



**STATE OF NEW JERSEY**

***Board of Public Utilities***

***Two Gateway Center***

***Newark, NJ 07102***

***www.nj.gov/bpu/***

**TELECOMMUNICATIONS**

IN THE MATTER OF THE APPLICATION )  
FOR TRANSFER OF CONTROL OF YIPES )  
ENTERPRISE SERVICES, INC. TO FLAG )  
TELECOM GROUP SERVICES LIMITED )

**ORDER OF APPROVAL**

DOCKET NO. TM07070564

(SERVICE LIST ATTACHED)

**BY THE BOARD:**

On July 30, 2007, Yipes Enterprise Services, Inc. (Yipes) and FLAG Telecom Group Services Limited (FLAG), (collectively, Petitioners), filed a petition pursuant to N.J.S.A. 48:2-51.1, 48:3-9 and 48:3-10 seeking the Board's approval to transfer control of Yipes in connection with the acquisition of 100% of the issued and outstanding shares of capital stock of Yipes by FLAG pursuant to a merger of a wholly-owned FLAG subsidiary into Yipes. Following the transfer, Yipes will continue to offer services at the same terms, rates and conditions on which it currently provide such services in the state.

**BACKGROUND**

Yipes is a privately-held Delaware corporation with its principal office located in San Francisco, California. Yipes is a wholly-owned subsidiary of Yipes Holdings, Inc. (Yipes Holdings), a privately-held Delaware corporation headquartered in San Francisco, California. Yipes Holdings is a venture backed, privately held company, primarily owned by a number of institutional investors, the largest of which include Norwest Venture Partners, JP Morgan Partners Investing Funds, and Sprout Group. Yipes provides data communications transport services. The petition states that Yipes provides only dedicated services and no presubscribed services. In New Jersey, Yipes was authorized to provide facilities-based and resold local exchange and interexchange telecommunications services. See Order I/M/O the Petition of Yipes Enterprise Services, Inc. for Authority to Provide Local Exchange and Interexchange Telecommunications Throughout New Jersey, Docket No. TE03010038, dated March 24, 2003. Yipes currently has 140 business customers in New Jersey.

FLAG is a privately-held Bermuda corporation headquartered in Hamilton, Bermuda, and is a wholly owned subsidiary of FLAG Telecom Group Limited (together with its subsidiaries, FLAG Telecom). FLAG Telecom is a provider of international network transport and data services to telecommunications operators, content providers and ISPs, with operations in 19 countries. The petition states that FLAG Telecom owns and manages a fiber-optic and MPLS/IP based network that connects markets in Asia, Europe, the Middle East and the USA.

## DISCUSSION

Pursuant to the terms of an Agreement and Plan of Merger (Agreement) dated July 14, 2007 between FLAG, Flag Telecom USA Ltd. (Merger Subsidiary) and Yipes, Merger Subsidiary, a wholly-owned subsidiary of FLAG, will merge into Yipes with Yipes surviving as a wholly-owned subsidiary of FLAG. Petitioners point out that the proposed transaction does not involve the transfer of any operating authority, assets, or customers.

Petitioners state that the only change to Yipes will be to its ultimate ownership and control and the transfer of control of Yipes will be transparent to customers. The transfer involves no disruption of service to customers or to the rates, terms and conditions of such services. The existing Yipes management team will continue with their current responsibilities for the day-to-day operations of the business. Yipes has no employees in New Jersey. Petitioners state that the proposed transactions will serve the public interest because the combination of Yipes' Ethernet services with FLAG Telecom's global network, allowing Yipes to expand its reach worldwide. The proposed transactions therefore facilitate the Board's long-standing goal of fostering facilities-based competition. By letter dated September 17, 2007, the Division of Rate Counsel advised the Board that it recommends approval of the petition.


## FINDINGS AND CONCLUSIONS

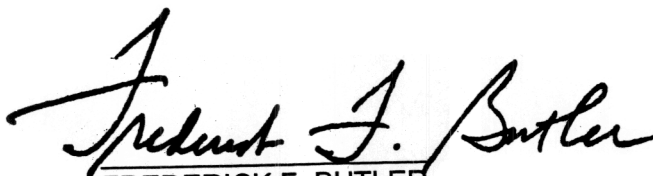
After a thorough review of the petition and all related documents, the Board concludes that there will be no negative impact on rates or service quality since Yipes' New Jersey customers will continue to receive the same services from the same entities at the same rates and under the same terms and conditions; nor will there be an impact on employees. Moreover, a positive benefit may be expected from Yipes' access to additional financial resources which will allow Yipes to better compete in the marketplace.

Accordingly, after careful review of this matter, the Board FINDS that the change of control will have no negative impact on the rates of current customers. The Board also FINDS that the transfer will have no negative impact on the provision of safe, adequate and proper service, and will positively benefit competition. Therefore, after investigation, having considered the record and exhibits submitted in this proceeding, the Board FINDS that the proposed transfer is in accordance with the law and is in the public interest. The Board HEREBY ORDERS that the Petitioners shall notify the Board of the closing of the proposed transactions within 7 days of the consummation of the transfer.


DATED: 10/25/07

BOARD OF PUBLIC UTILITIES  
BY:

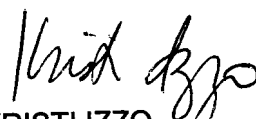
  
JEANNE M. FOX  
PRESIDENT

  
FREDERICK F. BUTLER  
COMMISSIONER

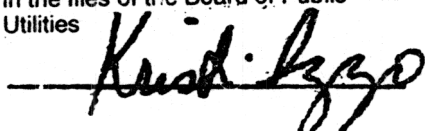
  
JOSEPH L. FIORDALISO  
COMMISSIONER

  
CHRISTINE V. BATOR  
COMMISSIONER

ATTEST:

  
KRISTI IZZO  
SECRETARY

I HEREBY CERTIFY that the within  
document is a true copy of the original  
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Utilities



Service List

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Karly Baraga  
Dorsey & Whitney LLP  
50 South Sixth Street  
Suite 1500  
Minneapolis, MN 55402

Mark Hornor  
Associate General Counsel  
Yipes Enterprise Services, Inc.  
114 Sansome Street  
11<sup>th</sup> Floor  
San Francisco, CA 94104

J. Steven Rich  
Paul, Hastings Janofsky & Walker, LLP  
875 15<sup>th</sup> Street, NW  
Washington, DC 20005

Ronald K. Chen  
Department of the Public Advocate  
Division of Rate Counsel  
31 Clinton Street, 11<sup>th</sup> Floor  
P.O. Box 46005  
Newark, NJ 07101

James F. Murphy  
Rocco Della Serra  
Board of Public Utilities  
Division of Telecommunications  
Two Gateway Center  
Newark, NJ 07102

Elise Goldblat, Esq.  
Babette Tenzer, Esq.  
Department of Law & Public Safety  
Division of Law  
124 Halsey Street – 5<sup>th</sup> Floor  
P.O. Box 45029  
Newark, New Jersey 07102