2003  
Time: 9:30 a.m.  
Place: 235 Pine St., 23<sup>rd</sup> Floor  
San Francisco, California  
Judge: Hon. Thomas E. Carlson

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**NOTICE OF TRUSTEE'S MOTION FOR SUBSTANTIVE CONSOLIDATION**

**TO: THE DEBTOR, THE DEBTOR'S COUNSEL, THE UNITED STATES TRUSTEE, ALL CREDITORS, AND ALL OTHER PARTIES-IN-INTEREST:**

NOTICE IS HEREBY GIVEN that, on January 13, 2003 at 10:00 a.m., before the Honorable Thomas E. Carlson, E. Lynn Schoenmann, chapter 7 trustee ("Trustee") of NORTHPOINT COMMUNICATIONS, INC. ("Communications"); NORTHPOINT COMMUNICATIONS OF VIRGINIA, INC. ("Virginia"); AND NORTHPOINT INTERNATIONAL, INC. ("International"), by and through her undersigned counsel, will seek the entry of an order directing the substantive consolidation of the estates of the above-captioned chapter 7 debtors, including NORTHPOINT COMMUNICATIONS GROUP, INC., ("Group")(Communications, Group, Virginia and International are referred to herein as the "Debtors") into the lowest numbered above-references case, Virginia. A substantive consolidation of the within bankruptcy estates will combine the assets of the consolidated Debtors and the creditors' claims, allowing the Trustee to pay the creditors out of a common pool of funds. Substantive consolidation is conceptually similar to "veil piercing," in that it allows the court and creditors to disregard the separate corporate entities and instead treat them as one, thus eliminating duplicate and inter-company claims and simplifying the administration of the estate. Pursuant to the United States Bankruptcy Code and applicable case law, substantive consolidation is

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appropriate where either: (i) the creditors dealt with the entities as a single economic unit and did not rely on their separate identity in extending credit; or (ii) the affairs of the debtors are so entangled that consolidation will benefit all of the creditors. Based on the Trustee's investigation, and the investigation of the Trustee's professionals, the Trustee is informed and believes that the facts of this case warrant a substantive consolidation.

Although the Debtors' business was formally structured to include parent and subsidiary entities, the operations and accounts of the debtor-entities were functionally consolidated and used interchangeably, without distinction or allocation. Funds were freely commingled, employees performed work for all of the entities without qualification or attribution, the parent-company's board of directors routinely acted on behalf of all four corporations, creditors dealt with all of the entities as if they were a single entity, and even the company's directors and officers viewed the entities as a single business enterprise. Now, in chapter 7 liquidation, substantial funds arising from the liquidation and resolution of assets jointly used and functionally owned by all four entities are held by the Trustee, subject to contentions and competition among estates and creditors as to appropriate allocations. Bondholders, who view themselves as creditors of the parent company, claim that all remaining funds belong to the parent company's estate, and assert super-priority claims against any further funds that may be generated by the subsidiaries' estates through prosecution of avoidance actions. The Trustee, on behalf of the subsidiaries' estates, contends that most or all of the remaining funds, including future litigation proceeds, belong solely to the subsidiary estates. The trustees of the parent and subsidiary estates are now poised to litigate competing rights to many millions of dollars of assets, with the prospect of great cost and delay to all estates without commensurate benefit being conferred on the estates as a whole.

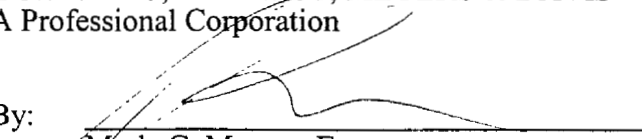
Given the above facts, the Trustee believes that it would be in the in the best interest of all of the creditors, and the fairest, most efficient means of distributing the assets of the estates, to substantively consolidate the within cases. The Trustee's motion seeking the consolidation of the within bankruptcy estates, along with the declarations that have been executed in support of said motion, have been filed with the Bankruptcy Court and may be reviewed by any interested party at the clerk's office.

**NOTICE IS HEREBY FURTHER GIVEN** that, pursuant to local rule 9014-1 of the United States Bankruptcy Court for the Northern District of California, any party who wishes to object to the above-referenced matter or matters must file with the above-captioned court and serve upon Trustee's counsel of record such objection, at the address indicated herein, no less than five (5) days prior to the date of the scheduled hearing date, or, in other words, by Wednesday, January 8, 2003. All objections must be accompanied by any declaration or memorandum of law that the requesting or objecting party wishes to present in support of its position. To the extent that a timely objection presents bona fide and material factual issues with respect to the motion, the Trustee may request that the hearing be treated as a status conference with respect to the motion. The address for the Clerk of the Court is: Deputy Clerk, United States Bankruptcy Court, Northern District of California, 235 Pine Street, 22nd Floor, San Francisco, CA 94104. Service of the Trustee's counsel shall be on: Joshua S. Leach, Esq., Goldberg, Stinnett, Meyers & Davis, 44 Montgomery Street, Suite 2900, San Francisco, California, 94104.

DATED: December 17, 2002

GOLDBERG, STINNETT, MEYERS & DAVIS  
A Professional Corporation

By:

  
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