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THE FLORIDA PUBLIC SERVICE COMMISSION
Division of Competitive Markets & Enforcement
2540 Shumard Oak Blvd
Tallahassee, FL 32399-7019

(050000)

Dear Valued Customer:

As you may know, for several months, Birch Telecom has been working to address the operational and financial challenges the Company is facing in light of a regulatory ruling earlier this year by the Federal Communications Commission (FCC). This decision substantially increases Birch's costs for access to the incumbent telephone network.

As a result of these changed market conditions, we found it necessary to re-evaluate our sales and marketing strategy and to take appropriate action to reduce our debt.

On Friday, August 12, the Company and its subsidiaries each filed voluntary petitions under Chapter 11 of the U.S. Bankruptcy Code. It's important to note that Chapter 11 means **reorganization not liquidation**. Our goal is to preserve and strengthen our business so that we can compete successfully.

I assure you that **these actions will in no way impact the high level of quality service and support that you have come to expect from Birch**. We are simply taking this step to ensure adequate time to resolve some operational and financial issues.

No doubt some of our competitors will tell you that our filing means we're going out of business. These claims are totally false. The reality is that this financial transaction will make us stronger as we set our course for success and future growth. As we have for the past eight years, Birch will continue to offer an honest value and a better way of doing business.

In summary:

- Birch Telecom and its subsidiaries filed voluntary petitions under Chapter 11 of the U.S. Bankruptcy Code on Friday, August 12.
- We will continue to provide all of our customers with the same high-quality service and support. There will be no disruption.
- This is a positive step for Birch, as it is an opportunity to obtain a fresh start, continue to invest in our businesses and emerge as a stronger entity going forward.
- These efforts will only strengthen our business so that we can compete successfully in the future.

Again, thank you for your continued confidence in Birch. We value our relationship and look forward to serving you for many years to come. For more information and updates, I encourage you to visit our Web site at www.birch.com. I also invite you to contact us at any time. We want to hear from you.

Sincerely,

Mike Cassity
Chief Executive Officer and President

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