

***2011 Diversity Procurement Report and 2012 Plan of
CoxCom, LLC, Cox Communications California, LLC and
Cox California Telcom, LLC***

***Submitted To Members of the
Assembly Utilities and Commerce Committee
and the
Senate Energy, Utilities and Communications Committee***

March 1, 2012





Cox Communications, Inc. provides cable, high-speed Internet, and wireline telephone service in California and 16 other states. In California, services are provided by its subsidiaries Cox Communications California, LLC¹, a cable corporation that provides video and high-speed Internet services, and Cox California Telcom, LLC², a California Public Utilities Commission-regulated telephone corporation providing voice and transport services. Both companies provide service to residential and business customers located in portions of Santa Barbara, Los Angeles, Orange and San Diego counties.

Cox believes firmly that when we do business with a greater array of companies, we benefit from a powerful breadth of experience, perspective and expertise, which helps enhance the services we provide to our customers. These relationships in turn help us all strengthen the economic infrastructure of our communities.

Cox is committed to cultivating and maintaining relationships with minority, women, veteran, and Lesbian, Gay, Bisexual or Transgender (“LGBT”) owned suppliers in the communities we serve and in our corporate headquarters in Atlanta, Georgia. Cox operates a comprehensive supplier diversity program that both reinforces and measures our work towards this goal.

In 2011, Governor Brown signed into law Assembly Bill 1386 (Bradford), amending California Public Utilities Code section 8283, which addresses women, minority and disabled veteran owned business enterprise procurement. Section 8283(f)(2) encourages video providers, including cable corporations, to adopt procurement practices aimed at increasing women, minority and disabled veteran business enterprise procurement, and to voluntarily file reports of such activity with the Legislature on an annual basis.

This report provides information about Cox Communication’s national and California specific procurement activities. Reported procurement represents our spend nationwide.

David Bialis
SVP and GM, Cox California

¹ On January 1, 2012, Cox Communications California, LLC began offering video and Internet services in California. Prior to this, those services were provided by its parent company, CoxCom, LLC. There currently is pending before the CPUC an application to transfer control of Cox California Telcom, LLC from CoxCom, LLC to Cox Communications California, LLC. All of these companies are 100% owned by Cox Communications, Inc.

² Cox Telcom, LLC is a public utility and subject to General Order 156, but does not have any reportable procurement activities. Cox Telcom also is filing a copy of this report with the California Public Utilities Commission.

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Supplier Diversity Activities Engaged In During 2011

INTERNAL PROGRAM ACTIVITIES

Cox Diversity Councils

To help support our Diversity objectives, Cox established local Diversity Councils in 2007 for each of the systems it operates across the country. Cox's California Diversity Council supports our operations throughout the state. Modeled after the Executive Diversity Council at our corporate headquarters, the local Diversity Councils are charged with expanding our diversity efforts in terms of employment, community, customers and purchasing.

The Diversity Councils are made up of a cross-representational group of employees, and take a "think-tank" approach of focusing and increasing Cox's reach by identifying and aligning with the make-up of the communities we serve.

Our California local Diversity Council has a Supplier Diversity Subcommittee under the sponsorship and guidance of our local Vice President of Business Operations and our California Director, State Regulatory Affairs provides support to the group as its Resource Leader. The Diversity Councils help to increase Cox's supplier diversity by:

- Identifying diverse supplier resources;
- Helping match local needs with available diverse suppliers nationwide; and
- Working with other Cox systems' Supplier Diversity sub-committees and our corporate Supply Chain Management team to improve our efforts.

Supply Chain Management

Cox's supplier diversity program is managed by members of our corporate Supply Chain Management team. These employees and managers provide support to Cox's local operations and purchasing managers by assisting them to identify, negotiate and utilize suppliers, including diverse suppliers.

Through their participation in recruiting and outreach, membership in supplier diversity organizations and experience in strategic sourcing, Cox's Supply Chain Management team is able to best leverage opportunities both locally and on a national basis, allowing Cox to provide the greatest opportunities for our diverse suppliers.

Education and Awareness

Cox offers its purchasing managers supplier diversity training called "Why Diversity Matters." This training provides managers with a foundation for understanding Cox's supplier diversity program, developing common language and informing managers of the social and economic value of having a thriving program.

In order to build awareness of our supplier diversity program, and maximize the use of diverse suppliers, Cox local Diversity Council representatives meet with purchasing managers and business groups to discuss opportunities. These awareness sessions give

Diversity Council representatives an opportunity to highlight certain diverse suppliers, review the various tools that are available for purchasing managers to identify a diverse supplier and reinforce the benefits of having a successful program.

In order to assist purchasing managers, Cox has developed several Job Aids and tools that can be used as a quick reference for our purchasing managers to aid them in locating a diverse supplier when a purchasing need arises.

Support

To help ensure that diverse suppliers are continually included in the solicitation process, Cox purchasing managers have access to diverse supplier databases such as Cox's own supplier database, the Minority Business Information System (MBISYS) – an online, national database that provide comprehensive information on more than 15,000 of America's top minority-firms, and the CPUC's Utilities Supplier Diversity Database.

Supplier Certification

Cox tracks spend with Minority Business Enterprises ("MBE"), Women-owned Business Enterprises ("WBE"), Veteran-owned Business Enterprises, which includes service-disabled veteran-owned businesses ("VBE") and Lesbian Gay Bi-sexual or Transgender ("LGBT")-owned business. Cox only recognizes diverse suppliers who have certified their status through organizations such as the National Minority Supplier Development Council ("NMSDC"), Women's Business Enterprise National Council ("WBENC"), the Veteran's Administration and the National Gay & Lesbian Chamber of Commerce. In 2012, Cox began recognizing those diverse suppliers who register with the California Clearinghouse.

Cox utilizes the services of a third party, CVM, to confirm vendor certification and we work closely with our vendors to assist them with the certification process.

Enhanced Reporting

Cox recently enlisted a third party, CVM, to develop enhanced reporting capabilities concerning Cox's diversity spend. Beginning next year, Cox will have reporting functionality that will enable Cox to monitor its MBE spend by specific ethnic category. This will assist Cox in identifying groups that may require additional focus for future procurement.

Tier II Program

A Tier II requirement is the best way of ensuring that as many companies as possible are providing diverse suppliers with scalable business opportunities. Cox believes that this effort will enhance corporate competitiveness, increase the economic advancement of its community and is ultimately good for overall business growth.

For several years, Cox has included in vendor agreements of at least \$500K, terms that endorse a policy of using diverse suppliers for work related to the products or services the vendors provide to Cox. In 2011, Cox took this practice a step farther by introducing language that, based on a threshold amount of spend and the type of service provided,

commits vendors to a specific percentage for Tier II spend. For instance, Cox recently entered into a \$14M contract with a third party logistics provider. This agreement incorporates Cox's new Tier II policy and requires the vendor to use reasonable efforts to direct at least 20% of its total spend related to its agreement with Cox to certified diverse suppliers.

Suppliers with Tier II requirements provide quarterly reports to Cox. To help manage this process, Cox created an online tool that allows suppliers to report the amount they spend with diverse sub-contractors for Cox projects.

All Cox Request For Proposals ("RFP") contain Cox's policy for using diverse suppliers. Additional points are awarded during supplier evaluation to suppliers with Tier II commitments.

Ensuring Our Program Truly Offers Opportunities for Diverse Vendors

It is critical to ensure that a supplier diversity program is effective in meeting the goals it was developed to achieve. This is why in 2011, Cox began a process of reviewing the policies supporting its supplier diversity program in an effort to make sure that Cox had not unintentionally created barriers for diverse suppliers to do business with us. This review looked at the attitude of our employees, the processes diverse suppliers use to try to do business with Cox and the evaluation process Cox uses to select suppliers.

Attitude:

In order to have an effective program, our attitude must be that diverse suppliers are fully capable of getting the job done and competing on price as well as any other vendor. This attitude needs to come from the very top of the organization so that it is modeled at every level within the organization.

Diversity is a key component of Cox's culture and this attitude starts with our president Pat Esser. Pat heads Cox's corporate Diversity Council, and, as discussed above, under his leadership, Cox has implemented Diversity Councils in each of Cox's nine operational areas across the country. Cox's Diversity Councils ensure diversity in the four pillars of our operations: our people, our communities, our products & services and the companies we do business with.

Process:

The next review was of our company's procurement processes. Cox reviewed its vendor registration, RFP and other procurement processes to ensure that they allow fair opportunity for all. One result has been a modification to our RFP templates to reflect our willingness for joint ventures to respond to an RFP and to perform the requested services.

Evaluation:

Lastly, Cox reviewed its vendor evaluation criteria to make sure nothing systemically biases our decision-making against a diverse supplier. One thing we have looked at is whether our evaluation criteria favor large and/or publicly traded companies. For instance, we recognized that it is more difficult to obtain financial data of privately-held companies than public companies. Because most diverse companies are privately held, our reliance on things such as Dunn & Bradstreet reports for a financial evaluation was creating an unintended bias favoring public companies. To address this, we have put the burden on ourselves to increase our expertise at acquiring and analyzing financial information that can be provided by privately held companies.



EXTERNAL PROGRAM ACTIVITIES

Diversity Organizations and Business Councils

Cox actively participates and holds leadership positions in many organizations that support, develop and promote diversity, including diverse suppliers. Through our membership, Cox has opportunity to meet many potential diverse suppliers as well as provide advice to potential vendors on doing business with Cox.

Although Cox participates in organizations and business councils that focus on promoting diversity throughout its entire footprint, the following list is representative of its California and corporate-level participation:

- National Minority Supplier Development Council
- National Hispanic Corporate Council
- Woman's Business Enterprise Council
- San Diego Regional National Minority Supplier Development Council
- San Diego Diversity Council
- Santa Barbara Hispanic Chamber of Commerce
- Santa Barbara Women's Festival
- Girls Inc. of Santa Barbara
- The San Diego LGBT Community Center
- Mexican American Business & Professional Association
- Chicano Federation of San Diego
- MANA de San Diego
- Asian Business Association
- Filipino Chamber of Commerce
- Girls Incorporated of San Diego County
- Empowered Girl Alliance/Women Worldwide West Coast
- Women's Resource Center

California Cable Industry Supplier Diversity Best Practices

In an effort to identify best practices of other companies in our industry, and to identify potential opportunities for supplier development, in July 2010 Cox co-hosted at its San Diego offices, the first California Cable Industry Supplier Diversity Best Practices Summit. Attended by several California cable companies and by the California Cable and Telecommunications Association (“CCTA”), the group shared information about each company’s supplier diversity programs, which included discussions about various practices related to outreach, education and awareness, and development. The group continues to meet on a regular basis, sharing best practices and ideas for expanding existing efforts and planning joint efforts to increase our use of diverse suppliers.



California Cable Supplier Diversity Matchmaking Fair

In 2011, Cox enlisted Comcast, Time Warner and Charter, to jointly host a supplier diversity matchmaking fair and expo. The event was attended by over 100 vendors and more than 30 representatives from our four companies, who met with the vendors at individual matchmaking and networking sessions. We also had several organizations on hand to share information about supplier certification process and support, including the CPUC, the Walter Kaitz Foundation, Elite Service Disabled Veteran Owned Business Network and the Southern California Minority Business Development Counsel. The Fair was a success and Cox and the other cable companies look forward to hosting another supplier diversity event in 2012.

Additional Outreach Activities

Cox participates in many events that provide opportunities for Cox to meet potential diverse suppliers. Additionally, Cox sponsors events that bring recognition to organizations and suppliers making great strides in supplier diversity programs. In 2011, Cox participated in or hosted the following events:

- Regional NMSDC Business Opportunity Luncheons
- Regional NMSDC Business Opportunity Expo & Conferences
- NMSDC National Conference
- WBENC Conference
- Walter Kaitz supplier Diversity Workshop at the National Cable Telecommunications Conference
- Regional NMSDC Year-end Celebration at Cox's headquarters (Cox hosted)
- Procurement Conferences for diverse suppliers at Cox's corporate headquarters
- San Diego Regional NMSDC Supplier Diversity Awards Ceremony

National Diversity Partnerships

Cox has forged partnerships with major national diversity organizations. In addition to providing cash and in-kind support to these organizations, Cox engages in many local partnership opportunities with these organizations in support of our business and social responsibility goals:

- National Urban League, the nation's largest community-based movement devoted to empowering African American's enter the economic and social mainstream;
- National Council of La Raza, the nation's largest Latino civil rights and advocacy organization
- Human Rights Campaign, the nation's largest civil rights organization working to achieve lesbian, gay, bi-sexual and transgender equality.

Industry Diversity Partnerships

Cox is also a proud sponsor of cable and telecommunications industry organizations, which benefit minorities and advocate diversity and development, and in which our employees invest countless volunteer hours:

- National Association for Multi-Ethnicity in Communications (NAMIC)
- Women in Cable Telecommunications (WICT)
- The Walter Kaitz Foundation
- Emma L. Bowen Foundation for Minority Interests in Media
- Cable Positive

Board Membership and Committee Participation in Diverse Organizations

Cox senior leaders and executives hold board and committee positions in many of the organizations that Cox supports. Through this participation, Cox is able to assist in the direction of the organization and support the organizations' efforts. A sample of Cox's board and committee participation includes the following:

- Executive Board member, National Minority Supplier Development Council ("NMSDC") Chair, Special Arrangements Committee, NMSDC
- Chair of Finance Committee, regional NMSDC
- Board member, regional NMSDC
- Member Supplier Certification Committee, regional NMSDC

Awards and Recognition

Cox has received numerous awards and recognition for its commitment to diversity in general. Among these are:

- DiversityInc Top 50 Companies for Diversity® – five consecutive years with distinction among the Top 25 companies, 2006-2011
- DiversityInc Top 10 Companies for Supplier Diversity – 2011
- DiversityInc Top 10 Companies for Blacks - 2011
- Best Operator for Women in Cable –eight consecutive years, Women in Cable Telecommunications PAR Survey, 2004-2011
- The Minority Corporate Counsel Association (MCCA) honored Cox Communications (Atlanta) as an Employer of Choice, recognizing the diversity initiatives and inclusive policies of Cox's corporate legal department, 2005

Supplier Diversity Website

Cox's supplier diversity website (<http://ww2.cox.com/aboutus/sandiego/diversity.cox>) provides a venue for suppliers to connect with Cox divisions that may need their services. Suppliers may register to do business with Cox via our supplier diversity web portal. Registration allows suppliers to participate in up-coming solicitations for products and services by Cox purchasing managers nationwide.

Cox Supplier Diversity Progress in 2011

The following reflects purchases nationwide (including California) from Minority Business Enterprises, Women-owned businesses, Veteran-owned businesses and Lesbian Gay Bisexual or Transgender (“LGBT”)-owned businesses, as well as the Tier II spend of our direct suppliers.

Category*	2011 - Total (millions)
MBE	\$106.80
Diverse	\$93.55
Tier II (MBE and Diverse)	\$26.90
TOTAL	\$227.25
% of Discretionary Spend	19.70%

*At this time, Cox is unable to identify spend by ethnicity. We anticipate having this reporting ability in place for next year’s report.

Procurement Dollars (millions)	2007	2008	2009	2010	2011
MBE	\$65.6	\$91.3	\$100.22	\$110.5	\$106.80
Diverse	\$129.21	\$161.03	\$108.31	\$104.05	\$93.55
Tier II	\$4.29	\$4.68	\$7.11	\$14.7	\$26.9
TOTAL	\$199.1	\$257.01	\$215.64	\$229.25	\$227.25
% of Spend	N/A	N/A	18.27%	17.87%	19.70%

Cox Supplier Diversity 2012 Goals

Cox recognizes the value of investing in diversity and therefore we will continue to challenge ourselves to increase our use of diverse suppliers. To this end, Cox has established a 2012 target of making 22% of its discretionary purchases from MBE and Diverse Suppliers.



Encouraging Entry Where There Has Been Low Utilization

Cox recognizes that certain fields, such as financial and legal services, tend to attract a smaller amount of women and minorities. In 2005, Cox began utilizing the legal services of a California-based, woman-owned law firm. Since that time, Cox has used this firm almost exclusively for representation before the CPUC and advice on California regulatory matters.

Starting in 2012, Cox's Nevada affiliate began using this woman-owned law firm for Regulatory matters in Nevada.



Supplier Diversity Activities Planned for 2012

Cox will continue its efforts at recruiting and awareness and has the following activities planned for 2012:

- Regional and National recruiting and mentoring events sponsored by NMSDC;
- Host supplier diversity recruiting and educational events at a Cox California location;
- Participate in California cable industry sponsored supplier diversity recruiting event;
- Participate in local and national chamber and minority business association-sponsored diversity events;
- Continue to work with California cable companies to increase opportunities for diverse suppliers in our industry;
- Continue to participate, and hold Board and committee membership, in organizations, such as NMSDC and WBENC, that promote diverse suppliers;
- Continue work with prime contractors to increase their use of diverse suppliers to ensure they are meeting or exceeding their Tier II contractual obligations
- Meet with organizations that represent diverse suppliers in an effort to recruit new diverse suppliers.



Conclusion

Cox remains committed to ensuring opportunities for diverse suppliers in the communities we serve and in our corporate headquarters in Atlanta, Georgia. We have shown great progress and in 2011 spent over \$227 million, or 19.7% of our discretionary spend, with diverse suppliers. Through our ongoing external and internal activities we believe we can increase our diverse spend to 21% in 2012.

