

FEDERAL COMMUNICATIONS COMMISSION

Washington, D. C. 20554

APR 26 2001

OFFICE OF
MANAGING DIRECTOR

Bea L. Kuckens
DirectNet Telecommunications
4400 MacArthur Blvd.
Suite 410
Newport Beach, CA 92660

86-285

Re: Request for Waiver of FY 1999
Regulatory Fee
Fee Control No.: 00000RROG-00-010

Dear Ms. Kuckens:

This letter responds to your request for a waiver of the regulatory fee and associated penalty for Fiscal Year (FY) 1999 filed on behalf of DirectNet Telecommunications.

Your request states that DirectNet has decided to cease operations and conduct an orderly wind-down of its business affairs and that it has notified long-distance carriers to utilize alternative providers. You also assert that this situation qualifies as extraordinary and compelling circumstances and that an attempt to pay regulatory fees for FY 1999 would only exacerbate the existing financial hardship situation. In light of this situation, you request that regulatory fees and penalties in the amount of \$43,142.38 be waived.

In establishing a regulatory fee program, the Commission recognized that in certain instances payment of a regulatory fee may impose an undue financial hardship upon a licensee. The Commission therefore decided to grant waivers or reductions of its regulatory fees in those instances where a "petitioner presents a compelling case of financial hardship." See Implementation of Section 9 of the Communications Act, 9 FCC Rcd 5333, 5346 (1994); recon. granted, 10 FCC Rcd 12759 (1995). The Commission further held that regulatees can establish financial need by submitting:

[I]nformation such as a balance sheet and profit and loss statement (audited, if available), a cash flow projection . . . (with an explanation of how calculated), a list of their officers and their individual compensation, together with a list of their highest paid employees, other than officers, and the amount of their compensation, or similar information.

10 FCC Rcd at 12761-62.

In determining whether a regulatee has sufficient revenues to pay its regulatory fees, the Commission relies upon cash flow, as opposed to the entity's profits. Thus, although deductions for amortization and depreciation, which do not affect cash flow, and

payments to principals, reduce gross income for tax purposes, those deductions also represent money which is considered to be available to pay the regulatory fee.

In the absence of appropriate documentation, you have failed to establish a compelling case of financial hardship. Therefore, your request for waiver of DirectNet's FY 1999 regulatory fee is dismissed. Payment of the FY 1999 regulatory fee and penalty of \$43,142.28 is now due. This payment should be submitted together with a Form 159 (copy enclosed) within 30 days from the date of this letter. In view of your allegations of financial hardship, however, in lieu of payment, DirectNet's request may be refiled together with appropriate supporting documentation within 30 days from the date of this letter.

If you have any questions concerning the regulatory fee payment, please contact the Revenue & Receivables Operations Group at (202) 418-1995.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark Reger', with a stylized flourish at the end.

Mark Reger
Chief Financial Officer

Enclosure



Direct Net
Telecommunications

November 29, 2000

Office of the Managing Director
Federal Communications Commission
445 12th St. S. W., Rm. 1-A625
Washington, DC 20554

Re: Regulatory Fee Waiver / Reduction Request

Dear Agency Representative:

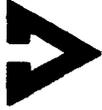
After careful consideration of available options, DirectNet Telecommunications (also referred to as "the Company") has decided to cease operations and conduct an orderly wind-down of its business affairs. On Monday, August 14, the Company notified their long-distance carriers to redirect traffic away from their switches and to utilize alternative providers. Management's goal is to liquidate without the necessity of formal legal proceedings.

We feel that this situation qualifies as "extraordinary and compelling circumstances" and an attempt to pay the fees assessed (see attached) would only exacerbate the existing financial hardship situation. We are therefore requesting that the Regulatory Fees and Penalties owed in the amount of \$43,142.38 be waived.

Please advise us of your decision as soon as possible since there is no guarantee that anyone can be reached at this address and phone number after the end of the year. If you have any further questions, I may be contacted at (949) 225-0191 or via e-mail at bkuckens@earthlink.net.

Very Truly Yours,

Bea L. Kuckens
Accountant



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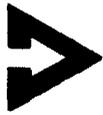
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