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November 27, 2002

Mr. Thomas Dorman
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602

RECEIVED

DEC 03 2002

PUBLIC SERVICE
COMMISSION

Re: Notification of a Transfer of Control of FreedomStarr Communications, Inc. to
AmericanFone, LLC and of Related Financing Transactions

Dear Mr. Dorman,

FreedomStarr Communications, Inc. ("FreedomStarr") and AmericanFone, LLC ("AmericanFone" and, together with FreedomStarr, the "Parties"), by their attorneys, respectfully notify the Commission of a transfer of control of FreedomStarr to AmericanFone. The Parties also include notice of certain financing commitments on the part of FreedomStarr arising in connection with the transaction. FreedomStarr is authorized currently as a provider of resold interexchange telecommunications services in the state of Kentucky and will continue its operations without alteration. The change in ownership will have no adverse effect whatsoever upon FreedomStarr's provision of services and, on the contrary, will provide FreedomStarr with substantially improved financial management and greater strength in customer service

operations. Over time, Applicants also expect the synergies between the companies to permit FreedomStarr to provide a greater variety of telecommunications services at more competitive rates.

Pursuant to the exemptions set forth in Administrative Case No. 359, the Parties believe that no approval of these transactions by the Commission is required. Should this understanding be incorrect, the Parties respectfully request that the Commission notify them immediately. In connection with this notification, the Parties provide the following information:

THE PARTIES

FreedomStarr is a California S-Corporation formed on July 22, 1996. The Company is located at 8730 Sunset Boulevard, West Hollywood, CA 90069 with its mailing address at 7985 Santa Monica Boulevard, #7, Los Angeles, CA 90046. FreedomStarr is authorized to provide resold interexchange services in 40 states, including Kentucky. This Commission acknowledged FreedomStarr's tariff for interexchange services as effective January 23, 2000.

AmericanFone¹ is a telecommunications company serving consumers and small businesses. Through its subsidiaries, AmericanFone provides long distance services with a variety of access options depending on customer size and needs, all of which are conveniently linked to a single, monthly bill. Coupled with traditional long distance services, AmericanFone's subsidiaries offer calling card services for calling needs when away from the home or office. These calling cards can be used from more than 80 countries worldwide. AmericanFone's toll-free services provide an easy and simple way for callers to reach the company's customers at home or in the office with no charge to them. Long distance, calling card and toll-free services

¹ AmericanFone shares principal and mailing addresses with FreedomStarr.

are conveniently reflected in the customer's online bill for easy review at any time. For customers interested in controlling and monitoring their telecommunications costs more closely, AmericanFone offers pre-paid calling plans. Each month customers can purchase a predetermined number of service minutes. These can be used as needed, either at home or on the road. AmericanFone's proprietary billing systems and online distribution channels provide it with a unique competitive advantage which allows FreedomStarr to drive significant cost savings to its customers and bottom line.

DESIGNATED CONTACTS

The designated contact for questions concerning this notification are:

Winafred Brantl
Kelley Drye & Warren, LLP
8000 Towers Crescent Drive
Suite 1200
Vienna, VA 22182
(703) 918-2315
(703) 918-2450 (fax)
wbrantl@kelleydrye.com

Copies of all correspondence, notices, inquiries and orders also should be sent to:

Matthew Hoffman
AmericanFone, LLC
8730 Sunset Blvd., Suite 700
Los Angeles, CA 90069
(310) 734-3441
(310) 289-9046 (fax)
matthew@americanfone.com

DESCRIPTION OF THE TRANSACTION

Transfer of Control of FreedomStarr

In mid-January 2002, AmericanFone negotiated an agreement to acquire ownership of FreedomStarr from Michael Reed and Alan Ezeir, the carrier's original owners. In consequence of related commercial considerations, the parties were compelled to close the transaction as immediately as possible, consummating the arrangement on January 22, 2002. Under the terms of the agreement, AmericanFone acquired all of the issued and outstanding capital stock of FreedomStarr and FreedomStarr became a direct wholly-owned subsidiary of AmericanFone. A chart illustrating the pre-transaction and post-transaction ownership structures is provided as **ATTACHMENT A**.

This transfer of control has been transparent to consumers in Kentucky and does not adversely affect FreedomStarr's provision of telecommunications services in Kentucky. FreedomStarr continues to exist and provides service of equal or greater quality than before the transaction although it does so now as a subsidiary of AmericanFone.

AmericanFone possesses all the financial, managerial and technical qualifications necessary to assume control of FreedomStarr. AmericanFone brings a strong financial presence and expertise to its relationship with Freedomstarr, providing the carrier with significantly improved financial management as well as ready financial support should a temporary need arise. FreedomStarr's financial condition since its acquisition by AmericanFone reflects measurable improvements in financial strength and stability. Additionally, AmericanFone personnel as well as new FreedomStarr management brought on board since the transaction contribute extensive expertise both with the growth and ongoing management of commercial enterprises and specifically with the management and operations of a telecommunications

company. The key management team represents over 50 years of hands-on responsibility for management, marketing and technical performance of national and international telecommunications operations. Consequently, with respect to FreedomStarr customers in Kentucky, there is no “down side” to the transaction. On the contrary, FreedomStarr’s access to AmericanFone’s management strength, financial support and expertise in customer service and billing operations will enable the carrier to improve significantly both its customer offerings and its operating efficiencies. That improvement, in turn, will enable FreedomStarr to play a more competitive role in the Kentucky telecommunications market, with resulting benefits to consumers throughout Kentucky.

Financing Commitments

Under the terms of the purchase agreement, AmericanFone fulfilled part of its immediate payment obligation with the issuance of promissory notes. FreedomStarr, along with AmericanFone, is liable for the payment of these notes consistent with the terms of the purchase agreement. The relevant terms of the promissory notes are as follows:

Amount: Applicants have committed to payment on secured promissory notes, totaling \$1,500,000.

Term: Payable in installments over a two-year period.

Interest Rate: 8% annual, compounded monthly.

Security: Security for these promissory notes is made by two of the Applicant’s equity investors, Richard j. Gordon and Four Star Financial Services, LLC.

PUBLIC INTEREST ANALYSIS

The transfer of control of FreedomStarr to AmericanFone is in the public interest. AmericanFone will bring the benefits of sophisticated management, financial strength and expertise in key operational areas such as customer service and billing. This will permit FreedomStarr to improve upon its current service offerings while realizing greater operating efficiencies – both improvements representing essential developments in a highly competitive telecommunications market. Moreover, as noted above, AmericanFone's acquisition of FreedomStarr will be transparent to FreedomStarr's existing customers in Kentucky. FreedomStarr will continue to provide the same services to its customers under the same terms and conditions they have received previously. Consequently, this acquisition will hold no adverse effects for consumers. Instead, over time, consumers in Kentucky will benefit from the availability of an increased range and enhanced caliber of telecommunications services.

FreedomStarr's shared commitment to payment of the promissory notes described above also serves the public interest. It permits the transfer of ownership to AmericanFone, which holds considerable benefits for the Company and for its customers. Moreover, it holds no adverse effects for customers. FreedomStarr competes both in Kentucky and in other markets with numerous other interexchange carriers and enhanced service providers. Because it is a nondominant carrier, FreedomStarr is not subject to rate of return regulation and its capital structure and debt should not be a matter of concern to the Commission. In addition, because of the highly competitive environment in which this entity operates, the rates it charges customers are subject to market discipline and the services which it offers are duplicated by many other carriers. As a result, the source of funds and capital structure of FreedomStarr and its affiliates, the interest rate on its debt or its repayment obligations has little direct effect upon its customers

in Kentucky or elsewhere. In the unlikely event that the Company's capital structure becomes too costly and FreedomStarr's rates rise, its customers may simply migrate to other carriers with preferred rates. Thus, any adverse consequences from the Company's financing decisions impact primarily on its shareholders, not on customers, while favorable consequences will benefit both shareholders and consumers through higher profits, lower rates and better services.

It is the Parties' understanding that prior Commission approval is not required for the transactions described herein. This notification is submitted for the Commission's information with a request that it be included in the appropriate files. Please date-stamp the enclosed duplicate of this filing and return it in the pre-addressed envelope provided. If there are questions regarding this notification or FreedomStarr generally, please contact Winafred Brantl at (703) 918-2315. Thank you in advance for your assistance with this matter.

FREEDOMSTARR COMMUNICATIONS, INC.
AMERICANFONE, LLC

By: 

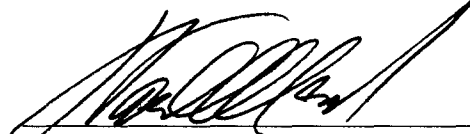
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Winafred Brantl
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Their Attorneys

Dated: 11/27/02

VERIFICATION

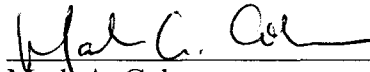
I, Warren M. Dillard, am authorized to represent FreedomStarr Communications, Inc. and to make this verification on its behalf. The statements in the foregoing document relating to FreedomStarr Communications, Inc., except as otherwise specifically attributed, are true of my own knowledge, except as to matters that are stated herein on information on belief, and to those matters, I believe them to be true. I declare under penalty of perjury that the foregoing is true and correct.



Warren M. Dillard
Secretary and Treasurer
8730 Sunset Boulevard, Suite 700
Los Angeles, CA 90069

VERIFICATION

I, Mark A. Cohen, am authorized to represent AmericanFone, LLC, and to make this verification on its behalf. The statements in the foregoing document relating to AmericanFone, LLC, except as otherwise specifically attributed, are true of my own knowledge, except as to matters that are stated herein on information on belief, and to those matters, I believe them to be true. I declare under penalty of perjury that the foregoing is true and correct.



Mark A. Cohen
Chief Marketing Officer
8730 Sunset Boulevard, Suite 700
Los Angeles, CA 90069

ATTACHMENT A

Pre- & Post-Transaction Ownership Structure Chart

**FREEDOMSTARR COMMUNICATIONS, INC. OWNERSHIP STRUCTURE
PRE- AND POST- TRANSFER OF CONTROL**

