

1 approving thousands of agreements with annual value in excess of \$10 billion. I hold an
2 LL.M. in Taxation from New York University, a J.D. from the University of San
3 Francisco, and a B.A. from the University of California, San Diego.

4 **Q. Have you testified before the Illinois Commerce Commission previously?**

5 A. No.

6 **Q. What is the purpose of your testimony?**

7 A. The purpose of my testimony is to describe and support the Application of Yipes
8 Enterprise Services, Inc. (“New Yipes” or the “Applicant”) for Commission grant of
9 authority to provide telecommunications services in the State of Illinois. Applicant seeks
10 such authority on an expedited basis in connection with the proposed acquisition by New
11 Yipes of the assets and operations of Yipes Transmission, Inc. (“Old Yipes,” together
12 with Applicant, the “Parties”), so as to permit the services provided to customers by Old
13 Yipes to be continued through New Yipes.

14 **Q. Please describe Yipes Enterprise Services, Inc. (New Yipes).**

15 A. New Yipes is a corporation organized and existing under the laws of the State of Delaware
16 with principal offices located at 114 Sansome Street, 14th Floor, San Francisco, CA 94104.
17 At the time that New Yipes initiates service in Illinois, New Yipes will be a wholly owned
18 subsidiary of Yipes Holdings, Inc. (“Yipes Holdings”), a corporation formed under the laws
19 of the State of Delaware. Yipes Holdings will, in turn, be owned by a number of
20 institutional investors, the largest of which include affiliates of Norwest Investing Funds,
21 New Enterprise Investing Funds, Sprout Investing Funds and J.P. Morgan Partners Investing

1 Funds (“Investors”). None of the Investors holds a controlling interest in Yipes Holdings or,
2 therefore, in New Yipes and, as a result, ultimate corporate control of New Yipes will
3 remain with Yipes Holdings.

4 **Q. Please describe Yipes Transmission, Inc. (Old Yipes).**

5 A. Old Yipes is a corporation organized and existing under the laws of the State of
6 California. The principal offices of Old Yipes are located at 114 Sansome Street, 11th
7 Floor, San Francisco, CA 94104. Old Yipes is authorized to provide facilities-based
8 competitive local exchange services in more than ten states. In Illinois, Old Yipes
9 currently holds authority to provide facilities-based competitive local exchange and long
10 distance services pursuant to certification granted by the Commission in Docket No. 00-
11 0445, issued on August 9, 2000. Since April 19, 2002, Old Yipes has been operating
12 under the protection of the Bankruptcy Court for the Northern District of California (San
13 Francisco Division) pursuant to Chapter 11 of the Bankruptcy Code.

14 **Q. Are you familiar with the Application for authority to provide telecommunications**
15 **services that was submitted by New Yipes on December 3, 2002 (“Application”)?**

16 A. Yes. I am familiar with the Application.

17 **Q. Are there any changes or updated information of which the Commission should be**
18 **aware?**

19 A. No.

20

1 **Q. Do you ratify and confirm the statements that are made in the Application are true**
2 **and correct to the best of your knowledge?**

3 A. Yes, I do.

4 **Q. Please describe the Transaction.**

5 A. New Yipes and Old Yipes propose to consummate a Plan of Reorganization (“Plan”)
6 involving a series of transactions whereby New Yipes will acquire the assets, regulatory
7 authorizations and operations of Old Yipes. Following the completion of those
8 transactions, New Yipes will provide not only the regulated telecommunications services
9 of Old Yipes but also certain operations including unregulated information services
10 previously provided by affiliates of Old Yipes. The transactions contemplated by the Plan
11 will allow the operations of Old Yipes to emerge from bankruptcy into New Yipes and
12 provide greater certainty to existing customers. (A chart illustrating the proposed
13 transaction is provided as Exhibit D to the Application). Through implementation of the
14 Plan, New Yipes will replace Old Yipes as the certificated Yipes entity in Illinois; however,
15 New Yipes will continue to provide services to existing customers under the same rates,
16 terms and conditions of services as that service is currently provided. As part of the
17 transaction, New Yipes is seeking a Certificate authorizing it to provide telecommunications
18 services in the State of Illinois. Upon consummation of the transaction, New Yipes will
19 provide service under the “Yipes” brand name. As a result, implementation of the Plan will
20 be virtually transparent to customers because they will experience no change in the services
21 they receive.

1 **Q. Why is this Transaction Important to the Yipes Entities?**

2 A. As described in greater detail in the Application, New Yipes has already received significant
3 financial commitments. New Yipes also already has in place an experienced and capable
4 management team (a list of the officers is attached as Exhibit E to the Application).
5 Accordingly, New Yipes is well positioned to move forward on implementing its business
6 plans. Grant of this Application will assure the uninterrupted business operations of
7 “Yipes” and its communications network.

8 **Q. Please describe the effect of the Plan on the provision of intrastate services in**
9 **Illinois.**

10 A. As noted in the Application, the Yipes network is not interconnected to the public
11 switched network. The Parties do not currently offer presubscribed long distance or local
12 services. Rather, the Parties provide data services using Gigabit Ethernet and Internet
13 Protocol. As a result, the transaction will not affect any customers receiving
14 presubscribed services.

15 The Transaction will affect end-user services only insofar as it will enable them to be
16 continued whereas, absent the Plan, New Yipes would not be able to continue to provide
17 regulated services in Illinois following the completion of the Plan. Implementation of the
18 Plan will be virtually transparent to customers in Illinois as customers will continue to
19 receive service under the Yipes brand name. The proposed transactions will not affect the
20 rates, terms and conditions of services provided to those customers. As a result, the
21 proposed transactions will be virtually transparent to end user customers in Illinois.

1 **Q. Please describe the managerial qualifications of the management and technical**
2 **personnel of New Yipes.**

3 A. New Yipes has the managerial and technical resources necessary to operate the regulated
4 Illinois operations of Old Yipes that New Yipes proposes to acquire. Because certain key
5 members of Old Yipes's former senior management team hold comparable management
6 positions with New Yipes, upon closing of the transaction described herein, New Yipes will
7 have the managerial qualifications similar to those of Old Yipes. Biographies of the senior
8 management of Yipes, many of whom have previous experience with Old Yipes, were
9 provided in Exhibit E to the Application.

10 **Q. Please describe the financial qualifications of New Yipes.**

11 A. New Yipes has the financial resources required to acquire the assets of Old Yipes and
12 provide service and assume responsibility for the operations of Old Yipes in Illinois. In
13 particular, New Yipes obtained a commitment on a round of funding from its investors in
14 the amount of approximately \$57 million. New Yipes has already received more than \$40
15 million of this funding and New Yipes expects that it will receive the balance of the funds
16 after a second closing scheduled to occur later this year. New Yipes expects that the most
17 recent funding round should suffice to allow the company to operate until New Yipes turns
18 cash flow positive, which is expected to occur near the end of 2003 or the beginning of
19 2004. New Yipes is a newly created entity and, as a result, New Yipes does not have
20 extensive historical financial statements. Confidential *pro forma* financial information for
21 New Yipes was submitted under seal as Exhibit F of the Application.

1 **Q. Please describe the public interest benefits associated with the Transaction.**

2 A. The Parties respectfully submit that transactions described in this Application, including the
3 issuance of a certificate to New Yipes, serves the public interest. In particular, the Parties
4 believe that (1) consummation of the Plan will increase competition in the Illinois
5 telecommunications market by reinforcing New Yipes’s status as a viable competitor and
6 (2) the contemplated transactions will minimize any potential for disruption of service and
7 be virtually transparent to customers.

8 The proposed Plan of Reorganization is expected to invigorate competition in Illinois. The
9 reintroduction of “Yipes,” through New Yipes, as a viable competitor furthers the public
10 interest by fostering competition. The proposed transaction will allow New Yipes to build
11 on the foundation provided by Old Yipes and position New Yipes to compete effectively as
12 a leading provider of services using Gigabit Ethernet and Internet Protocol. Grant of the
13 requested new Certification to New Yipes will allow New Yipes to offer alternative high-
14 quality, competitively priced services to a substantial number of potential customers in its
15 operating areas under a refocused business plan and with an ability to compete effectively
16 with the incumbents and other providers of telecommunications services.

17 Existing Yipes customers, in particular, will realize significant public interest benefits. In
18 light of the precarious financial position of Old Yipes, the proposed Plan will provide
19 greater stability to customers who receive services from New Yipes and ensure that those
20 customers can continue to enjoy high quality, affordable service without interruption.
21 Moreover, given that the Plan will not cause a change in the rates, terms and conditions of

1 services that Yipes customers currently receive, the Parties expect that implementation of
2 the Plan will be virtually transparent to customers.

3 Given the financial uncertainty which Old Yipes is experiencing due to its bankruptcy, the
4 Parties seek to complete the proposed Plan as quickly as possible. Rapid implementation of
5 the Plan is a critical factor in order to permit Yipes to emerge as an effective competitor and
6 avoid interruption of service or other inconvenience to customers of Yipes. Accordingly,
7 Parties respectfully request that the Commission expedite the processing of this Application
8 and grant the requested authority to permit the Parties to consummate the Plan as soon as
9 possible.

10 **Q. Please explain New Yipes's request for waivers as part of its application for**
11 **certificate to become a telecommunications carrier.**

12 A. New Yipes seeks all waivers/variances that are generally requested by applicants for a
13 certificate to become a telecommunications carrier. As indicated on its application, New
14 Yipes seeks waivers from Part 710 and Section 735.180 of Part 735 for exchange services
15 and Parts 710 and 735 for interexchange services. In addition, New Yipes also requests
16 authorization to maintain its books and records at its principal place of business in
17 California, pursuant to 83 Ill. Admin. Code 250.

18 **Q. Does this conclude your testimony?**

19 A. Yes, it does.