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Categories of ~~Services~~ for 214 Applications
(Streamline/Non-streamline)

- ASSIGNMENT OF LICENSE
- GLOBAL FACILITIES-BASED SERVICE
- GLOBAL FACILITIES-BASED/GLOBAL RESALE SERVICE
- GLOBAL RESALE SERVICE
- INDIVIDUAL FACILITIES-BASED SERVICE
- INTERCONNECTED PRIVATE LINE RESALE SERVICE
- LIMITED GLOBAL FACILITIES-BASED SERVICE/LIMITED GLOBAL RESALE SERVICE
- LIMITED GLOBAL FACILITIES-BASED SERVICE
- LIMITED GLOBAL RESALE SERVICE
- INMARSAT AND MOBILE SATELLITE SERVICE
- SWITCHED RESALE SERVICE
- TRANSFER OF CONTROL
- SUBMARINE CABLE LANDING LICENSE
- INTERNATIONAL SPECIAL PROJECT

Description of Application: _____

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FCC/MELLON

NOV 06 1998

November 6, 1998

Via Berry Best Courier
Federal Communications Commission
International Bureau - Telecommunications
P. O. Box 358115
Pittsburgh, PA 15251-5115

Re: Application of Direct Net Telecommunications, a limited
liability company, for Assignment of International 214
Certificates to Direct Net Telecommunications, Inc.

Dear Sirs:

On behalf of Direct Net Telecommunications, a limited liability
company ("Direct Net") and Direct Net Telecommunications, Inc. ("Direct Net II"),
we hereby submit one original and five copies of an application requesting consent to
the assignment of Direct Net's international Section 214 certificates to Direct Net II.

Enclosed is a check in the amount of \$780.00 to cover the requisite
processing fee. Also enclosed is an extra copy of the instant application, marked
"S&R". For our records, please date-stamp the S&R copy, and return it to our office
in the hand-delivery envelope provided. Please direct all questions and
correspondence regarding this matter to the undersigned.

Very truly yours,

Kira A Merski

Kira A. Merski
Attorney for
Direct Net Telecommunications, a limited
liability company
Direct Net Telecommunications, Inc.

Enclosures

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In re Application of)
)
DIRECT NET TELECOMMUNICATIONS,) File No. _____
A LIMITED LIABILITY COMPANY)
)
For Authority to Assign Its Certificates)
Issued Pursuant to Section 214 of the)
Communications Act of 1934, as Amended,)
to Direct Net Telecommunications, Inc.)

APPLICATION

Direct Net Telecommunications, a limited liability company ("Direct Net"), and Direct Net Telecommunications, Inc. ("Direct Net II") hereby request authority for the assignment to Direct Net II of certificates issued to Direct Net pursuant to Section 214 of the Communications Act of 1934, as amended, ("214 Certificates"), authorizing Direct Net to resell other carriers' public-switched services and to own and operate facilities to provide a full range of international telecommunications services on both a private line and public-switched basis.

In support of this request, Direct Net and Direct Net II submit the following information.

I. DESCRIPTION OF SERVICE.

Direct Net is presently authorized under Section 214 of the Act to provide facilities-based and resold switched and private lines services between the

United States and all international points.^{1/} In addition, Direct Net holds Section 214 Certificates authorizing Direct Net to resell other carriers' public-switched services^{2/} and to own and operate facilities to provide a full range of international telecommunications services on both a private line and public-switched basis.^{3/}

^{1/} See Direct Net Telecommunications, A Limited Liability Company, File No. ITC-97-094, DA 97-938 (International Bureau, May 6, 1997).

^{2/} Direct Net received a Section 214 certification to resell international switched telecommunications between the U.S. and various international points on January 23, 1994. See File No. I-T-C-94-053, I-6917 (Common Carrier Bur., Jan. 26, 1994).

^{3/} Under File No. I-T-C-94-140-AL, Direct Net received an authorization to establish and operate up to 90 circuits via Intersputnik for the provision of private-line services between the United States and the Soviet Union and to establish and operate up to 60 circuits via Intersputnik for the provision of public switched services between the United States and the Russian Federation by assignment from Direct Net Ltd, which had received such authorization by assignment from Miralite Communications, Inc., under File No. I-T-C-93-119-AL. Miralite had received these authorizations under File No. I-T-C-91-056, Miralite Communications, Inc., 6 FCC Rcd 5040 (1991) (authorization to establish and operate up to 90 circuits via Intersputnik for the provision of private-line services between the United States and the Soviet Union) and under File No. I-T-C-91-153, American Telephone and Telegraph Company, 8 FCC Rcd 2668 (1993) (authorization to establish and operate up to 60 circuits via Intersputnik for the provision of public switched services between the United States and the Russian Federation).

Under File No. I-T-C-95-132, Direct Net received an authorization to establish and operate three E-1 circuits in the CANUS-1 cable system between the United States and Canada, and a one-half interest in three E-1 circuits in the CANTAT-III Cable System between Canada and Denmark, for the provision of authorized services -- on both a public-switched and private line basis -- between the United States and various points in Europe and Asia. Direct Net Telecommunications, a Limited Liability Company, 10 FCC Rcd 6560 (1995).

Under File No. I-T-C-95-478, Direct Net received an authorization to lease
(continued...)

II. THE TRANSACTION.

As part of an internal corporate reorganization and recapitalization (which involves bringing in new equity holders), Direct Net will transfer all of its assets, including the 214 Certificates, to Direct Net II, a corporation to be formed in Delaware. All current subsidiaries of Direct Net will become subsidiaries of Direct Net II. Many of the current officers and directors of Direct Net will become officers and directors of Direct Net II. All of the current equity holders of Direct Net will become shareholders of Direct Net II.

III. PUBLIC INTEREST CONSIDERATIONS.

By virtue of its prior grant of the subject 214 Certificates to Direct Net, the Commission has found that the provision of the services authorized by the 214 Certificates is in the public interest. Transferring the assets to Direct Net II will allow current owners of Direct Net to obtain additional resources for the provision of an array of international telecommunications services. The same customer needs that warranted the grant of the 214 Certificates will be served by Direct Net II, a result that is consistent with the public interest.

^{3/} (...continued)

and operate a one-half interest in one E-1 circuit in the HGPT, APC and TPC-4 Cable Systems, for the provision of authorized services -- on both a public-switched and private line basis -- between the United States and the Philippines. Direct Net Telecommunications, a Limited Liability Company, 10 FCC Rcd 12604 (1995).

IV. INFORMATION REQUIRED BY SECTION 63.18.

Pursuant to Section 63.18(e)(5) of the Commission's Rules, 47 C.F.R.

§ 63.18(e)(5), Applicants submit the following information:

(a) Name and address of Assignor:

Direct Net Telecommunications, a limited-liability company
4400 MacArthur Blvd., Ste. 410
Newport Beach, CA 92660
(949) 474-1001

Name and address of Assignee:

Direct Net Telecommunications, Inc.
4400 MacArthur Blvd., Ste. 410
Newport Beach, CA 92660
(949) 474-1001

(b) Direct Net is a privately held limited liability company organized under the laws of the State of Nevada.

Direct Net II will be a privately held corporation organized under the laws of the State of Delaware.

(c) Correspondence concerning this Application should be sent to:

For Direct Net:

Mr. Dan Gee
C.E.O.

Direct Net Telecommunications, a limited-liability company
4400 MacArthur Blvd., Ste. 410
Newport Beach, CA 92660
(949) 474-1001

With a copy to:

Jeffrey H. Olson, Esq.
Paul, Weiss, Rifkind, Wharton & Garrison
1615 L Street, N.W., Suite 1300
Washington, D.C. 20036
(202) 223-7300

For Direct Net II:

Mr. Dan Gee
C.F.O.
Direct Net Telecommunications, Inc.
4400 MacArthur Blvd., Ste. 410
Newport Beach, CA 92660
(949) 474-1001

With a copy to:

Jeffrey H. Olson, Esq.
Paul, Weiss, Rifkind, Wharton & Garrison
1615 L Street, N.W., Suite 1300
Washington, D.C. 20036
(202) 223-7300

- (d) Direct Net is currently authorized to resell other carriers' public-switched services and to own and operate facilities to provide a full range of international telecommunications services on both a private line basis and a public-switched basis under the 214 Certificates detailed above. Direct Net II does not hold any Section 214 Certificates.
- (e) This application seeks authority for the assignment of the 214 Certificates from Direct Net to Direct Net II.
- (f) Not applicable.

- (g) Not applicable.
- (h) (1) The foreign carriers listed below are currently wholly-owned subsidiaries of Direct Net and will become wholly-owned subsidiaries of Direct Net II.
- ZAO Direct Net, a Russian Joint Stock Company providing telecommunications services to retail clients including voice, data and value added services.
 - Direct Net Telecommunications UK, Ltd., a United Kingdom private limited company preparing wholesale carrier services.
 - Direct Net Telecommunications S.R.O., a Czech Republic limited liability company that is a holding company for Direct Net-EOS S.R.O.
- The foreign carrier listed below is 89% owned by Direct Net Telecommunications S.R.O., a wholly-owned subsidiary of Direct Net:
- Direct Net-EOS S.R.O., a Czech Republic limited liability company providing telecommunications services to retail clients including voice, data and value added services.
- Direct Net II certifies that it will not have any affiliation with a foreign carrier other than those listed above. Each of the above carriers lacks the ability to discriminate against unaffiliated U.S. carriers through direct or indirect control of bottleneck facilities or facilities in the destination countries. Direct Net II therefore will be a non-dominant carrier on routes applicable to its affiliations. Direct Net II will have

some interlocking directorates, but none (except those with its subsidiaries listed above) will involve foreign carriers.^{4/}

(2) The 10% or greater equity owners of Direct Net are as follows:

Direct Net Telecommunications Ltd.
4040 MacArthur Blvd., Suite 307
Newport Beach, CA 92660
Nevada corporation
Principal business: telecommunications

Telecom Investment Group, Inc.
25200 LaPaz Road, Suite 210
Laguna Hills, CA 92653
California corporation
Principal business: telecommunications

Sector Capital Fund, Ltd.
6 Krasnopresnenskaya Nab.
123100 Moscow, Russia
Cyprus LLC
Principal business: financial services

The 10% or greater indirect shareholders of Direct Net are as follows:

Frederick Fourcher
4041 MacArthur Blvd., Ste. 490
Newport Beach, CA 92660
Citizen of the United States
Principal business: telecommunications

^{4/} Certain of Direct Net II's outside directors, whose primary affiliation is with a financial institution with which Direct Net II has a relationship, serve from time to time, on the boards of other carriers which also have financial relationships with those institutions. To the best of Direct Net II's knowledge, each of these other carriers lacks the ability to discriminate against unaffiliated U.S. carriers through direct or indirect control of bottleneck facilities or facilities in their destination countries.

Frederick Andersen
4400 MacArthur Blvd., Ste. 410
Newport Beach, CA 92660
Citizen of the United States
Principal business: telecommunications

Hon Family Trust
Barry G. Hon, Trustee
25200 LaPaz Road, Ste. 210
Laguna Hills, CA 92653
Principal business of trustee: real estate

The 10% or greater equity owners of Direct Net II will be as follows:

Sector Capital Fund, Ltd.
6 Krasnopresnenskaya Nab.
123100 Moscow, Russia
Cyprus LLC
Principal business: financial services

Michael Scheele
1258 Valencia
San Francisco, CA 94110
Citizen of the United States
Principal business: telecommunications

Richard C. Grange
1600 Jackson St., Ste. 300
Golden, CO 80401
Citizen of the United States
Principal business: telecommunications

Spectrum Equity Investors II, L.P.
One International Place, 29th Floor
Boston, MA 02110
Delaware limited partnership
Principal business: financial services

Spectrum Equity Investors II, L.P. ultimately will be controlled by the following three individuals:

William Collatos
 One International Place, 29th Floor
 Boston, MA 02110
 Citizen of the United States
 Principal business: financial services

Bryon Applegate
 One International Place, 29th Floor
 Boston, MA 02110
 Citizen of the United States
 Principal business: financial services

Kevin Maroni
 One International Place, 29th Floor
 Boston, MA 02110
 Citizen of the United States
 Principal business: financial services

(3) Direct Net II certifies that it is not and will not be affiliated with any U.S. carriers whose facilities-based services it proposes to resell.

(i) Direct Net II hereby certifies, under penalty of perjury, that it has not agreed to accept -- nor will it accept -- special concessions directly or indirectly from any foreign carrier or administration with respect to traffic or revenue flows between the U.S. and any foreign country that Direct Net II may serve under the authority granted pursuant to Part 47 of the Rules.

(j) Pursuant to Sections 1.2001 through 1.2003 of the Rules, by certification attached hereto, Direct Net II certifies that no party to this application is subject to a denial of Federal benefits that includes FCC benefits pursuant to section 5301 of the Anti-Drug Abuse Act of 1988.

V. CERTIFICATION.

Direct Net and Direct Net II certify that the information provided herein is correct to the best of their knowledge and belief, and that it is provided in good faith.

Respectfully submitted,

DIRECT NET TELECOMMUNICATIONS, A
LIMITED LIABILITY COMPANY

By: 
Daniel S. Gee
Chief Executive Officer

DIRECT NET TELECOMMUNICATIONS,
INC.

By: 
Daniel S. Gee
Chief Executive Officer

Date: Nov. 3, 1998

Of Counsel

Jeffrey H. Olson, Esq.
Kira A. Merski, Esq.
Paul, Weiss, Rifkind, Wharton & Garrison
1615 L Street, N.W., Suite 1300
Washington, D.C. 20036
(202) 223-7300


Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In re Application of)
)
) DIRECT NET TELECOMMUNICATIONS,) File No. _____
) A LIMITED LIABILITY COMPANY))
))
) For Authority to Assign Its Certificates)
) Issued Pursuant to Section 214 of the)
) Communications Act of 1934, as Amended,)
) to Direct Net Telecommunications, Inc.)

CERTIFICATION OF APPLICANT

I hereby certify, under penalty of perjury, that neither the applicant nor any party to this application is subject to a denial of Federal benefits that includes FCC benefits pursuant to section 5301 of the Anti-Drug Abuse Act of 1988, 21 U.S.C. Section 853a. Executed on this 3rd day of November, 1998.

DIRECT NET TELECOMMUNICATIONS, INC.

By: 
Daniel S. Gee
C.E.O.
Direct Net Telecommunications, Inc.
4040 MacArthur Blvd., Suite 307
Newport Beach, California 92660
(949) 474-1001

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November 23, 1998

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NOV 23 1998

Magalie Roman Salas, Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, DC 20054

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: Application Of Direct Net Telecommunications, a limited
liability company, for Authority to Assign International
214 Certificates to Direct Net Telecommunications, Inc.

Dear Ms. Salas:

On November 6, 1998, Direct Net Telecommunications, a limited liability company ("Direct Net I") and Direct Net Telecommunications, Inc. ("Direct Net II") filed an application requesting Commission consent to the assignment of Direct Net's Section 214 certificates to Direct Net II. In response to informal Commission staff requests for additional information regarding this application, we hereby submit the following information.

Following the assignment of the certificates to Direct Net II, the ownership percentages of the 10% or greater equity holders of Direct Net II will be as follows: Sector Capital Fund, Ltd. will hold 13%; Michael Scheele will hold 15%; Richard C. Grange will hold 11%; Spectrum Equity Investors will hold 25%.

Thank you for your assistance with this matter.

Very truly yours,

Kira A. Merski

Kira A. Merski
Attorney for
Direct Net Telecommunications, a limited
liability company
Direct Net Telecommunications, Inc.

cc: Troy Tanner
Susan O'Connell