

HENRY C. KEVANE, ESQ. (SBN 125757)  
JOSHUA M. FRIED, ESQ. (SBN 181541)  
PACHULSKI, STANG, ZIEHL, YOUNG & JONES P.C.  
Three Embarcadero Center, Suite 1020  
San Francisco, CA 94111-5994  
Telephone: (415) 263-7000  
Facsimile: (415) 263-7010

Attorneys for Debtors and Debtors in Possession

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN FRANCISCO DIVISION

In re  YIPES COMMUNICATIONS, INC. et al., <sup>1</sup>  Debtors.	Chapter 11 Jointly Administered Under: Case No. 02-30750 DM  <b>NOTICE OF HEARING TO CONSIDER PROPOSED (1) SALE OF SUBSTANTIALLY ALL ASSETS OF THE DEBTORS FREE AND CLEAR OF LIENS, CLAIMS AND ENCUMBRANCES, AND (2) ASSUMPTION AND ASSIGNMENT OR, ALTERNATIVELY, REJECTION OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES</b>  Date: June 10, 2002 Time: 9:30 a.m. Place: United States Bankruptcy Court 235 Pine Street, 22 <sup>nd</sup> Floor San Francisco, CA Judge: Honorable Dennis Montali
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Federal Tax I.D. No.: 77-0434300

TO ALL CREDITORS, EQUITY SECURITY HOLDERS AND OTHER PARTIES IN INTEREST:

1. **PLEASE TAKE NOTICE** that a hearing (the "Hearing") will be held on June 10, 2002, at 9:30 a.m., before the Honorable Dennis Montali at 235 Pine Street, 22<sup>nd</sup> Floor, San Francisco, California, to consider the Debtors' Motion (1) *To Sell Substantially All Assets of the Debtors Free and Clear of Liens, Claims and Interests, and (2) Assume and Assign or, Alternatively, Reject Certain Executory Contracts and Unexpired Leases* (the "Motion"). The Motion was filed on May 21, 2002. The Hearing may be adjourned from time to time without further notice of the adjourned Hearing date or dates. On May 17, 2002, the Court entered an order (the "Order") approving certain amended bidding procedures (the "Amended Bidding Procedures") and scheduling the Hearing. A copy of the Order and the attached Amended Bidding Procedures is included herewith.

2. The Motion seeks approval of a proposed sale of substantially all of the Debtors' assets to PHX Holdings, Inc., and PHX Communications, Inc. (the "Purchasers"). The Purchasers are acquisition vehicles that have been formed and capitalized by Norwest Venture Partners VII, L.P., and certain of the Debtors' post-petition lenders (collectively, the "Norwest Parties"). The Norwest Parties are also (1) the lenders to the Debtors pursuant to a debtor-in-possession credit agreement (the "DIP Loan"), (2) secured noteholders against the Debtors pursuant to a pre-petition convertible note purchase agreement ("Notes"), and (3) majority holders of certain preferred stock in Yipes Communications Group, Inc. Representatives or designees of the Norwest Parties were also former directors of Yipes Communications Group, Inc. Based on the foregoing connection, the Purchasers may be considered insiders of the Debtors under the Bankruptcy Code.

3. The proposed sale of the Debtors' assets to the Purchasers is subject to competitive bidding. Pursuant to the Amended Bidding Procedures, the Debtors will conduct an auction on June 5 and 6, 2002, of substantially all of their assets to other interested bidders that qualify under such procedures. A sale to the prevailing bidder(s) at the auction will be considered by the Bankruptcy Court at the Hearing.

<sup>1</sup> The Debtors are: Yipes Communications, Inc., a California corporation, Yipes Web Services Inc., a California corporation, Yipes Communications Group, Inc., a Delaware corporation, Yipes Properties, Inc., a California corporation, Yipes Transmission, Inc., a California corporation, and Yipes Transmission Virginia, Inc., a Virginia corporation (collectively, the "Debtors").

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4. The Motion requests the entry of an order pursuant to sections 105, 362, 363, 365, 554, 1121 and 1146 of Title 11 of the United States Code and Rules 2002, 4001, 6004, 6006, 6007 and 9019 of the Federal Rules of Bankruptcy Procedure (i) approving the sale (the "Sale") of substantially all of the Debtors' assets (the "Acquired Assets") free and clear of all identified liens, claims and interests, except as specifically provided in the Motion, with such liens, claims and interests to attach to the proceeds of the Sale with the same validity (or invalidity) and priority as existed prior to the Sale, by and between the Debtors, on the one hand, and the Purchasers on the other hand, substantially in the form of the Asset Purchase Agreement (as supplemented or amended, the "Purchase Agreement") attached to the Motion as Exhibit "A", (ii) authorizing the assumption by the pertinent Debtor and assignment to the Purchasers or, alternatively, the rejection of certain executory contracts and unexpired leases; and (iii) granting related relief. A copy of the Motion and the Purchase Agreement may be inspected at the Office of the Clerk of the Court at the above-captioned address. The Motion is based on the memorandum of points and authorities contained therein, the Declarations of Henry C. Kevane, Kurt E. Johnson, Promod Haque, and Eric Carlson in support thereof and any exhibits attached thereto, the statements, arguments and representations of counsel who appear at the Hearing, the record in the above-captioned cases, any other evidence properly before the Court prior to or at the Hearing and all matters of which the Court may properly take judicial notice.

5. **PLEASE TAKE FURTHER NOTICE** that, at the Hearing, the Court will consider the Debtors' request to sell the Acquired Assets consisting of substantially all of the Debtors' operating assets (including intellectual property) in certain core cities (San Francisco, San Diego, Chicago, Dallas, Houston, Seattle, New York, Denver and Philadelphia) and all rights under certain assumed and assigned executory contracts (including customer agreements) and unexpired leases, to the Purchasers for (i) a cash consideration price of \$2 million (\$1 million of which will be escrowed pending the satisfaction of certain regulatory conditions); (ii) the assumption of certain of the Debtors' liabilities, contractual obligations and secured claims as set forth in the Purchase Agreement, including the Debtors' obligations under the Notes; (iii) a credit bid of the then-outstanding balance owed to the Norwest Parties pursuant to the DIP Loan and (iv) any additional consideration that may be supplied by a co-bidder with the Purchasers, if any, for operating assets in certain non-core cities (Atlanta, Boston, Miami, Pittsburgh and Washington, D.C.) The Sale is subject in all respects to the terms and conditions of the Purchase Agreement.

6. **NOTICE TO GOVERNMENTAL UNITS:** Please take further notice that, among the Acquired Assets that will be sold to the Purchasers are any of the Debtors' licenses, franchises, permits, easements and other regulatory authorizations (collectively, "Permits") issued to each of the Debtors by any state or local governmental entities, including state and local public services and public utilities or similar entities. If and to the extent the approval of any of such entities is required under applicable law as a condition to the validity and effectiveness of a transfer of a Permit, the Debtors and Purchasers shall seek such approval.

7. **PLEASE TAKE FURTHER NOTICE** that, pursuant to section 363(f) of the Bankruptcy Code, the Debtors intend to sell the Acquired Assets free and clear of any interests, including any liens, claims or encumbrances (collectively, "Liens"), in the Acquired Assets (except for Liens assumed by the Purchasers under the Purchase Agreement). The Motion identifies by name all known holders of Liens (a "Lienholder") whose property rights are (or may be) affected by the Motion. The Lienholders shall also be provided with a copy of the Motion and moving papers. If any Lienholder in any of the Acquired Assets fails to timely file and serve an objection to the Motion, the Acquired Assets shall be sold free and clear of the Liens held by such Lienholder pursuant to section 363(f) of the Bankruptcy Code. The Debtors reserve all rights to contest the validity, enforceability or perfection of, or to avoid, any Liens asserted by any Lienholder.

8. **PLEASE TAKE FURTHER NOTICE** that any opposition to the relief requested in the Motion must be filed with the Bankruptcy Court and served on or before June 4, 2002, upon (i) Pachulski, Stang, Ziehl, Young & Jones P.C., counsel for the Debtors, 3 Embarcadero Center, Suite 1020, San Francisco, CA 94111, Attn: Henry C. Kevane, Esq.; (ii) Murphy, Sheneman, Julian & Rogers P.C., counsel for the Official Committee of Unsecured Creditors, 101 California Street, Suite 3900, San Francisco, CA 94111, Attn: John D. Fredericks, Esq.; (iii) Brobeck, Phleger & Harrison LLP, counsel for the Purchasers, One Market, Spear Street Tower, San Francisco, CA 94105, Attn: G. Larry Engel, Esq.; and (iv) Office of the United States Trustee, 250 Montgomery Street, Suite 1000, San Francisco, California, 94104, Attn: Edward G. Myrtle, Esq. The Debtors may file a reply to any timely filed objections on or before June 7, 2002.

9. The Debtors will supply a copy of the Motion and the Purchase Agreement if you reimburse the Debtors for copying and postage costs. You may request a copy of the Motion and the Purchase Agreement by contacting Patricia Jeffries at (415) 263-7000.

Dated: May 21, 2002

By: /s/  
Henry C. Kevane  
Attorneys for Yipes Communications, Inc., et al.  
Debtors and Debtors in Possession  
PACHULSKI, STANG, ZIEHL, YOUNG & JONES P.C.

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DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

1 WILLIAM P. WEINTRAUB, ESQ. (SBN 108125)  
HENRY C. KEVANE, ESQ. (SBN 125757)  
2 JOSHUA M. FRIED, ESQ. (SBN 181541)  
MAXIM B. LITVAK, ESQ. (SBN 215852)  
3 PACHULSKI, STANG, ZIEHL, YOUNG & JONES P.C.  
Three Embarcadero Center, Suite 1020  
4 San Francisco, CA 94111-5994  
Telephone: (415) 263-7000  
5 Facsimile: (415) 263-7010

6 Attorneys for Debtors and Debtors in Possession

7 UNITED STATES BANKRUPTCY COURT  
8 NORTHERN DISTRICT OF CALIFORNIA  
9 SAN FRANCISCO DIVISION

10 In re:

11 YIPES COMMUNICATIONS, INC., et al.,<sup>1</sup>

12 Debtors.

13 Federal Tax I.D. No.: 77-0434300

Chapter 11

Jointly Administered

Case No. 02-30750 DM

AMENDED ORDER APPROVING  
BIDDING PROCEDURES, GRANTING  
APPROVAL OF EXPENSE  
REIMBURSEMENT PROVISION AND  
SCHEDULING HEARING FOR THE  
SALE OF THE DEBTORS' ASSETS

Date: May 17, 2002  
Time: 1:30 p.m.  
Place: United States Bankruptcy Court  
235 Pine Street, 22<sup>nd</sup> Floor  
San Francisco, CA  
Judge: Honorable Dennis Montali

20 On May 1, 2002, the Court entered its order approving the motion (the "Motion") of the  
21 above-captioned debtors and debtors in possession (the "Debtors") for an order approving bidding  
22 procedures (the "Bidding Procedures"), granting approval of an expense reimbursement provision  
23 and scheduling a hearing for the sale of substantially all of the Debtors' assets (the "Procedures  
24 Order"). On May 17, 2002, the Court considered the Debtors' oral motion to extend the dates and  
25 deadlines set forth in the Procedures Order and in the Bidding Procedures in connection with the

26 <sup>1</sup> The Debtors are the following entities: Yipes Communications, Inc., a California corporation, Yipes Web  
27 Services, Inc., a California corporation, Yipes Communications Group, Inc., a Delaware corporation, Yipes  
28 Properties, Inc., a California corporation, Yipes Transmission, Inc., a California corporation, and Yipes Transmission  
Virginia, Inc., a Virginia corporation (collectively, the "Debtors").

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UNITED STATES BANKRUPTCY COURT  
SAN FRANCISCO, CA

1 sale of substantially all of the Debtors' assets. This Order supersedes the Procedures Order and  
2 approves the new dates and deadlines set forth below and in the attached amended bidding  
3 procedures (the "Amended Bidding Procedures"). Adequate notice of the Debtors' oral motion to  
4 amend the Procedures Order to modify the applicable dates and deadlines set forth in this Order  
5 and in the Amended Bidding Procedures attached hereto has been given under the particular  
6 circumstances and it appears to the Court that no other or further notice need be provided.  
7 Accordingly, after due deliberation and sufficient cause appearing therefore, **IT IS HEREBY**  
8 **ORDERED THAT:**

- 9 1. The Amended Bidding Procedures annexed hereto as Exhibit "A" (as amended  
10 from the Bidding Procedures attached as Exhibit "A" to the original Procedures  
11 Order), are approved. The Debtors are authorized to market and solicit bids for  
12 the property of the estates in the manner and according to the timetable set forth in  
13 the Amended Bidding Procedures.
- 14 2. The Amended Bidding Procedures may be adopted and disseminated by the  
15 Debtors for the purpose of (a) scheduling and conducting an auction (the  
16 "Auction") at which the Debtors will solicit bids for the Acquired Assets (and any  
17 additional property of the estate) of the Debtors and (b) conducting a sale to the  
18 highest and best offeror(s) at the Auction of substantially all of the Debtors' assets  
19 free and clear of all liens, claims, interests and encumbrances and the assumption  
20 and assignment of certain (to be designated) executory contracts and unexpired  
21 leases (the "Sale").
- 22 3. The Debtors' intend to file a motion to approve the proposed Sale (the "Sale  
23 Motion") on or before May 21, 2002.
- 24 4. If the Sale Motion is filed on or before May 21, 2002, the hearing (the "Sale  
25 Hearing") to consider the Sale of the Acquired Assets (and any additional  
26 property of the estates, to the extent sold at the Auction) shall be held before this  
27 Court on June 10, 2002 at 9:30 a.m. Any objections to the Sale Motion must be  
28 filed on or before June 4, 2002 and served upon (i) counsel to the Debtors; (ii)

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counsel to the official committee of unsecured creditors (the "Creditors' Committee"); (iii) counsel to the Debtors' secured lenders; and (iv) the Office of the United States Trustee. The Debtors may file a reply to any timely objections on or before June 7, 2002. The Sale Hearing may be adjourned from time to time without further notice of the adjourned date or dates. At the Sale Hearing, the Court may enter such orders as it deems appropriate under applicable law and as required by the circumstances and equities of these cases.

5. If the Sale Motion is filed on or before May 21, 2002, the Debtors shall provide, via first class mail, notice of the Sale Motion together with a copy of this Order and the Amended Bidding Procedures attached hereto to (i) the Office of the United States Trustee; (ii) all parties who have filed requests for special notice in the Debtors' chapter 11 cases; (iii) all of the Debtors' creditors; (iv) counsel to the Debtors' secured lenders, (v) counsel to the Creditors' Committee, (vi) the Securities and Exchange Commission; (vii) the Internal Revenue Service; (viii) all of the Debtors' equity security holders; (ix) each potential investor and purchaser then identified by either the Debtors' management and Debtors' financial advisors or then suggested by the Committee; and (x) lienholders whose property rights are affected by the Motion. Such notice shall constitute good and sufficient notice of this Order, the Amended Bidding Procedures, the Sale Motion and all proceedings to be held thereon.

6. If the Sale Motion is filed on or before May 21, 2002, the Debtors shall conduct the Auction for the Acquired Assets, if required pursuant to the Amended Bidding Procedures, on June 5 and 6, 2002. The Debtors may adjourn the Auction to a later date without further notice of the adjourned date other than an announcement at the Auction. Any Alternative Bid to the Lead Bid must be submitted on or before May 30, 2002.

7. Immediately following the Auction for the Acquired Assets, any property of the estates that is not included in the Acquired Assets purchased at the Auction (the

"Remaining Assets") may be sold in such lots or combination of lots as the Debtors and the Creditors' Committee deem necessary and appropriate to obtain the highest and best offer for the property of the estates. The Debtors shall seek approval of the sale of the Remaining Assets at the Sale Hearing

8. The Debtors are authorized, in accordance with the Amended Bidding Procedures, to reimburse the Lead Bidder (from the proceeds of a Sale) for its actual, reasonable costs and expenses associated with the formulation of the Lead Bid in the event that the Lead Bidder is overbid at the time of the Auction and is not the ultimate purchaser of the Acquired Assets.

9. Nothing in this Order or the Amended Bidding Procedures shall waive, release, or prejudice the rights and remedies of:

(1) any holder of a claim which is secured by a valid perfected, and non-avoidable lien (a "Valid Lien") on the Acquired Assets or other property of the estate which is offered for sale at the Auction from (i) asserting a lien on the proceeds of sale under section 363(f) of title 11 of the United States Code (the "Bankruptcy Code") to the extent of its Valid Lien and/or (ii) making a credit bid up to the amount of its claim at the Auction under section 363(k) of the Bankruptcy Code for the property which is subject to the Valid Lien, and/or (iii) filing a motion at any time before the final Sale Hearing requesting adequate protection for such Valid Lien under sections 362 and/or 363 of the Bankruptcy Code;

(2) any party to an executory contract or unexpired lease from (i) requesting that said executory contract or lease be assumed and assigned under sections 365(b) and (f) of the Bankruptcy Code if and to the extent that the Acquired Assets or other property offered for sale at the Auction is subject to said executory contract or lease, and/or (ii) requesting compliance with Bankruptcy Code sections 365(d)(10), 503, 363;

(3) any party to an executory contract or lease that was rejected or terminated, or alleged to have been terminated pre-petition, from (i) requesting a determination that such contract or lease is not executory, assumable or assignable, and/or (ii) requesting compliance with Bankruptcy Code sections 362, 363 or 503; and/or (iii) asserting that any effort to sell property subject to an executory contract or unexpired lease free and clear of such executory contract or unexpired lease is invalid and impermissible under the law; or

(4) the Debtors, the official committee of unsecured creditors, or any party in interest from (i) disputing the validity, priority, amount, allowance, or seeking to avoid any claim or request for payment of administrative expense or any alleged lien upon or alleged leasehold interest in the Acquired Assets or other property of the estate which is offered for sale at the Auction, or (ii) requesting the Court under section 363(k) of the Bankruptcy Code to condition or restrict the credit bid of any holder of a Valid Lien on property offered for sale.

The foregoing reservations of rights set forth in this paragraph are intended to be declarative of existing law.

10. Nothing either expressly stated or implied by any provision in this Order or the attached Amended Bidding Procedures shall prevent bidders from communicating directly with any parties (except with customers of the Debtors) who have a relationship with the Debtors, provided that (x) such communications remain subject to applicable nonbankruptcy law, and (y) the Court retains jurisdiction to enforce the rules against collusive bidding and to uphold the fairness of the sale process under section 363(n) of the Bankruptcy Code and other applicable law.
11. The limited notice of the Motion provided by the Debtors to the parties set forth in the Motion is adequate and sufficient under the circumstances and is hereby approved.

DATED: MAY 17 2002

DENNIS MONTALI

UNITED STATES BANKRUPTCY JUDGE

## AMENDED BIDDING PROCEDURES

Yipes Communications, Inc. ("Yipes" or "Debtor"), the debtor in possession in Chapter 11 Case No. 02-30750 DM, pending in the United States Bankruptcy Court for the Northern District of California ("Bankruptcy Court"), and certain of its affiliated companies ("Affiliates") which are may become debtors in possession under Chapter 11 cases to be jointly administered with the Debtor's Chapter 11 cases, propose the following procedures to govern the submission of competing bids in connection with the potential sale and assignment of substantially all of the Debtor's assets (the "Acquired Assets"). The Acquired Assets may include property of the respective estates of the Affiliates. The Debtor will file a motion(s) to transfer the Acquired Assets as a sale under section 363 of the Bankruptcy Code and an assignment of executory contracts and unexpired leases under section 365 of the Bankruptcy Code as soon as practicable.

These bidding procedures have been jointly developed with the input of (x) the lenders (the "DIP Lenders") party to that certain Debtor-in-Possession Term Loan and Security Agreement dated as of April 10, 2002, by and among Norwest Venture Partners VII, L.P., as agent (the "Agent"), the DIP Lenders, Yipes, as a borrower and any "Additional Borrowers" party thereto and (y) the Official Committee of Unsecured Creditors appointed in the Chapter 11 case of Yipes ("Committee"). These bidding procedures are subject to the approval of the Bankruptcy Court.

A. Lead Bid The DIP Lenders have indicated an intent to submit an offer to purchase the Acquired Assets on or before April 26, 2002. If and to the extent such proposal is acceptable to the Debtor, after consultation with the Committee, and is filed with the Bankruptcy Court, the DIP Lenders in their capacity as purchasers shall become the lead bidders. Accordingly, the DIP Lenders are referred to herein as the "Purchaser" or the "Lead Bidder" and the bid submitted by the DIP Lenders is referred to herein as the "Lead Bid". If and to the extent another offer to purchase the Acquired Assets is submitted to and accepted by the Debtor, after consultation with the Committee, the foregoing terms shall refer to such offeror and proposal. The Committee or any party in interest reserves the right to object to any proposed Purchaser, Lead Bid or Alternative Bid.

B. Alternative Bid Deadline. All alternative bids (each an "Alternative Bid") to the Lead Bid must be submitted not later than 11:00 a.m. (PDT) on May 30, 2002, (the "Alternative Bid Deadline") to:

Yipes Communications, Inc.  
114 Sansome Street, 14<sup>th</sup> Floor  
San Francisco, California 94104  
Attn: Secretary, Vice-President and General Counsel

with copies to:

Pachulski, Stang, Ziehl Young & Jones, P.C.  
Three Embarcadero Center, Suite 1020

San Francisco, California 94111-5994  
Attn: Henry Kevane

and with copies to:

Ernst & Young Corporate Finance LLC  
1451 California Avenue  
Palo Alto, California 94304  
Attn: Eric Carlson/Alex Stevenson

and with copies to:

Murphy, Sheneman, Julian & Rogers  
101 California Street, 39<sup>th</sup> Floor  
San Francisco, California 94104  
Attn: Margaret Sheneman

Debtor will notify Lead Bidder of the receipt of each Alternative Bid and of the identity of each person or entity proposing an Alternative Bid. In addition, the Debtor shall provide the Lead Bidder and its counsel copies of the Initial Auction Bid (as defined below). If an Alternative Bid is not received by the Alternative Bid Deadline, the party submitting such bid shall not be entitled to participate in the auction for the Acquired Assets.

B. Qualified Alternative Bids. Debtor will consider an Alternative Bid only if the Alternative Bid is a "Qualified Alternative Bid." To be a Qualified Alternative Bid, the Alternative Bid must, to the satisfaction of the Debtor and the Committee:

1. identify the proponent of the Alternative Bid and a representative who is authorized to appear and act on behalf of the bidder;
2. propose in writing an all cash transaction that Debtor believes in good faith and upon consultation with the Committee has a value greater than or equal to the sum of (w) the purchase price (the "Purchase Price") set forth in the Lead Bid plus (x) \$250,000 (on account of the "Expense Amount," defined below) plus (y) \$250,000. A valid credit bid shall be deemed to constitute "cash" for purposes of this Section B(2). Any disputes regarding the validity of a credit bid shall be determined by the Bankruptcy Court;
3. consist of an agreement substantially in the form of the purchase agreement (the "Purchase Agreement") proposed by the Lead Bidder, marked to show changes thereto;
4. be on terms and conditions not materially more burdensome or conditional than the terms of the Lead Bid, including but not limited to, price and time of closing;

5. propose to purchase *at least* the Acquired Assets, and may propose to acquire other property of the estate in addition to the Acquired Assets. Notwithstanding the foregoing, the parties agree that nothing in this Section B(5) is intended to prevent the Debtor or bidders from combining one or more bids covering some but not all of the Acquired Assets (each a "Partial Bid") into a single combined bid (a "Combined Bid") covering all of the Acquired Assets, provided that, all parties proposing the Partial Bids constituting the proposed Combined Bid have consented. The parties further agree that a Combined Bid covering all of the Acquired Assets shall be deemed to satisfy the requirements of this Section B(5). In the event that a Combined Bid is designated as a Qualified Alternate Bid, such Combined Bid shall be treated as a single Qualified Alternative Bid and the proponents of such Combined Bid shall be treated as a single Qualified Bidder for purposes of these bidding procedures. A credit bid under Section 363(k) of the Bankruptcy Code may be treated as a Partial Bid for the property subject to a valid, perfected and unavoidable lien but the Court shall retain jurisdiction to determine, in the event of a dispute, the value of such bid to the estates, among other matters reserved to the Court's jurisdiction under Section 363(k) of the Bankruptcy Code.

6. not be subject to termination except on the same terms as the Purchase Agreement; and

7. be accompanied by relevant financial information for the prospective bidder to enable Debtor to determine the (a) financial wherewithal and ability to consummate a purchase of the Acquired Assets, including creditworthiness and (b) ability to provide adequate assurances of future performance to any non-debtor contracting parties to agreements that may be assumed by Debtor and assigned to the bidder;

8. not be conditional on the outcome of any unperformed due diligence by the bidder, the receipt of equity or debt financing, the approval of the Board of Directors, shareholder, or other corporate approval, or other third party consents (except, if applicable, Hart-Scott-Rodino filings);

9. comply with the requirements of the Bankruptcy Code and the Bankruptcy Rules; and

10. be accompanied by an earnest money deposit of \$500,000 (in the form of a wire transfer or cashier's check payable to Debtor's counsel) which shall be non-refundable and retained by the Debtor in the event such Alternative Bid is accepted by the Debtor and approved by the Bankruptcy Court (but shall not constitute liquidated damages).

C. Auction, Bidding Increments, and Bids Remaining Open. Debtor shall conduct an auction (the "Auction") at the offices of Pachulski, Stang, Ziehl, Young & Jones, P.C., or such other location as may be appropriate in light of the number of Qualified Alternative Bids on June 5 and 6, 2002, beginning at 10:00 a.m. (PDT) or such later time or as Debtor shall notify all Qualified Bidders who have submitted Qualified Alternative Bids. Only Purchaser, Debtor, representatives of the Creditors' Committee and any Qualified Bidders who have timely submitted Qualified Alternative Bids shall be entitled to attend the Auction. Only Purchaser and Qualified Bidders shall be entitled to make any additional bids ("Subsequent Bids") at the

Auction. Debtor may announce at the Auction additional procedural rules that it determines to be reasonable under the circumstances (e.g., the amount of time allotted to make subsequent alternative bids) for conducting the Auction so long as such rules are not inconsistent with these Bidding Procedures. The Debtor and the Committee, after the Alternative Bid Deadline but before the Auction, will evaluate the bids received and make an initial determination which bid reflects the highest and best offer for the Acquired Assets (the "Initial Auction Bid"). The Debtor will announce the Initial Auction Bid at the Auction. Qualified Bidders may participate at the Auction by telephone, but only if there is physically present at the Auction a representative with authority to act for the Qualified Bidder

1. At the Auction, bidding shall begin with the highest Qualified Alternative Bid and continue in minimum increments of \$250,000 higher than the amount of each prior bid.

2. The Auction shall continue in one or more rounds of bidding and shall conclude after each participating bidder has had the opportunity to submit at least one additional Subsequent Bid, or the Debtor (in consultation with the Committee) determines that each bidder has had an adequate and sufficient opportunity to make a final bid. For the purpose of evaluating the value of the consideration provided by each Subsequent Bid (including any Subsequent Bid by Purchaser), the value shall be the net consideration payable to or realized by the Debtor, after giving effect to the Expense Amount. The Debtor may seek the presence of a court reporter at the auction.

3. At the conclusion of the bidding, Debtor shall consult with the Committee and announce its determination as to the bidder submitting the successful bid. Debtor shall submit the successful bid to the Bankruptcy Court for approval at the Sale Hearing. The Committee reserves the right to make an alternative recommendation to the Court of the highest and best bid. The Bankruptcy Court shall, at the Sale Hearing, have exclusive jurisdiction to determine as a core proceeding the successful bid for the Acquired Assets.

4. If Debtor does not receive any Qualified Alternative Bids, Debtor will report the same to the Bankruptcy Court and will proceed with a sale to the Lead Bidder pursuant to the terms of the Purchase Agreement.

5. At the Auction, Debtor, in consultation with the Committee and their respective legal professionals and advisors, shall make the initial determination in its sole discretion whether an Alternative Bid meets the qualifications described herein and whether a Qualified Alternative Bid or Subsequent Bid constitutes the highest and/or best offer. The Bankruptcy Court shall have exclusive jurisdiction to determine at the Sale Hearing and as a core proceeding any dispute.

6. All bids made at the Auction will be irrevocable until June 13, 2002. In the event a competing bidder is the prevailing bidder at the Auction, but such party fails to consummate such transaction by the closing date for such bid, the Debtor shall be authorized to consummate the transaction with the next highest bidder at the final price submitted by such bidder at the Auction without further hearing or order of the Bankruptcy Court (and without waiver of any rights and remedies against the bidder that failed to close).

D. Expense Reimbursement. In the event the Lead Bidder is overbid at the time of the Auction and is not the ultimate purchaser of the Acquired Assets, the Lead Bidder will be entitled to reimbursement of (the "Expense Amount") equal to its actual, reasonable costs and expenses (including fees and expenses of outside professionals, but not salaries of internal employees) incurred in connection with the Lead Bid (up to \$250,000). The Expense Amount will be paid only if and when Debtor receives 100% of the purchase price from the successful bidder for the assets which are the subject of the Purchase Agreement. The Lead Bidder will not be entitled to payment of the Expense Amount if the Lead Bidder is the ultimate purchaser of the Acquired Assets and the Lead Bidder's Asset Purchase Agreement is approved by the Court. The Bankruptcy Court will have exclusive jurisdiction to determine as a core proceeding any dispute about the Expense Amount.

E. Advertising. Debtor may advertise the date, time, and place of the Auction, and these bidding procedures, in such media as it deems appropriate consistent with the costs of such advertising. In addition, Debtors will post a copy of these sales procedures, once approved by the Bankruptcy Court, on Debtor's web site, which is www.yipes.com. In addition, Debtors will send a copy of the order establishing sales procedures to each potential investor and purchaser identified by either the Debtor's management and Debtor's financial advisors or suggested by the Committee as soon as practicable after entry of the order.

F. Remaining Lots. Following the Auction, any property of the estate that is not included in the Acquired Assets that are purchased at the Auction, may be offered in such lots or combination of lots as the Debtor and the Committee deem necessary or appropriate to obtain the highest and best offers for the property of the estate. The motion to transfer the Acquired Assets will also provide notice of the possible sale of additional or remainder assets at the Sale Hearing.

G. Due Diligence. The Debtors have established a data room with information pertinent to the Acquired Assets. Prospective bidders who want information about the Debtors and their assets should contact one of the following professionals of Ernst & Young Corporate Finance LLC, 1451 California Avenue, Palo Alto, California 94304.

Eric Carlson, Managing Director	650-849-4798
Joe Muscat, Managing Director	650-496-4517
Alex Stevenson, Director	650-849-4798
John Watson, Director	650-849-4792
Craig Hook, Vice President	650-496-4667
Facsimile	650-496-4672

All prospective bidders must execute confidentiality agreements satisfactory to the Debtors. Prospective bidders who have previously executed confidentiality agreements with the Debtors will be expected to execute new confidentiality agreements satisfactory to the Debtors in order to have access to the Debtors' confidential information

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