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January 27, 2003

VIA FEDERAL EXPRESS

RECEIVED

Ms. Stephanie Bell, Executive Director
Commonwealth of Kentucky
Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602

JAN 28 2003

PUBLIC SERVICE
COMMISSION

**Re: Informational Filing Concerning the Indirect Transfer of Control of
Birch Telecom of the South, Inc. to Ionex Telecommunications, Inc.**

Dear Ms. Bell:

Ionex Telecommunication, Inc. ("Ionex"), by its attorneys, hereby respectfully notifies the Kentucky Public Service Commission ("Commission") of the proposed transfer of control of Birch Telecom, Inc. ("Birch") to Ionex. Birch operates in Kentucky through its subsidiary Birch Telecom of the South, Inc. ("Birch South"). This notification is being submitted solely for the information of the Commission, as we understand that this parent-level transaction does not require the approval of the Commission.

As more fully described below, the transfer of control will occur pursuant to a merger procedure whereby Birch will become a wholly owned subsidiary of Ionex and the current shareholders of Birch will acquire between approximately 18.0% and 26.4% of the voting shares of Ionex. However, none of the existing Birch shareholders will acquire a 10% or greater interest in Ionex, or otherwise acquire control of Ionex. The current Ionex shareholders will hold the remaining interests in Ionex. Upon completion of this parent-level transfer of control, Birch South will continue to be a subsidiary of Birch and will continue to provide intrastate telecommunications services in Kentucky under the same name and pursuant to its existing authorizations and tariffs. Accordingly, the transfer of control will have no adverse impact on any service that Birch South currently provides and will be transparent to customers in Kentucky.

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The Parties

Birch Telecom, Inc. ("Birch") is incorporated under the laws of Delaware with its principal business offices located at 2020 Baltimore Avenue, Kansas City, Missouri 64108. Although Birch is not itself a telecommunications carrier, Birch wholly owns subsidiaries that offer state-of-the-art telecommunications services primarily to small and mid-sized businesses in the Midwest and Southeastern United States. Birch provides these services in more than 30 cities in the United States. Birch is one of the largest competitive local exchange carriers in the nation with over 371,000 telephone lines in service. Birch subsidiaries also offer domestic and international telecommunications services pursuant to FCC Section 214 authorizations.

Birch Telecom of the South, Inc. ("Birch South") is a wholly owned subsidiary of Birch and is incorporated under the laws of Delaware with its offices also located at 2020 Baltimore Avenue, Kansas City, Missouri 64108. Birch South provides telecommunications services in Kentucky pursuant to certification as a utility in the Commonwealth of Kentucky granted to it by the Commission.¹

Ionex Telecommunications, Inc. ("Ionex") is a privately held Delaware corporation, incorporated on July 9, 1999, that functions as a holding company for several operating entities.² Ionex and its subsidiaries are headquartered at 15305 Dallas Parkway, Suite 1500, Addison, Texas 75001. It is one of the fastest growing providers of digital broadband services in its primary markets. Through its subsidiaries, Ionex is authorized to provide service in numerous states throughout the country. Ionex is raising substantial multimillion dollar additional investment primarily from its existing investors, which will be available for use by the merged companies.

The Transaction

The transfer of control will be effected through a merger procedure. Ionex will establish a special purpose subsidiary and Birch will merge into the special purpose subsidiary but Birch will be the surviving entity. In that way, Birch will become a direct, wholly owned subsidiary of Ionex, and Birch South will continue as a wholly owned subsidiary of Birch. Ionex will issue new shares of its own stock to the diffuse group of current shareholders of Birch, *pro rata*, so that they will hold approximately 18.0% to 26.4% of the total outstanding shares of Ionex (depending on the amount of additional funding provided by the Ionex investors as described

¹ The Commission has assigned Birch South the following Utility ID Numbers: 5153300 (as a long distance carrier) and 22251533 (as a competitive local exchange carrier).

² As a holding company, Ionex is not doing business in Kentucky and therefore, is not required to qualify to do business within Kentucky.

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below) but will not control it. An integral part of the transaction is a substantial multimillion dollar additional investment by Ionex shareholders. The precise amount of that investment will not be determined until closer to the closing of the transaction. Even if Birch shareholders collectively obtain the maximum percentage ownership in Ionex contemplated by the merger agreement (26.4%), no individual current shareholder of Birch will hold a 10% or greater interest in the post-merger Ionex. As existing Ionex shareholders will continue to control approximately 75% or more of Ionex, Ionex will not experience a change of control as a result of this transaction. An organizational chart showing the ownership structure of the companies after the transaction is attached as *Exhibit A*.

Impact on the Public

The proposed transfer of control of Birch (and the consequent indirect transfer of control of Birch South) to Ionex is in the public interest. Birch and Ionex will be able to take advantage of greater economies of scale and Birch will have access to additional capital from a well-financed parent, Ionex. Birch's subsidiaries will continue to provide service to their customers under the same names and with the same operating authorities. Moreover, there will not be any change in the rates, terms or conditions of service to Birch's customers as a result of the transaction. The contacts for customer and Commission inquiries also will remain the same. Thus, the transfer of control of Birch and its subsidiaries will be transparent to customers and will not have any adverse impact on them. The only changes in Birch caused by this transaction are in the ultimate ownership and financial condition of the parent of the operating subsidiaries.

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Upon review of Kentucky's statutes and Commission rules, Ionex understands that prior Commission approval is not required to complete the indirect transfer of control described herein. Ionex therefore submits this letter for the Commission's information and requests that it be retained in the appropriate file. Enclosed are an original, ten (10) copies, a duplicate copy and a self-addressed, postage-paid envelope. Please date-stamp the duplicate upon receipt and return it in the envelope provided.

Respectfully submitted,

IONEX TELECOMMUNICATIONS, INC.

By:



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Attachments

VERIFICATION

I, the undersigned, am authorized to represent Birch Telecom, Inc., and to make this verification on its behalf. The statements in the foregoing document relating to this company and its affiliates, except as otherwise specifically attributed, are true and correct to the best of my knowledge and belief.

I declare under penalty of perjury that the foregoing is true and correct.

Gregory C. Lawhon
Name: Gregory C. Lawhon

Senior Vice President and General Counsel
Title

Subscribed and sworn to before me this 21st day of
January, 2003.

Barbara P. Fillingier
Notary Public

My Commission expires: _____

BARBARA P. FILLINGER
Notary Public-Notary Seal
State Of Missouri
Commissioned In Jackson County
My Commission Expires: June 6, 2004

VERIFICATION

I, the undersigned, am authorized to represent Birch Telecom of the South, Inc., and to make this verification on its behalf. The statements in the foregoing document relating to this company and its affiliates, except as otherwise specifically attributed, are true and correct to the best of my knowledge and belief.

I declare under penalty of perjury that the foregoing is true and correct.

Gregory C. Lawhon
Name: Gregory C. Lawhon

Senior Vice President and General Counsel
Title

Subscribed and sworn to before me this 21st day of
January, 2003.

Barbara P. Fillingger
Notary Public

My Commission expires: _____

BARBARA P. FILLINGER
Notary Public-Notary Seal
State Of Missouri
Commissioned In Jackson County
My Commission Expires: June 6, 2004

VERIFICATION

I, the undersigned, am authorized to represent Ionex Telecommunications, Inc., and its subsidiaries, and to make this verification on their behalf. The statements in the foregoing document relating to this company and its affiliates, except as otherwise specifically attributed, are true and correct to the best of my knowledge and belief.

I declare under penalty of perjury that the foregoing is true and correct.

Reanne C. Noble

Name

VP & GENERAL COUNSEL

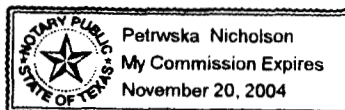
Title

Subscribed and sworn to before me this 14th day of

January, 2003.

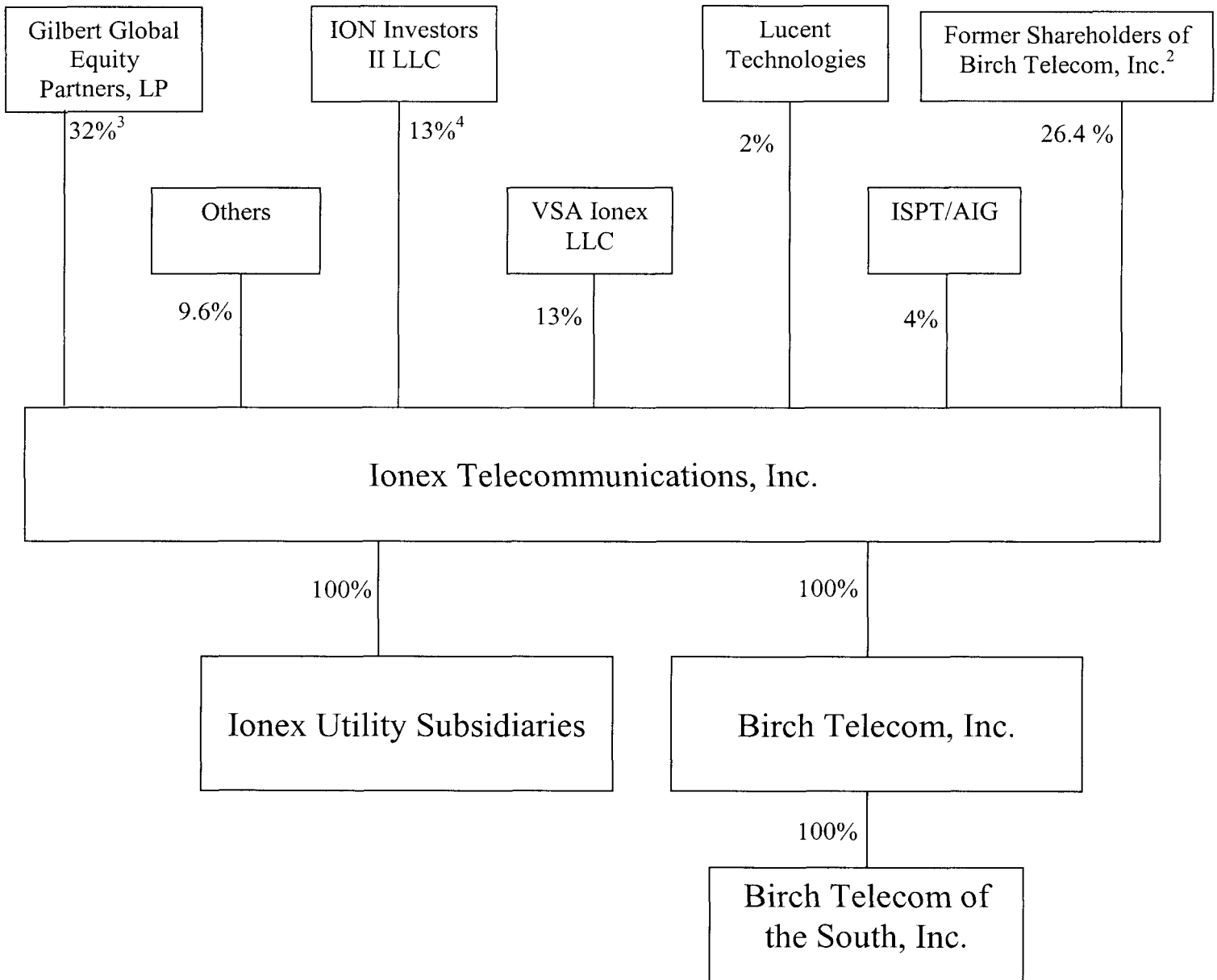
Petruska Nicholson

Notary Public



My Commission expires: November 20, 2004

Corporate Organization Post-Merger¹



1. These diagrams show ownership as approximate percentages of the voting interests in Ionex Telecommunications, Inc. ("Ionex"). These figures represent interests resulting from the minimum additional investment contemplated by the merger agreement. The existing Ionex shareholders' interest will increase if they elect to make more than the minimum additional investment and the interest in Ionex of the Birch shareholders will correspondingly decrease. In no event, will Birch's current shareholders hold less than 18.0% in the post-merger Ionex.
2. None of the current shareholders of Birch will hold a 10% or greater interest in the post-merger Ionex.
3. In addition to the 22% ownership held by Gilbert Global Equity Partners, L.P., an additional approximately 7% interest in Ionex is held in the name of Gilbert Global Equity Partners, (Bermuda) L.P., and an additional approximately 3% interest is held in the name of GGEP/GGECC Equity Partners, LP bringing the total ownership for Gilbert Global Equity Partners affiliated companies to approximately 32%.
4. In addition to the 11% ownership held by ION Investors II LLC, an additional approximately 2% interest in Ionex is held in the name of ION Investors I LLC, bringing the total ownership for ION Investors affiliated companies to approximately 13%.