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PUBLIC SERVICE DIV. OF A MAISTRATION OUT IF DATCAT 40 E. Verdugo Avenue • Burbank, CA 91502-1931 P.O. Box 7740 • Burbank, CA 91510-7740 Phone: (818) 972-5300 • Fax: (818) 972-5301 www.creditservices.org

December 12, 2000

In the matter of

DIRECT NET TELECOMMUNICATIONS, LLC 4400 MacArthur Boulevard, Suite 410 Newport Beach, California 92660

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TO THE CREDITORS:

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SER OTH Please be advised that the subject company executed a General Assignment for the benefit of its creditors in favor of CMA Business Credit Services ("Assignee") under which possession of the assets was taken on Thursday, December 6, 2000 at 5:05 p.m.

This action was taken by the Board of Managers and Members of the company in order to facilitate the orderly liquidation of the company. You will find enclosed with this Bulletin a letter to creditors from the President of Direct Net.

As most creditors are aware from the company's previous correspondence, due to declining revenues, the company began downsizing operations and selling off its overseas subsidiaries earlier this year. Due to continued losses, management decided to shut down the remaining operations in Los Angeles, New York and London in August. Subsequent to the August shutdown, management engaged the consulting firm of Brent Kugman & Associates to assist with organizing an orderly sale of the company's assets. The liquidation of the assets and distribution of the proceeds to creditors will be administered by the Assignee.

A General Assignment is a common law means of concluding the affairs of an insolvent debtor as an alternative to the Chapter 7 Bankruptcy procedure. General Assignments have been used extensively in California for well over 50 years. Experience has demonstrated that the recovery for assets is usually significantly greater in an assignment, and administrative expenses tend to be lower when compared to the average bankruptcy liquidation.

Attached to this communication you will find a Statement of Condition prepared by the Assignee that was generated from the books and records of the company. This Statement of Condition represents the financial condition of the company on the date of the general assignment (December 6, 2000) and does not reflect the money generated by the Assignee's liquidation process.

SEE REVERSE SIDE DOCUMENT NUMBER - DATE

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general assignment (December he Assignee's liquidation process

Northern California: (510) 346-6000 • Nevada: (702) 259-2622

In re: Direct Net Telecommunications, LLC Bulletin No. 1 Page 2

Also attached hereto, creditors will find a form Proof of Claim with which creditors can file their claim with this office. Creditors should be aware that pursuant to California law<sup>1</sup>, the last date to return the form to this office is June 10, 2001. To ensure your participation in any distribution of funds generated to unsecured creditors from the liquidation of the company, you **must** return the proof of claim by that date.

A further report on the Assignee's administration of the debtor's assets and the claims solicitation process will follow in approximately 60 days. Creditors are requested to advance their files accordingly, pending that report.

Very truly yours, ADJUSTMENT BUREAU

By:

Mieńael L. Joncich Estates Manager Direct Dial: (818) 972-5315

<sup>&</sup>lt;sup>1</sup> California Code of Civil Procedure §1802

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## STATEMENT OF CONDITION AS OF DECEMBER 6, 2000

## ASSETS

Cash in Bank	1,343,864
Accounts Receivable 642,700 Less Reserve for Doubtful (402,700) Net Total	240,000
Physical Assets - Est. Liquidation Value Furniture, Fixtures & Equipment	155,000
TOTAL ASSETS	1,738,864
LIABILITIES	
Accounts Payable - Estimated Equipment & Real Estate Lease Deficiency Customer Deposits - Estimated Note Payable	21,459,000 ? 122,000 289,000
TOTAL LIABILITIES	21,870,000





DirectNet Telecommunications Inv 4400 MacArthur Blvd Suite 410 Newport Beach California 92660 Tel 949 474 1001 Fax 949 474 1078

www.directnet.com

December 8, 2000

To: All creditors of DirectNet Telecommunications LLC.

Re: Liquidation of DirectNet Telecommunications LLC.

Dear Creditors,

This letter is to inform you that the Managers of DirectNet Telecommunications, a Limited Liability Company have recently decided to make a general assignment of the remaining estate, under California law, for the benefit of creditors. This assignment was effective December 6, 2000, and has been made to The Credit Managers Association of Southern California (CMA).

It is anticipated that this change in status will result in a continuation of an orderly process which was started under the direction of Brent Kugman and Associates and will result in a fair and equitable settlement of the remaining estate. As of December 6, 2000 CMA is the legally responsible manager of the remaining assets and all future correspondence should be directed to CMA. Attached is a letter from CMA which provides initial information regarding the process they will be following.

I want to thank all creditors for the cooperation and patience that we have experienced during the past three months.

Yours truly,

Daniel S. Gee President and CEO

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United Kingdom

California Czech Republic

Hawan New Jersey New York Russia

## **PROOF OF CLAIM**

Case No. 33880

To:	CMA Business Credit Services		
	PO Box 7740		
	Burbank, California 91510-7740		

Re: Direct Net Telecommunications LLC

The undersigned is a creditor of the above subject debtor(s) and I/we hereby file my/our claim below as follows:

As evidence of my/our claim, an itemized statement of my/our account and/or a copy of a promissory note is hereto attached.

THE AMOUNT OF MY/OUP	R CLAIM IS \$		
Dated:			
BY	TITLE		
ADDRESS			
PHONE NO	FAX#	E-MAIL	

NOTE: Interest is applicable only to the date of December 6, 2000, and then only in the event a written agreement exists between you and the debtor providing for payment of interest.

PLEASE COMPLETE THIS FORM, ATTACH AN ITEMIZED STATEMENT OF YOUR ACCOUNT THEREON, AND RETURN AT ONCE TO:

> ADJUSTMENT BUREAU Attn: Michael L. Joncich CMA Business Credit Services PO Box 7740, Burbank, California 91510-7740

c: Paula Isler R+R