

Birch Telecom, Inc.

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September 30, 2002

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PUBLIC SERVICE
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VIA FEDERAL EXPRESS

Kentucky Public Service Commission
Attention: Tariff Branch
P.O. Box 615
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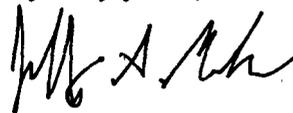
Re: Birch Telecom of the South, Inc., Notification of Corporate
Reorganization at the Parent Company Level

Dear Madame or Sir:

Birch Telecom of the South, Inc. ("Birch South"), through counsel, hereby informs the Kentucky Public Service Commission ("Commission") that on September 30, 2002, its parent company, Birch Telecom, Inc. ("Birch"), completed a major restructuring of its finances ("Reorganization Plan") and emerged from bankruptcy.¹ Birch South submitted a letter to the Commission on July 29, 2002, informing the Commission of the proposed Reorganization Plan, and describing the Reorganization Plan in greater detail. A press release describing Birch's successful reorganization is attached at Exhibit A.

As a result of implementation of the Reorganization Plan, Birch and Birch South are stronger than ever. Birch South appreciates your ongoing support of its continuing effort to bring affordable competitive telecommunications services into homes and businesses across the nation. If you would like further information regarding the Reorganization Plan, please contact the undersigned. Please stamp and return to me the additional copy provided for that purpose.

Very truly yours,



Jeffrey A. Marks

10/2/02
[Handwritten initials]

Enclosures

¹ Birch and all of its subsidiaries emerged from bankruptcy simultaneously.

EXHIBIT A

PRESS RELEASE



NEWS RELEASE

Contacts:

Trent Freeman
tfreeman@birch.com
Birch Telecom
(816) 300-3602

Evan Blackwell
eblackwell@birch.com
Birch Telecom
(816) 300-5716

Birch Telecom emerges from bankruptcy

Company's sales figures jump despite restructuring process

KANSAS CITY, MO., Monday, Sept. 30 — Birch Telecom has successfully completed the reorganization of its debt and emerged from bankruptcy today, just two months after filing for Chapter 11, the company announced.

"The completion of this transaction, in which our institutional lenders exchanged \$233M of debt for equity in the company, has significantly improved Birch's financial position," said Dave Scott, president and CEO of Birch.

"The resulting reduction in bank and bondholder debt, combined with the positive operating cash flow we started generating earlier this year, assures that Birch will be around for the long haul," Scott added.

Birch joins a select group of telecommunications service providers that have been able to quickly emerge from bankruptcy.

Scott emphasized that none of Birch's suppliers were impacted by the reorganization.

"All of the companies providing goods and services to Birch have been paid on a full and timely basis throughout the process," Scott said. "We neither sought nor received any reduction in trade debt.

"Now that we're done, we can again focus 100 percent of our efforts on delivering the honest value and better way of doing business upon which we've built our reputation," Scott added. "We look forward to serving our customers for years to come."

Scott noted the loyalty Birch's business and residential customers have demonstrated during the restructuring process, and he credited the company's value proposition, which touts superior service at reduced rates, with fueling continued growth.

Despite filing for bankruptcy at the end of July, Birch's sales figures for August were up 20 percent and are projected to be at about the same level for September.

"It is truly gratifying that we continued to grow the business even as we were going through the Chapter 11 process," Scott said. "The fact that our customers were absolutely unaffected by the process helped to minimize any concerns about Birch's financial status."

Scott stressed that he is extremely proud that Birch moved quickly through the process without compromising the interests of not only customers and suppliers but employees as well.

"I said there would be no affect on Birch employees, and there wasn't," Scott said. "We had no layoffs, no force reductions and no change in wages or benefits."

As anticipated, the United States District Court for the District of Delaware approved the company's plan, without modification, less than two weeks ago, clearing the way for the company to emerge from bankruptcy today.

Banks and bondholders representing 95% of Birch's debt endorsed the reorganization plan submitted with the company's Chapter 11 filing two months ago. The company had been working since early this year to reach agreement with its lenders on the specifics of the plan.

Under the plan, bank lenders have cut their debt in half to about \$100 million and received 80 percent of the company's equity. Bondholders exchanged all their debt -- about \$133 million -- for a 20 percent stake in the company.

About Birch

Serving small to mid-size businesses and residential customers, Birch Telecom offers local and long-distance telephone services on one bill across more than 40 major metro markets in 10 states. In addition, high-speed Internet access -- including T-1, DSL and ISDN -- is available to businesses in 12 major markets across Kansas, Missouri, Oklahoma and Texas. For more information about Birch, visit <http://www.birch.com>. Or, to get Birch telephone service in your home, call toll-free (866) 347-3843.