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ORIGINAL

August 3, 2007

**VIA OVERNIGHT DELIVERY**

Ms. Blanca Bayo, Director  
Bureau of Records and Reporting  
& Administrative Services Director,  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

070000-0T

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DISPATCH CENTER

Dear Ms. Bayo:

On behalf of Yipes Enterprise Services, Inc. ("Yipes") and FLAG Telecom Group Services Limited ("FLAG") (collectively, "Parties"), this letter is to advise the Florida Public Service Commission ("Commission"), of the proposed transfer of control of Yipes in connection with the acquisition of 100% of the issued and outstanding shares of capital stock of Yipes through its Holding Company (Yipes Holdings Inc.) by FLAG pursuant to a merger of a wholly-owned FLAG subsidiary into Yipes ("Transaction"). Yipes is a competitive provider of Ethernet services technologies to enterprise customers.

The change in control does not involve a transfer of operating authority, assets or customers, and therefore will not affect the identity of the company authorized to provide services in Florida. Yipes will continue to offer the same services at the same rates, terms and conditions as it currently does. Accordingly, the contemplated transfer of control will be transparent to customers. The only change will be that Yipes will be wholly-owned by FLAG. Upon review of the Florida statutes and Commission rules, it is the Parties' understanding that prior Commission approval is not required for the transaction described herein. In the event that the Commission determines that approval of the transaction is required, however, this letter should serve as a request for expedited approval.

- CMP
- COM
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- OPC
- RCA
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- SGA
- SEC
- OTH

**Description of the Parties**

**Yipes Enterprise Services, Inc.**

Yipes Enterprise Services, Inc. is a privately-held Delaware corporation headquartered at 114 Sansome Street, 11th Floor, San Francisco, CA 94104. Yipes is a leading provider of managed Ethernet and Notification delivery services for enterprise customers. Yipes is a wholly-owned subsidiary of Yipes Holdings, Inc. ("Yipes Holdings"), a privately-held Delaware corporation headquartered at 114 Sansome Street, 11th Floor, San Francisco, CA 94104. Yipes

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Holdings was founded in July 2002 when it acquired the assets of Yipes Transmission, Inc. 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 (a venture capital affiliate of Credit Suisse).

Yipes provides private data communications transport services. Yipes uses Ethernet services technology to offer businesses flexible, high-speed data links to connect their Local Area Networks (“LANs”) to the Internet. Yipes’ customers connect to Yipes’ network via a standard Ethernet interface, and Yipes ensures that its customer’s traffic reaches its destination as efficiently as possible. Yipes provides to business customers network connectivity and management operations. In connection with the provision of these services in Florida, Yipes is authorized to operate as an alternative local exchange carrier pursuant to Docket No. 021246-TX, Order No. PSC-03-0316-PAA-TX, issued on March 6, 2003. Yipes is also authorized by the Federal Communications Commission (“FCC”) to provide domestic interstate and facilitates-based and resold international telecommunications services.

A diagram showing the current corporate structure of Yipes is provided in **Exhibit A**.

### **FLAG Telecom Group Services Limited**

FLAG is a privately-held Bermuda corporation headquartered at Milner House, 18, Parliament Street, Hamilton HM 12, Bermuda, and is a wholly-owned direct subsidiary of FLAG Telecom Group Limited (together with its subsidiaries, “FLAG Telecom”). Established in 1993, FLAG Telecom is a leading provider of international network transport and data services to telecommunications operators, content providers and ISPs, with operations in 19 countries. FLAG Telecom owns and manages a high-speed fiber-optic and MPLS/IP based network that connects key business markets in Asia, Europe, the Middle East and the USA.

FLAG Telecom holds submarine cable landing licenses from the FCC, as do other FLAG affiliates. Reliance Communications, Inc., a FLAG affiliate, holds an international Section 214 authorization from the FCC.

FLAG is part of Reliance Communications, which is, in turn, part of the Reliance Group. The Reliance Group is the largest business group in India, with a market capitalization of over US \$41 billion.

Complete ownership details for FLAG are set forth below, including the name, address, citizenship, principal business, and percentage of ownership held by each of FLAG’s direct and indirect owners:

FLAG Telecom Group Limited ( FTGL)  
Milner House

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18 Parliament Street  
Hamilton HM12 Bermuda  
Incorporated in Bermuda  
Telecommunications  
100% direct

Lagerwood Investments Limited (LIL)  
Arch Makariou III  
229 Meliza Court  
4th Floor P.C. 3105  
Limassol, Cyprus  
Incorporated in Cyprus  
Holding Strategic Investments  
20% Indirect Ownership (through 20% direct ownership of FLAG Telecom Group Limited)

Reliance Communications Shareholders Trust (RCS Trust)  
15, Agiou Pavlou Street  
Ledra House, 1105  
Nicosia, Cyprus  
Created in Cyprus  
Holding Strategic Investments  
20% Indirect Ownership (through 100% direct ownership of Lagerwood Investments Limited)

Reliance Infocom BV (RIBV)  
Amsteldijk 166  
1079 LH  
Amsterdam, The Netherlands  
Holding Strategic Investments  
78.8% Indirect Ownership (through 78.8% direct ownership of FLAG Telecom Group Limited)

Reliance Gateway Net Limited (RGNL)  
H Block, 1st Floor  
Dhirubhai Ambani Knowledge City  
Navi Mumbai – 400 710  
Maharashtra, India  
Incorporated in India  
Holding Strategic Investments

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80% Indirect Ownership (through 1.2% direct ownership of FLAG Telecom Group Limited and 78.8% indirect through Reliance Infocom BV)

Reliance Communications Limited (RCOM)

H Block, 1st Floor

Dhirubhai Ambani Knowledge City

Navi Mumbai – 400 710

Maharashtra, India

Incorporated in India

Holding Strategic Investments

100% Indirect Ownership (through 80 % (100% direct ownership of RGNL and 10% direct ownership and 90% indirect ownership through RGNL in RIBV) and 20% economic interest of RCS Trust converges into RCOM

AAA Communications Private Limited (AAACPL)

3rd Floor, Reliance Energy Centre

Santa Cruz (East)

Mumbai – 400 055

Maharashtra, India

Incorporated in India

Holding Strategic Investments

100% Indirect Ownership (through 63.98% direct ownership of Reliance Communications Limited)

Reliance Innoventures Private Limited

3rd Floor, Reliance Energy Centre

Santa Cruz (East)

Mumbai – 400 055

Maharashtra, India

Incorporated in India

Holding Strategic Investments

100% Indirect Ownership (through 63.98% direct ownership of AAA Communications Private Limited and 0.56% direct ownership of Reliance Communications Limited)

Mr. Anil Ambani

Reliance Center,

19, Walchand Hirachand Marg,

Ballard Estate

Mumbai, India 400038

India

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Industrialist

100% Indirect Ownership (through 67% direct ownership of Reliance Innoventures Private Limited and 0.09% direct ownership of Reliance Communications Limited)

Mrs. Kokilaben Ambani

Reliance Center,  
19, Walchand Hirachand Marg,  
Ballard Estate  
Mumbai, India 400038

India

Investor

21.2982% Indirect Ownership (through 37% direct ownership of Reliance Innoventures Private Limited and 0.23% direct ownership of Reliance Communications Limited)

#### **Description of the Transaction**

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 Holdings, Merger Subsidiary, a wholly-owned subsidiary of FLAG, will merge into Yipes Holdings. Yipes will continue as the surviving corporation, wholly-owned through Yipes Holdings by FLAG. The closing of the Transaction will be contingent upon the receipt of the required regulatory approvals, among other things.

The proposed transaction does not involve the transfer of any operating authority, assets, or customers. There will be no transfer of certifications to provide service. Although Yipes’ ownership will change, its operations and customers likewise will not be affected by the Transaction. Immediately following the closing, Yipes will continue to offer its customers the same services at the same rates, terms and conditions as at present pursuant to existing authorizations, tariffs, contracts, and published rates and charges. Accordingly, the contemplated transaction will be generally transparent to consumers. The only change expected in connection with the consummation of the transaction will be that Yipes will be owned by FLAG. The Transaction is not expected to result in any discontinuation of service for any customer.

Yipes will continue to have the managerial, technical and financial qualification necessary to provide the quality managed Ethernet and Notification delivery services that it currently provides to consumers in Florida. The existing Yipes management team will continue with their current responsibilities for the day-to-day operation of the business. The Commission has previously reviewed and approved Yipes’ financial, managerial and technical qualifications to be an authorized telecommunications provider in Florida in connection with the certification docket noted above.

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A diagram showing the corporate structure of Yipes post-transaction is provided in **Exhibit B**.

### **Public Interest Considerations**

The proposed Transaction will serve the public interest. After consummation of the transaction, Yipes will continue to offer services under the same name and operating authority as at present in Florida. The Transaction involves no change in entities offering service to consumers, or the services, rates, terms and conditions of such service. All existing tariffs will remain in place at this time. Any future changes will be made in accordance with applicable Commission requirements. The Transaction will be transparent to consumers in Florida and will not have any adverse impact on them. The only change will be the ownership of Yipes.

Further, the Transaction will serve the public interest because enterprise customers in Florida will benefit from the ability of FLAG Telecom to expand and improve its services in the US. Further, the combination of Yipes' Ethernet services with FLAG Telecom's network will allow Yipes to achieve global expansion, which Yipes views as critical in today's marketplace. Yipes expects to leverage FLAG Telecom's global assets and expertise to achieve this goal. For example, Yipes' Ethernet services will be overlaid on FLAG Telecom's global next-generation network, allowing Yipes to expand its reach worldwide. Customers of Florida will benefit from the increased services and capabilities of Yipes.

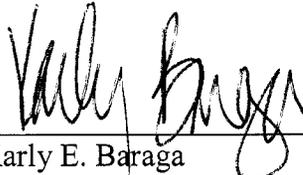
Finally, the proposed Transaction does not present any anticompetitive issues. The Transaction will not eliminate a provider of competitive telecommunications services in Florida, and therefore the total amount of competitive service offerings will not change. Yipes operates as a competitive provider of its telecommunications services and will continue to do so. The Transaction will strengthen Yipes' ability to provide customers with the same competitive high quality, reliable and cost-effective services that it is known for, and allow its scope and innovation to expand to bring benefits to consumers in Florida.

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**Conclusion**

We have enclosed fifteen copies of this notification, as well as a duplicate copy. Please date-stamp the enclosed duplicate copy of this letter and return it in the self-addressed, stamped envelope provided herein. Should you have any questions or comments regarding this transaction, do not hesitate to contact the undersigned.

Respectfully submitted,



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Karly E. Baraga  
Dorsey & Whitney LLP  
50 South Sixth Street  
Suite 1500  
Minneapolis, MN 55402-1498  
(612) 492-6538

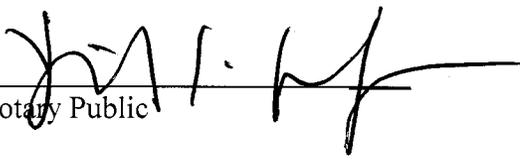
**VERIFICATION**

I, Michael Sauer, Director of Flag Telecom Group Services Limited. I am authorized to represent it and to make this verification on its behalf. The statements in the foregoing document relating to Flag Telecom Group Services Limited are true and correct to the best of my knowledge and belief.

I declare under penalty of perjury that the foregoing is true and correct.

  
\_\_\_\_\_  
MICHAEL SAUER

Subscribed and sworn to before me  
this 26~~th~~ day of July, 2007.

  
\_\_\_\_\_  
Notary Public

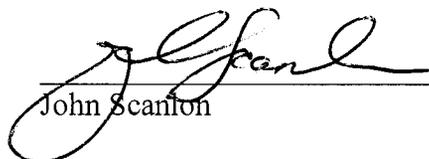
My Commission expires: \_\_\_\_\_

DAVID E. ALPINE  
Notary Public, State of New York  
No. 61AL4562413  
Certificate filed in New York County  
Commission Expires June 26, 20 10

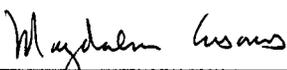
## VERIFICATION

I, John Scanlon, am the CEO of Yipes Enterprise Services, Inc. I am authorized to represent it and to make this verification on its behalf. The statements in the foregoing document relating to Yipes Enterprise Services, Inc. are true and correct to the best of my knowledge and belief.

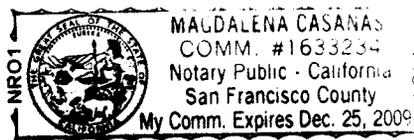
I declare under penalty of perjury that they foregoing is true and correct.

  
\_\_\_\_\_  
John Scanlon

Subscribed and sworn to before me  
this 26th day of July, 2007.

  
\_\_\_\_\_  
Notary Public

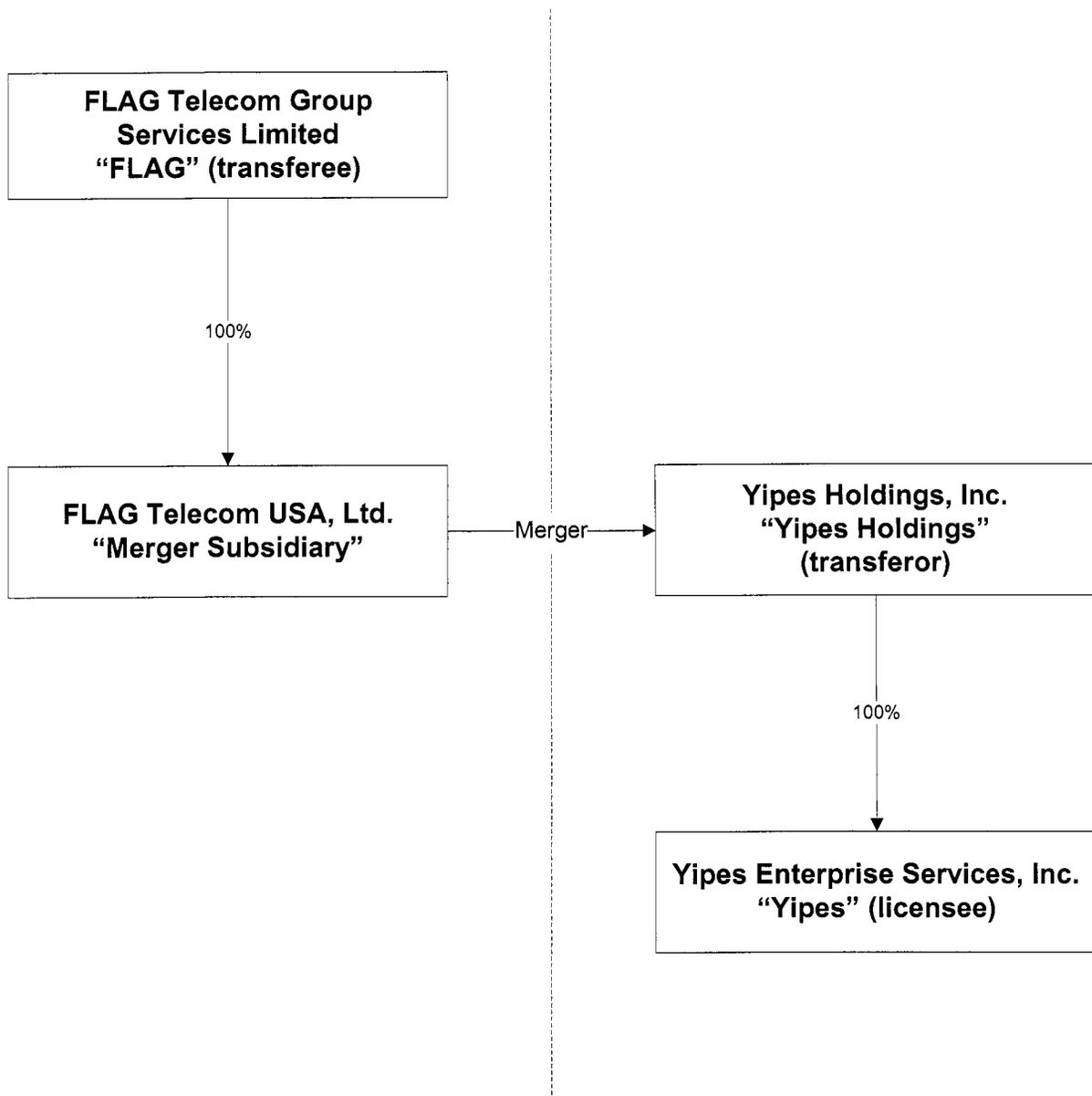
My Commission expires: 12/25/09



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# **Exhibit A**

# Current Corporate Structure of Yipes Enterprise Services, Inc.



# **Exhibit B**

# Post-Transaction Corporate Structure of Yipes Enterprise Services, Inc.

