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CONSOLIDATED ANNUAL PROGRESS REPORT ON FIVE-YEAR PLAN TO ENHANCE WORKFORCE DIVERSITY

Filed Pursuant to Substantive Rule §26.85

For the Period October 1, 2003, through September 30, 2004

on Behalf of

BIRCH TELECOM OF TEXAS LTD., L.L.P. and IONEX COMMUNICATIONS SOUTH, INC.

WORKFORCE AND SUPPLIER DIVERSITY FORM **WORKFORCE DIVERSITY**

ORTING YEAR	A sian A merican Indian	Male Female Male Female	1 0 0 0	1 0 0	1 0 0 0	5 3 0 0	3 1 0 0	0 0 0	0		0 0 0		0 0	12 3 0 0	
FULL-TIME EMPLOYEES FOR REPO	anic	Female	0		0	10	9	0		0	0	(0	16	
	A frican Hispanic A merican	Male	3		6	22	1	0	0		0		0	42	
		Female		5	0	9	12	0			0		0	2.8	
TIME	Caucasian	M ale	5	7	7	3.0	5	0			0		0	40	
		Female	11		2	64	31	0	0		0		0	142	
TEXAS		Male	45	25	43	142	80	0	0		0		0	246	
<u> </u>		Female	12	18	2	86	50	0	0		0		0	189	
N UM BER O	Company Totals	Male	54	34	09	199	17	0	O	0	0		0	340	
	Combined Total		99	52	62	285	29	0	0	O	0		0	529	
	Occupational Categories		Officials and Managers	Professionals	Technicians	Sales Workers	Office and Clerical	Craft Workers (Skilled)	Onorotives (Sami abilled)	Operatives (Semi-skined)	Laborers (Unskilled)		Service Workers	Previous Year Totals	

NOTE: Double-click on embedded Excel chart to open. Click on a cell or use arrow keys to select an occupational category and ethnic group to update workforce diversity numbers. Do not enter information in Combined Total and Company Totals columns or the This Year Totals row as these will update automatically. Cells left blank will be counted as zero. Click anywhere outside of chart to exit.

¹ Please note these are consolidated numbers for Birch and Ionex, as the parent companies of these entities completed a merger in 2003.

WORKFORCE AND SUPPLIER DIVERSITY FORM COMPANY INITIATIVES

(1) Describe the specific initiatives, programs, and activities undertaken under the plan during the preceding year:

During the measurement period, Birch Telecom of Texas Ltd., L.L.P. (Birch) and Ionex Communications South, Inc. ("Ionex") (together, the "Companies") continued their Employee Referral Program. During the measurement period, the Companies made adjustments to the Employee Referral Program and increased the awareness regarding the program to their own employees. In particular, the Companies also targeted specific positions of need and publicized the program to all employees.

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WORKFORCE AND SUPPLIER DIVERSITY FORM COMPANY INITIATIVES

(2) Make an assessment of the success of each of the specific initiatives, programs, and activities listed above:

During the measurement period, the Companies continued to participate in Career and Job Fairs. The continued use of on-line recruiting tools such as careerbuilder.com and monster.com proved to be effective in identifying candidates for open positions.

(3) Describe the initiatives, programs, and activities the utility will pursue during the next year to increase the diversity of its workforce and contracting opportunities for small and historically underutilized businesses:

The Companies will continue to explore opportunities through websites when identifying candidates for open positions. The Companies plan to continue to participate in Job and Career Fairs and maintain membership in Chamber of Commerce programs.

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(4) State the specific progress made under the plan filed by the utility:

During the measurement period, the total number of minority employees increased by nine (9) when compared to the previous measurement period. The diversity numbers for the measurement period improved in the state of Texas as a percentage over the 2003 measurement period. African Americans and Asians both increased as a total during this measurement period.

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