

CAPTION SHEET

USE MANAGEMENT SYSTEM

1. REPORT DATE: 00/00/00 :
 2. BUREAU: FUS :
 3. SECTION(S) : :
 5. APPROVED BY: : 4. PUBLIC MEETING DATE:
 DIRECTOR: : 00/00/00
 SUPERVISOR: :
 6. PERSON IN CHARGE: : 7. DATE FILED: 03/26/03
 8. DOCKET NO: A-311258 : 9. EFFECTIVE DATE: 00/00/00

PARTY/COMPLAINANT:

RESPONDENT/APPLICANT: C III COMMUNS OPERATIONS LLC

COMP/APP COUNTY:

UTILITY CODE: 311258

ALLEGATION OR SUBJECT

JOINT APPLICATION OF C III COMMUNICATIONS, LLC, C III COMMUNICATIONS OPERATION LLC, BROADWING COMMUNICATIONS SERVICES, INC., AND BROADWING TELECOMMUNICATIONS INC FOR A CERTIFICATE OF PUBLIC CONVENIENCE TO EFFECT: 1) THE TRANSFER OF ASSETS FROM BROADWING COMMUNICATIONS SERVICES, INC., AND BROADWING TELECOMMUNICATIONS, INC TO C III COMMUNICATIONS OPERATIONS, LLC; 2) THE ABANDONMENT OF SERVICE FOR BROADWING COMMUNICATIONS SERVICES, DOCKETED AT A-310287F2000, AND BROADWING TELECOMMUNICATIONS, INC., DOCKETED AT A-310161F2000, AND 3) THE APPROVAL OF C III COMMUNICATIONS OPERATIONS, LLC, TO OFFER, RENDER, FURNISH OR SUPPLY TELECOMMUNICATIONS SERVICES TO THE PUBLIC IN THE COMMONWEALTH OF PENNSYLVANIA AS AN INTEREXCHANGE CARRIER, DOCKETED AT A-311258.

DOCKETED

APR 09 2003

DOCUMENT
FOLDER



McNees Wallace & Nurick LLC
attorneys at law

ORIGINAL

DERRICK P. WILLIAMSON
DIRECT DIAL: (717) 237-5446
E-MAIL ADDRESS: DWILLIAMSON@MWN.COM

RECEIVED
MAR 25 PM 3:56
BUREAU

March 26, 2003

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
2nd Floor North – Filing Room
Harrisburg, PA 17120

A-311258

Via Hand Delivery

RE: Joint Application of C III Communication, LLC, C III Communications Operations, LLC, Broadwing Communications Services Inc., and Broadwing Telecommunications Inc. for a Certificate of Public Convenience to Effect:

- (a) **Transfer of assets from Broadwing Communications Services Inc. and Broadwing Telecommunications Inc. to C III Communications Operations, LLC;**
- (b) **Abandonment of service for Broadwing Communications Services Inc. and Broadwing Telecommunications Inc. at Docket Nos. A-310287 and A-310161, respectively, and;**
- (c) **Approval of C III Communications Operations, LLC, as an interexchange carrier.**

DOCUMENT
FOLDER

Dear Secretary McNulty:

Enclosed for filing with the Commission please find an original and three (3) copies of the following:

- (1) Joint Application of C III Communication, LLC, C III Communications Operations, LLC, Broadwing Communications Services Inc., and Broadwing Telecommunications Inc. as captioned above;
- (2) Petition for Protective Order;
- (3) *Pro forma* financial information for C III Communications Operations, LLC, under seal;
- (3) A check in the amount of \$350.00, in the nature of an application fee, with respect to this Joint Application.

Copies of this filing have been served upon the parties and in the manner indicated on the attached Certificate of Service, except for the confidential *pro forma* financial information.

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James J. McNulty, Secretary
March 26, 2003
Page 2

Please date stamp the extra copy of this transmittal letter and kindly return it to us for our filing purposes. Thank you.

Sincerely,

McNEES WALLACE & NURICK LLC

By


Derrick P. Williamson

Counsel to C III Communication, LLC,
C III Communications Operations, LLC,
Broadwing Communications Services Inc.,
and Broadwing Telecommunications Inc.

DPW/lhe

c: Certificate of Service
Mr. C. Barney Glunz, Bureau of Fixed Utility Services (via hand delivery)
Ms. Rhonda J. Staver, Bureau of Fixed Utility Services (via hand delivery)

CERTIFICATE OF SERVICE

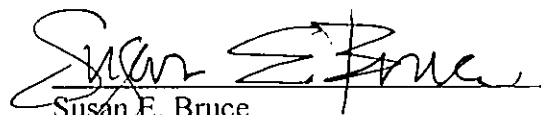
I hereby certify that I am this day service a true copy of the foregoing document upon the participants listed below in accordance with the requirements of Section 1.54 (relating to service by a participant).

VIA FIRST-CLASS MAIL

Irwin A. Popowsky, Esq.
Office of Consumer Advocate
555 Walnut Street
Forum Place, Fifth Floor
Harrisburg, PA 17101

Office of the Attorney General
Office of Consumer Protection
Strawberry Square, 14th Floor
Harrisburg, PA 17120

Office of Small Business Advocate
Suite 1102, Commerce Building
300 North Second Street
Harrisburg, PA 17101


Susan E. Bruce

Dated this 26th day of March, 2003, in Harrisburg, Pennsylvania.

SECRETARY'S BUREAU

03 MAR 26 PM 3:56

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

DOCUMENT
FOLDER

SECRETARY'S BUREAU

03 MAR 26 PM 3:57

Joint Application of C III Communications, LLC,
C III Communications Operations, LLC,
Broadwing Communications Services Inc., and
Broadwing Telecommunications Inc.
for a Certificate of Public Convenience to Effect:

- (a) Transfer of assets from Broadwing Communications Services Inc. and Broadwing Telecommunications Inc. to C III Communications Operations, LLC;
- (b) Abandonment of service for Broadwing Communications Services Inc. and Broadwing Telecommunications Inc.; and
- (c) Approval of C III Communications Operations, LLC, as an interexchange carrier.

Docket No. A-

A-311258

Docket No. A-310287

Docket No. A-310161

~~APPROVED~~

APR 09 2003

JOINT APPLICATION

C III Communications, LLC ("C III"), C III Communications Operations, LLC ("C III Ops"), Broadwing Communications Services Inc. ("Broadwing CSI"), and Broadwing Telecommunications Inc. ("Broadwing TI") (collectively, "Applicants"), through their undersigned counsel and pursuant to Sections 1101 and 1102 of the Pennsylvania Public Utility Code, 66 Pa. C.S. §§ 1101 & 1102, hereby request that the Pennsylvania Public Utility Commission ("PUC" or "Commission") approve: (1) the transfer of assets from Broadwing CSI and Broadwing TI to C III Ops, which will enable Broadwing CSI's and Broadwing TI's current Pennsylvania operations to continue without interruption through C III Ops; (2) Broadwing CSI's and Broadwing TI's abandonment of their authority to offer, render, furnish, or supply telecommunications services as interexchange carriers in Pennsylvania; and (3) the application of

C III Ops for authority to offer, render, furnish, or supply telecommunications services as an interexchange carrier (both reseller and facilities-based) throughout the Commonwealth of Pennsylvania.

On February 22, 2003, C III Ops and its parent company, C III (collectively, "C III Companies"), entered into a purchase agreement with Broadwing CSI to acquire its broadband business, including the assets and customers of Broadwing TI (collectively, "Broadwing Companies").¹ The proposed transaction contemplates that Broadwing CSI would sell to C III its entire broadband business, which includes interstate and intrastate long distance and private line services. C III, through its wholly owned subsidiary, C III Ops, would continue to provide service to all of Broadwing CSI's and Broadwing TI's existing customers under the trade name "Broadwing." In addition, C III Ops would retain all of Broadwing CSI's current employees.² The operating authority requested in this Application is necessary in order for C III Ops to take ownership and control of those assets and continue to provide services to the customers currently served by the Broadwing Companies.³

Under the proposed transaction, substantially all of the assets of Broadwing CSI, including all of the assets and customers of its wholly owned subsidiary, Broadwing TI, shall be transferred to C III Ops. This transaction is subject to approval by the Federal Communications Commission ("FCC") and a number of state regulatory commissions, including this Commission.

Approval of this Application will enable Broadwing CSI's and Broadwing TI's current Pennsylvania operations to continue without interruption through C III Ops. In support of this Joint Application, Applicants state as follows:

¹ A copy of the Purchase Agreement is included herein as Exhibit A.

² Broadwing TI does not retain separate employees.

³ Exhibit B includes charts illustrating the current corporate structure, proposed transaction and proposed final corporate structure.

I. TRANSFER OF ASSETS

A. Description of the Applicants

1. C III Communications, LLC ("C III")

C III is a privately held Delaware limited liability company. C III is the parent company of C III Ops. C III does not currently hold any authority to provide telecommunications services. Upon the closing of the proposed transaction, C III will be renamed "Broadwing Communications, LLC." Attached hereto as Exhibit C is a list of C III's officers and directors.

In addition, provided hereto as Exhibit D is a description of C III's current and proposed ownership. As noted in Exhibit D, C III is currently owned by Corvis Corporation and Cequel III, LLC. Set forth below are descriptions of these two companies.

a. Corvis Corporation ("Corvis")

Corvis, a Delaware corporation, is a publicly-traded company (NASDAQ: CORV). Corvis is a world leader in the provision of optical network solutions. Corvis is the majority and controlling owner of C III. From point-to-point links to all-optical networks to transoceanic systems, Corvis delivers innovative optical network solutions that drive carrier profitability faster than any other vendor. Headquartered in Columbia, Maryland, Corvis provides carriers with scalable optical networking solutions and services that dramatically reduce the overall expenses associated with building and operating networks. Carriers deploying Corvis' optical network solutions can provision new wavelength-based services and tailor dynamic service-level agreements for rapid revenue generation. Corvis does not currently hold any authority to provide telecommunications services.

b. Cequel III, LLC ("Cequel III")

Cequel III was founded in January 2002 as a privately held Delaware limited liability company. Cequel III is a minority owner of C III and would control less than one percent of the voting interests of C III. Cequel III's mission is to acquire or invest in, and subsequently manage, growth-oriented firms in the telecommunications and cable industries, focusing on those companies that offer platforms for future acquisitions and industry consolidation.

In May 2002, Cequel III made equity investments in and assumed management of AAT Communications Corporation, which owns or manages more than 6,000 tower sites across the United States, leasing tower space for wireless voice and data services to a broad tenant base. On February 12, 2003, Cequel III announced that it had assumed management of and agreed to invest in Classic Communications, a cable provider with approximately 325,000 subscribers. On February 21, 2003, Cequel III announced that, subject to regulatory approvals and customary closing conditions, it had entered into an agreement with certain affiliates of Shaw Communications, Inc., to purchase that company's Texas-based cable systems, which serve approximately 27,000 customers.

2. C III Communications Operations, LLC ("C III Ops")

C III Ops is a Delaware limited liability company that is wholly owned by C III.⁴ By this Application, C III Ops seeks to become the certificated service provider and enter into contracts with customers for the provision of services. C III Ops does not currently hold any authority to provide telecommunications services. Accordingly, as a condition precedent to the closing of the proposed transaction, C III Ops is seeking authority, where required, to provide competitive telecommunications services throughout the United States, including the authority

⁴ Attached hereto as Exhibit E are copies of C III Ops' Certificate of Formation and Certificate of Good Standing from the Delaware Secretary of State.

that is sought in this Application.⁵ In addition, C III Ops is seeking all necessary authority from the Federal Communications Commission ("FCC"). Upon the closing of the proposed transaction, C III Ops will be renamed "Broadwing Communications, LLC."⁶ Information concerning C III Ops' financial, managerial and technical qualifications to provide the telecommunications services for which authority is requested is set forth below in Section I.C.⁷

3. Special Purpose Entities ("SPEs")

Four Special Purpose Entities ("SPEs") have been organized to hold the assets of C III Ops.⁸ These include: C III Communications Real Estate, LLC, which would hold all of the real property used to provide the services offered by C III Ops; C III Communications IRU, LLC, which would hold all of the Indefeasible Rights of Use ("IRUs") used to provide the services; C III Communications Assets, LLC, which would be used to hold all assets, other than those held by C III Communications Real Estate, LLC, or C III Communications IRU, LLC, used to provide the services; and C III Communications Employees, Inc., which would employ all the employees used to provide the services.⁹

All of the SPEs are Delaware limited liability companies, except C III Communications Employees, Inc., which is a Delaware corporation. All of the SPEs are wholly owned by C III Ops. Upon closing, the SPEs would be renamed Broadwing Communications Real Estate, LLC;

⁵ Attached here to as Exhibit F is C III Ops' Application for a Certificate of Authority to Transact Business in the Commonwealth. Applicant is in the process of obtaining its Certificate of Authority to Transact Business in Pennsylvania, and will forward it to the Commission upon approval.

⁶ Applicants seek the Certificate of Public Convenience requested herein for C III Ops be in the name of "C III Communications Operations, LLC." Following the closing of the proposed transaction, C III Ops will submit to the Commission any necessary filings to effectuate its name change.

⁷ Attached hereto as Exhibit G is a list of C III Ops' officers and directors.

⁸ C III Ops will file any necessary affiliated interest agreements at the direction of the Commission.

⁹ Pursuant to the Agreement, all Broadwing CSI employees (Broadwing TI does not have any employees) will be offered employment by C III. Applicants have no reason to believe that such employment offers will not be accepted and their joint expectation is that all Broadwing CSI's current employees will become employees of C III.

Broadwing Communications IRU, LLC; Broadwing Communications Assets, LLC; and Broadwing Communications Employees, Inc.

4. Broadwing Inc. ("Broadwing")

Broadwing Telecommunications Inc. ("Broadwing TI"), a Delaware corporation, is a wholly owned subsidiary of Broadwing Communications Services Inc. ("Broadwing CSI"), a Delaware corporation. Broadwing CSI is a wholly owned subsidiary of Broadwing Communications Inc. ("Broadwing Communications"), a Delaware corporation, which in turn is a wholly owned subsidiary of Broadwing Inc. ("Broadwing"), an Ohio corporation. Broadwing Inc., a publicly traded company (NYSE: BRW), is an integrated communications company comprised of Broadwing Communications and Cincinnati Bell.¹⁰

Broadwing Communications is an industry leader as the world's first intelligent, all-optical, switched network provider and offers businesses nationwide a competitive advantage by providing data, voice, and Internet solutions that are flexible, reliable, and innovative on its 18,700-mile optical network and its award-winning IP backbone. Cincinnati Bell is one of the nation's oldest, most respected and best performing local exchange and wireless providers with a legacy of unparalleled customer service excellence. Cincinnati Bell provides a wide range of telecommunications products and services to residential and business customers in Ohio, Kentucky, and Indiana. Broadwing Inc., is headquartered in Cincinnati, Ohio. Upon closing the proposed transaction, Broadwing Inc., will have a minority (less than three percent) non-voting interest in C III, and Broadwing Inc., Broadwing Communications, Broadwing CSI and Broadwing TI will all be renamed to a name that does not include "Broadwing."

¹⁰ The proposed transaction does not involve the transfer of any of the assets of Cincinnati Bell.

5. Broadwing Communications Services Inc. ("Broadwing CSI")

Broadwing CSI is authorized to provide interexchange services in forty-eight states, including Pennsylvania. Broadwing CSI currently does not serve end-use customers but serves as a wholesale provider of service to other carriers. Broadwing CSI received its authority to provide interexchange services in Pennsylvania on June 8, 1995, in Docket No. A-310287, under the name IXC Long Distance, Inc. ("IXC-LD"). As the Commission was previously notified, IXC-LD's name was later changed to IXC Communications Services, Inc., and then to Broadwing CSI.

6. Broadwing Telecommunications Inc. ("Broadwing TI")

Broadwing-TI is authorized to provide resold intrastate interexchange services in forty-eight states, including Pennsylvania. Broadwing TI received its authority to provide resold telecommunications services in Pennsylvania on September 9, 1993, in Docket No. A-310161, under the name Network Long Distance, Inc. ("Network"). As the Commission was previously notified, Network's name was later changed to Eclipse Telecommunications, Inc., and then to Broadwing TI. Broadwing TI currently resells Broadwing CSI's long distance services to end-use customers.

B. Contact Information

For purposes of this Application, contacts for Applicants are as follows:

For C III Companies:

Robert E. Stup, Jr.
Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.
701 Pennsylvania Avenue, NW
Washington, DC 20004-2608
(202)661-8711 (p)
(202)434-7400 (f)
restup@mintz.com

For Broadwing Companies:

James E. Magee
Jennifer A. Newberry
The Magee Law Firm, PLLC
1111 Nineteenth Street, NW
Suite 1200
Washington, DC 20036
(202)429-0004 (p)
(202)429-8743 (f)
jmagee@mageelawfirm.com
jnewberry@mageelawfirm.com

For Applicants generally:

Derrick P. Williamson
Susan E. Bruce
Charis M. Burak
McNees Wallace & Nurick LLC
100 Pine Street
Harrisburg, PA 17108
(717)232-8000 (p)
(717)237-5300 (f)
dwilliamson@mwn.com
sbruce@mwn.com
cburak@mwn.com

C. Financial, Managerial and Technical Qualifications of C III Ops

The financial, managerial and technical qualifications of C III Ops to provide competitive telecommunications in Pennsylvania will be met through the proposed acquisition of the businesses of Broadwing CSI and Broadwing TI and is thus largely a matter of Commission record. The Commission has already found Broadwing CSI and Broadwing TI to be qualified to provide competitive telecommunications in Pennsylvania.

Under the proposed transaction, Broadwing CSI's existing employees, who already have a proven track record, will be employed by C III Ops, thus assuring operational continuity.¹¹

¹¹ As stated above, the employees would be employed by C III Communications Employees, Inc., a wholly owned subsidiary of C III Ops. All references herein to transferring employees to C III Ops shall mean C III Communications Employees, Inc.

The proposed transaction will also enhance these existing qualifications because of the additional financial, managerial, and technical abilities that will be contributed by the ultimate owners of C III Ops, which are Corvis and Cequel III.

1. Financial Qualifications

When the Broadwing Companies were initially granted their Certificates of Public Convenience, Broadwing CSI and Broadwing TI were found by the Commission to be financially qualified to provide telecommunications services in Pennsylvania. Attached hereto as Exhibit H are unaudited financial statements of Broadwing CSI and Broadwing TI for the past two years. While the Companies have had significant operating losses over the last two years, the results from operations have been improving because Broadwing-CSI has previously taken the necessary steps to reduce operating expenses and capital expenditures.

Furthermore, certain income statement and balance sheet items are not applicable to C III Ops. For example, C III Ops is not acquiring any of the existing debt of Broadwing CSI or Broadwing TI. In addition, the value of long-term assets, including associated depreciation and amortization, as well as long-term liabilities and shareholder's equity will be determined and allocated once the transaction is closed. Such valuations will be based on the purchase price of the assets and not the historical costs.

More importantly, the additional financial resources available to the business as a result of the proposed transaction will better ensure its continued viability. Corvis and Cequel III plan to invest substantial capital to purchase the assets of Broadwing CSI and Broadwing TI. The C III Ops investors negotiated the proposed transaction at arms-length. Combined, Corvis and Cequel III will pay approximately \$129 million in cash and have every incentive to ensure the financial success of C III Ops and a positive return on their investment. To that end, Corvis has

committed to making a working capital infusion of up to \$50 million on an as-needed basis, but, in any event, by not later than December 31, 2003. This infusion will provide C III Ops with additional financial resources in case of any unforeseen operating deficits or in order to further expand services. Attached hereto as Exhibit I are *pro forma* financial statements for C III Ops.¹² As demonstrated by the *pro forma* statements, the working capital infusion is expected to provide C III Ops with adequate reserves until its operations are cash flow positive.

Also attached hereto as Exhibit J is the most recent 10-Q filing of Corvis. This filing demonstrates that Corvis has the financial resources necessary to contribute the \$50 million in working capital and is otherwise qualified to be the controlling owner of a competitive telecommunications service provider certificated in Pennsylvania.

In short, if the financial resources of Corvis were combined with the operations of Broadwing CSI and Broadwing TI, the financial qualifications of the resulting business would be significantly improved. C III Ops would be better positioned than Broadwing-CSI or Broadwing-TI to continue to provide and expand service offerings to their Pennsylvania customers.

2. Technical Qualifications

The proposed transaction will have no negative impact on C III Ops' technical ability to continue to operate, maintain, and expand the existing service offerings of Broadwing CSI and Broadwing TI in Pennsylvania. All of the technical personnel, including the Chief Technology Officer, network engineers and field technicians employed by Broadwing CSI will be transferred to C III Ops under the proposed transaction.

¹² Because of the sensitive, highly confidential nature of C III Ops' *pro forma* financial statements, C III Ops' seeks protective treatment for Exhibit I by a Petition for Protective Order filed concurrently with this Joint Application.

In addition, the network that will be transferred to C III Ops is primarily designed around Corvis equipment. All of the technical expertise of Corvis, a world leader in the design, manufacture, and support of high-performance all-optical and electrical/optical communications systems, will thus be available to C III Ops. There is simply no better-qualified company to support C III Ops' network. Accordingly, the technical qualifications of C III Ops and Corvis will be sufficient to operate, maintain, and expand its telecommunications services in Pennsylvania. Attached hereto as Exhibit K are the resumes of the primary technology personnel of C III Ops, including those employees of Broadwing CSI who will become employees of C III Ops. In addition, Exhibit L includes the resumes of Corvis personnel who would be available to support C III Ops' network.

3. Managerial Qualifications

C III Ops will be run on a day-to-day basis by its core management team, which would be transferred from Broadwing CSI to C III Ops. The proposed transaction would thus have no negative impact on any Broadwing CSI and Broadwing TI services currently provided in Pennsylvania and would instead allow the new company to benefit from the combined management and industry expertise of Broadwing CSI, Broadwing TI, Corvis, and Cequel III.

In addition to Corvis' substantial management expertise with designing, implementing, and supporting state-of-the-art optic networks, Cequel III has a demonstrated track record with respect to managing telecommunications and related companies. Jerry Kent (President and CEO of Cequel III) and Howard Wood (Chairman of Cequel III), among other business ventures, founded Charter Communications and built it into the nation's fourth-largest cable operator. Under their leadership, Charter led the industry in standard performance metrics for five consecutive years.

Finally, the new company, with its improved financial position, will be better positioned to attract additional management talent. Attached hereto in Exhibit M are the resumes of the C III Ops' management team, including the managers of Broadwing CSI that will be transferring to C III Ops.

D. Assets To Be Transferred

The assets to be transferred are substantially all of the assets and customers of Broadwing CSI and Broadwing TI. These assets include the following personal property: inventory, equipment, accounts, general intangibles, contract rights, instruments, investment property, all other personal property, and the proceeds and products thereof in whatever form the same may be. The affected real property is attached as Exhibit N. Most of the real property located in Pennsylvania is a part of Broadwing CSI's nationwide telecommunications network and currently held by Broadwing Communications Real Estate Services LLC, a Delaware limited liability company and a wholly owned subsidiary of Broadwing CSI that is also a party to the Agreement.¹³

Further, the entire customer base of Broadwing TI will be transferred to C III Ops, as will the existing service arrangements between Broadwing CSI and its carrier customers. Broadwing TI has approximately 5,859 customers in Pennsylvania. As previously stated, Broadwing CSI functions as a wholesale provider of capacity to other carriers, and thus does not provide service directly to end-use customers.

E. Public Interest Statement

Applicants respectfully submit that the transaction contemplated in this Joint Application serves the public interest. The proposed transaction will be seamless and transparent to

¹³ The real property would be transferred to C III Communications Real Estate, LLC. Any references herein to transferring the real property to C III Ops shall mean C III Communications Real Estate, LLC.

Broadwing TI's Pennsylvania customers. As part of the Agreement, C III Ops will purchase the trade name "Broadwing," and continue to provide service under that name. Customer invoices will continue to be issued in the same format in which they were issued prior to the transaction. The only change on the invoice would be that "Broadwing Communications, LLC" would appear on the invoices in place of Broadwing CSI and Broadwing TI. The Broadwing logo would also still appear on all invoices.¹⁴

In addition, there would not be a change in the customers' presubscribed interexchange carrier because C III Ops would also acquire Broadwing CSI's and Broadwing TI's Carrier Identification Codes ("CICs"). As a result, the local exchange carriers would not be required to make any changes to their customers' Presubscribed Interexchange Carrier ("PIC") Codes—thus avoiding the possibility of any mistakes or delays associated with having to initiate a PIC change for a customer.

Furthermore, C III Ops proposes to adopt Broadwing CSI's and Broadwing TI's currently effective tariffs.¹⁵ Accordingly, the proposed transaction would not result in any change in the terms, conditions, or price of service to Broadwing CSI and Broadwing TI customers that will be transferred to C III Ops.¹⁶

Finally, there would not be any changes in customer service personnel, telephone numbers, website addresses, or account managers. As a result, customers will continue to receive the best possible service and continue to be able to contact their service provider in the

¹⁴ Attached hereto as Exhibit O are sample invoices from Broadwing CSI, and Broadwing TI. To the extent required by the Commission, also included within Exhibit O is a sample customer notice that C III Ops would issue to Broadwing TI's customers to notify them of the transaction.

¹⁵ Provided Commission approval, C III Ops will file a tariff supplement adopting Broadwing CSI's and Broadwing TI's currently effective tariffs upon completion of the transaction's closing.

¹⁶ As a competitive carrier, however, C III Ops reserves the right to modify its services and the terms and conditions thereof, in accordance with the Commission's Rules and Regulations.

same way they always have. In addition, the regulatory contacts for interfacing with Commission staff will largely remain the same.

In short, while the proposed transaction is an asset sale, it would be virtually seamless and transparent to the current customers because there would be no change in the name of the providing carrier, no substantial change in the format or appearance of the customers' bills, no change in the terms, conditions and price of service, no change in customer service, and no reprogramming of the LEC networks.

II. ABANDONMENT OF SERVICE

As indicated previously, Broadwing CSI and Broadwing TI seek to transfer their assets to C III Ops in order to allow C III Ops to continue to provide service to all of Broadwing CSI's and Broadwing TI's existing customers. To that end, C III Ops seeks approval from this Commission as an interexchange provider (both reseller and facilities-based). In order to effectuate this transfer, Broadwing CSI must abandon its interexchange authority at Docket No. A-310287, which was granted on June 8, 1995, by this Commission. Similarly, Broadwing TI must abandon its interexchange authority at Docket No. A-310161, which was granted on September 9, 1993, by this Commission.

Approval of Broadwing CSI and Broadwing TI's request for abandonment of interexchange authority is necessary and proper because Broadwing CSI and Broadwing TI's assets, including customers and employees, are being transferred to C III Ops. It is well established that in determining whether abandonment of a utility's service is necessary or proper for the service, accommodation, convenience, or safety of the public, the Commission may consider "use of the service by the public; prospects as to future use by the public; hardship to the public if service were discontinued; and availability of alternative service." *Monessen*

Southwestern Railway Co. v. Pennsylvania Public Utility Comm'n, 474 A.2d 1203, 1205-06, 82 Pa. Commw. 13 (1984), *affirmed and remanded*, 493 A.2d 666, 507 Pa. 586 (1985).

Broadwing CSI's and Broadwing TI's request for abandonment meets the standard established in *Monessen*. The services currently provided to the public by Broadwing CSI and Broadwing TI will continue to be provided via a seamless transition to C III Ops. C III Ops plans to continue to offer the same services and adopt Broadwing CSI and Broadwing TI's existing rates, term and conditions of service, thereby ensuring that the transaction is seamless to customers and current and future customers will continue to receive the same service. Moreover, because C III Ops will be offering the same rates, terms and conditions of service as currently offered by Broadwing CSI and Broadwing TI, the public will face no hardship by this abandonment. Further, customer confusion should be limited because C III Ops will be continuing service to customers as "Broadwing." For these reasons, Broadwing CSI's and Broadwing TI's request should be granted.

III. APPLICATION FOR AUTHORITY TO PROVIDE TELECOMMUNICATIONS SERVICES

Set forth below is the required information regarding C III Ops, which seeks Commission authority to offer, render, furnish, or supply telecommunications services to the public in Pennsylvania as an interexchange reseller carrier and facilities-based interexchange carrier.

A. IDENTITY OF THE APPLICANT:

The name, address, telephone number, and fax number of the Applicant.

**C III Communications Operations, LLC
7015 Albert Einstein Drive
Columbia, MD 21046
(443) 259-4000 (p)
(443) 259-4444(f)**

Upon the proposed transaction's closing, Applicant will directly inform the Commission of any updated address, telephone number, and fax number.

Please identify any predecessors of the Applicant and provide other names under which the Applicant has operated within the preceding five years, including name, address, and telephone number.

Not applicable.

B. ATTORNEY:

The name, address, telephone number, and fax number of the Applicants' attorneys.

Robert E. Stup, Jr.
Mintz, Levin, Cohn, Ferris,
Glovsky and Popeo, P.C.
701 Pennsylvania Avenue, NW
Washington, DC 20004-2608
(202)661-8711 (p)
(202)434-7400 (f)
restup@mintz.com

Derrick P. Williamson
Susan E. Bruce
Charis M. Burak
McNees Wallace & Nurick LLC
100 Pine Street
Harrisburg, PA 17108
(717)232-8000 (p)
(717)237-5300 (f)
dwilliamson@mwn.com
sbruce@mwn.com
cburak@mwn.com

C. CONTACTS:

- 1) **APPLICATION:** The name, title, address, telephone number, and fax number of the person to whom questions about this application should be addressed.

Derrick Williamson
Susan E. Bruce
Charis M. Burak
McNees Wallace & Nurick LLC
100 Pine Street
P.O. Box 1166
Harrisburg, Pennsylvania 17108
(717) 232-5446 (p)
(717) 237-5300 (f)
dwilliamson@mwn.com
sbruce@mwn.com
cburak@mwn.com

with copies to:

Robert E. Stup, Jr.
Mintz, Levin, Cohn, Ferris,
Glovsky and Popeo, P.C.
701 Pennsylvania Avenue, NW
Washington, DC 20004-2608
(202)661-8711 (p)
(202)434-7400 (f)
restup@mintz.com

James E. Magee
Jennifer A. Newberry
The Magee Law Firm, PLLC
1111 Nineteenth Street, NW, Suite 1200
Washington, DC 20036
(202)429-0004 (p)
(202)429-8743 (f)
jmagee@mageelawfirm.com
jnewberry@mageelawfirm.com

2) PENNSYLVANIA EMERGENCY MANAGEMENT AGENCY (PEMA):

The name, title, address, telephone number and FAX number of the person with whom contact should be made by PEMA.

Kim Larsen – Secretary
Corvis Corporation
7015 Albert Einstein Drive
Columbia, MD 21046
(443) 259-4000 (p)
(443) 259-4444(f)

Upon the proposed transaction's closing, Applicant will directly inform the Commission and PEMA of any updated contact person, address, telephone number, and fax number.

3) RESOLVING COMPLAINTS: Name, address, telephone number, and FAX number of the person and an alternate person responsible for addressing customer complaints. These persons will ordinarily be the initial point(s) of contact for resolving complaints and queries filed with the Public Utility Commission or other agencies.

Robert E. Stup, Jr.
Mintz, Levin, Cohn, Ferris,
Glovsky and Popeo, P.C.
701 Pennsylvania Avenue, NW
Washington, DC 20004-2608
(202)661-8711 (p)
(202)434-7400 (f)
restup@mintz.com

Derrick P. Williamson
Susan E. Bruce
Charis M. Burak
McNees Wallace & Nurick LLC
100 Pine Street
Harrisburg, PA 17108
(717)232-8000 (p)
(717)237-5300 (f)
dwilliamson@mwn.com
sbruce@mwn.com
cburak@mwn.com

Upon the proposed transaction's closing, Applicant will directly inform the Commission of any updated contact person, address, telephone number, and fax number.

D. FICTITIOUS NAME:

The Applicant will not be using a fictitious name.

By way of further answer, C III Ops notes that, if this Application is granted, it will seek to be renamed Broadwing Communications, LLC, upon the closing of the proposed transaction, as discussed above.

The Applicant will be using a fictitious name. Attach to the Application a copy of the Applicant's filing with the Commonwealth's Department of State pursuant to 54 Pa. C.S. §311, Form PA-953.

E. BUSINESS ENTITY AND DEPARTMENT OF STATE FILINGS:

The Applicant is a sole proprietor.

The Applicant is a:

General partnership

Domestic limited partnership (15 Pa. C.S. §8511)

*Foreign limited partnership (15 Pa. C.S. §8582)

Domestic registered limited liability partnership (15 Pa. C.S. §8201)

*Foreign registered limited liability general partnership (15 Pa. C.S. §8211)

*Provide name and address of Corporate Registered Office Provider or Registered Office within PA.

Attach to the application the name and address of partners. If any partner is not an individual, identify the business nature of the partner entity and identify its partners or officers.

Attach to the application proof of compliance with appropriate Department of State filing requirements as indicated above.

The Applicant is a:

Domestic corporation (15 Pa. C.S. §1306)

*Foreign corporation (15 Pa. C.S. §4124)

- Domestic limited liability company (15 Pa. C.S. §8913)
- Foreign limited liability company (15 Pa. C.S. §8981)

*Provide name and address of Corporate Registered Office Provider or Registered Office within PA.

**CT Corporation System
1515 Market Street, Suite 1210
Philadelphia, Pennsylvania 19102**

Attach to the application proof of compliance with appropriate Department of State filing requirements as indicated above. Additionally, provide a copy of the Applicant's Articles of Incorporation or a Certificate of Organization. The Applicant is incorporated in the State of Delaware.

Attached hereto as Exhibit E is Applicant's Certificate of Formation and Certificate of Good Standing from the State of Delaware and Application for a Certificate of Authority to Transact Business in the Commonwealth of Pennsylvania. Applicant is in the process of obtaining its Certificate of Authority to Transact Business in Pennsylvania and will forward it to the Commission as soon as it is approved. The Application is attached hereto as Exhibit F.

Give name and address of officers:

See Exhibit G.

F. AFFILIATES AND PREDECESSORS WITHIN PENNSYLVANIA:

- The Applicant has no affiliates doing business in Pennsylvania or predecessors which have done business in Pennsylvania.
- The Applicant has affiliates doing business in Pennsylvania or predecessors which have done business in Pennsylvania. Name and address of the affiliates. State whether they are jurisdictional public utilities. Give docket numbers for the authority of such affiliates.

If the Applicant or an affiliates has a predecessor who has done business within Pennsylvania, give name and address of the predecessors and state whether they were jurisdictional public utilities. Give the docket numbers for the authority of such predecessors.

Affiliate(s) of the Applicant doing business in Pennsylvania are:

None.

The Address of all of the above affiliates is:

Not applicable.

G. AFFILIATES AND PREDECESSORS RENDERING PUBLIC UTILITY SERVICE OUTSIDE PENNSYLVANIA:

- The Applicant has no affiliates rendering or predecessors which rendered public utility service outside Pennsylvania.
- The Applicant has affiliates rendering or predecessors which rendered public utility service outside Pennsylvania. Name and address of the affiliates. Name and address of the predecessors (please specify which).

The address of all of the above affiliates is:

Not applicable.

H. APPLICANT'S PRESENT OPERATIONS:

(Select and complete the appropriate statement)

- The applicant is not presently doing business in Pennsylvania as a public utility.
- The applicant is presently doing business in Pennsylvania as a:
 - Interexchange Toll Reseller, InterLATA and/or IntraLATA, (e.g., MTS, 1+, 800, WATS, Travel and Debit Cards)
 - Interexchange Toll Facilities-based carrier, InterLATA and/or IntraLATA, (e.g., MTS, 1+, 800, WATS, Travel and Debit Cards)
 - Competitive Access Provider (dedicated point-to-point or multipoint service; voice or data)
 - Competitive Local Exchange Carrier:
 - Facilities-Based
 - Non-facilities-Based
 - Incumbent Local Exchange Carrier.
 - Other (Identify).

I. APPLICANT'S PROPOSED OPERATIONS:

The Applicant proposes to operate as a:

- Interexchange Toll Reseller, InterLATA and/or IntraLATA, (e.g., MTS, 1+, 800, WATS, Travel and Debit Cards)
- Interexchange Toll Facilities-based carrier, InterLATA and/or IntraLATA, (e.g., MTS, 1+, 800, WATS, Travel and Debit Cards)
- Competitive Access Provider (dedicated point-to-point or multipoint service; voice or data)
- Competitive Local Exchange Carrier:
 - Facilities-based
 - Non-facilities-based
- Incumbent Local Exchange Carrier
- Other (Identify).

J. PROPOSED SERVICES: Describe in detail the services which the Applicant proposes to offer. If proposing to provide more than one category in Item #9, clearly and separately delineate the services within each proposed operation.

Applicant intends to offer the same services currently offered by Broadwing CSI and Broadwing TI, as set forth in their respective Commission-approved tariffs. As discussed above, Applicant proposes to adopt Broadwing CSI's and Broadwing TI's tariffs by this Application.

K. SERVICE AREA: Describe the geographic service area in which the Applicant proposes to offer services. Clearly and separately delineate the service territory for each category listed in Item #9. For Competitive Local Exchange Carrier operations, you must name and serve the Incumbent Local Exchange Carriers in whose territory you request authority.

Applicant seeks authority to provide interexchange toll resale and facilities-based services throughout the Commonwealth of Pennsylvania.

- L. **MARKET:** Describe the customer base to which the Applicant proposes to market its services. Clearly and separately delineate a market for each category listed in Item #9.

Applicant proposes to assume Broadwing CSI's and Broadwing TI's customer base, which comprises residential and business customers. Applicant proposes to market its services to other similarly situated customers throughout the Commonwealth of Pennsylvania.

- M. **PROPOSED TARIFF(S):** Each category of proposed operations must have a separate and distinct proposed tariff setting forth the rates, rules and regulations of the Applicant. Every proposed tariff shall state on its cover page the nature of the proposed operations described therein, i.e., IXC R/S, CLEC, CAP, or IXC F/B. A copy of all proposed tariffs must be appended to each original and duplicate original and copy of Form 377.

As a function of the proposed transaction described above and by this Application, Applicant proposes to adopt Broadwing CSI's and Broadwing TI's currently effective tariffs. Pending Commission approval, Applicant will file a tariff supplement adopting Broadwing CSI's and Broadwing TI's currently effective tariffs.

- N. **FINANCIAL:** Attach the following to the Application:

A general description of the Applicant's capitalization and, if applicable, its corporate stock structure;

Current balance sheet, Income Statement, and Cash Flow Statement of Applicant or Affiliated Company, if relying on affiliate for financial security;

Because Applicant is a recently formed entity, it has no historical financial statements. *Pro forma* financial information for Applicant, however, is provided in Exhibit I under protective seal. By way of further answer, Corvis and Cequel III will pay approximately \$129 million in cash and have every incentive to ensure the financial success of C III Ops. In addition, Corvis has committed to making a working capital infusion of up to \$50 million as needed, but, by no later than December 31, 2003. Accordingly, Applicant will be financially qualified to provide telecommunications services once the transaction closes.

A tentative operating balance sheet and a projected income statement for the first year of operation within the Commonwealth of Pennsylvania; provide the name, title, address, telephone number and fax number of the Applicant's custodian for its accounting records and supporting documentation; and indicate where the Applicant's accounting records and supporting documentation are, or will be, maintained.

If available, include bond rating, letters of credit, credit reports, insurance coverage and reports, and major contracts.

Applicant's *pro forma* financial information is set forth in Exhibit I under protective seal.

The name, title and address for Applicant's custodian for its accounting records and the location at which Applicant's accounting records will be maintained are as follows:

**Lynn D. Anderson – Director and Vice President
Corvis Corporation
7015 Albert Einstein Drive
Columbia, MD 21046
(443) 259-4000 (p)
(443) 259-4444(f)**

O. START DATE: The Applicant proposes to begin offering services on or about:

Applicant will begin providing service upon obtaining necessary certifications and upon the closing of the proposed transaction.

P. FURTHER DEVELOPMENTS: Attach to the Application a statement of further developments, planned or contemplated, to which the present Application is preliminary or with which it forms a part, together with a reference to any related proceeding before the Commission.

Not applicable.

Q. NOTICE: Pursuant to 52 Pa. Code §5.14, you are required to serve a copy of the signed and verified Application, with attachments, on the below-listed parties, and file proof of such service with this Commission:

Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923

Office of Small Business Advocate
Commerce Building, Suite 1102
300 North Second Street
Harrisburg, PA 17101

Office of the Attorney General
Office of Consumer Protection
Strawberry Square, 14th Floor
Harrisburg, PA 17120

A certificate of service must be attached to the Application as proof of service that the Application has been served on the above-listed parties. A copy of any Competitive Local Exchange Carrier Application must also be served on any and/or all Incumbent Local Exchange Carrier(s) in the geographical area where the Applicant proposes to offer services.

Please see Exhibit P hereto.

- R. FEDERAL TELECOMMUNICATIONS ACT OF 1996:** State whether the Applicant claims a particular status pursuant to the Federal Telecommunications Act of 1996. Provide supporting facts.

Not applicable.

- S. COMPLIANCE:** State specifically whether the Applicant, an affiliate, a predecessor of either, or a person identified in this Application has been convicted of a crime involving fraud or similar activity. Identify all proceedings, limited to proceedings dealing with business operations in the last five (5) years, whether before an administrative body or in a judicial forum, in which the Applicant, an affiliate, a predecessor of either, or a person identified herein has been a defendant or a respondent. Provide a statement as to the resolution or present status of any such proceedings.

Neither Applicant, an affiliate, a predecessor of either, or any person identified in this Application has been convicted of a crime involving fraud or similar activity.

- T. FALSIFICATION:** The Applicant understands that the making of false statement(s) herein may be grounds for denying the Application or, if later discovered, for revoking any authority granted pursuant to the Application. This Application is subject to 18 Pa. C.S. §§ 4903 and 4904, relating to perjury and falsification in official matters.
- U. CESSATION:** The Applicant understands that if it plans to cease doing business within the Commonwealth of Pennsylvania, it is under a duty to request authority from the Commission for permission prior to ceasing business.
- V.** Attached hereto as **Exhibit Q**, please find the Affidavit and Verification required by the Commission.

IV. LIST OF EXHIBITS

- Exhibit A – Agreement for the Purchase and Sale of Assets
- Exhibit B – Corporate Charts
- Exhibit C – List of C III's Officers and Directors
- Exhibit D – C III's Current and Proposed Ownership

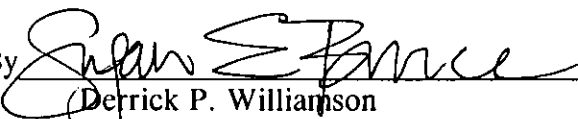
- Exhibit E – Delaware Certificate of Formation and Certificate of Good Standing
- Exhibit F – Application to the Pennsylvania Department of State for Certificate of Authority To Do Business
- Exhibit G – List of C III Ops' Officers and Directors
- Exhibit H – Broadwing CSI and Broadwing TI Financial Information
- Exhibit I – C III Ops' *pro forma* financial information (filed under protective seal)
- Exhibit J - Corvis' Form 10-Q for the period ended September 28, 2002
- Exhibit K – Resumes of C III Ops' primary technical personnel
- Exhibit L – Resumes of Corvis personnel available to support the C III Ops' network
- Exhibit M – Resumes of C III Ops' primary managerial personnel
- Exhibit N – List of Pennsylvania real property affected by the proposed transaction
- Exhibit O – C III Ops' sample invoices and form of customer notice
- Exhibit P – Certificate of Service
- Exhibit Q – Affidavits

V. CONCLUSION

WHEREFORE, the Applicants respectfully request that the Pennsylvania Public Utility Commission approve this Joint Application and order the issuance of all certificates necessary to effectuate the above-described transaction.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By 

Derrick P. Williamson

Susan E. Bruce

Charis M. Burak

100 Pine Street

P.O. Box 1166

Harrisburg, PA 17108-1166

(717) 232-8000 (p)

(717) 237-5300 (f)

Robert E. Stup, Jr.

Mintz, Levin, Cohn, Ferris,

Glovsky and Popeo, P.C.

701 Pennsylvania Avenue, NW

Washington, DC 20004-2608

(202)661-8711 (p)

(202)434-7400 (f)

James E. Magee

Jennifer A. Newberry

The Magee Law Firm, PLLC

1111 Nineteenth Street, NW

Suite 1200

Washington, DC 20036

(202)429-0004 (p)

(202)429-8743 (f)

Counsel for the Applicants

Dated: March 26, 2003

AGREEMENT FOR THE PURCHASE AND SALE OF ASSETS

by and between

the Sellers party hereto

and

the Buyers party hereto

dated as of February 22, 2003

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Exhibits

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<u>Exhibit D</u>	Form of Help Desk Agreement
<u>Exhibit E</u>	Form of APTIS Software Agreement
<u>Exhibit F</u>	Form of Intercompany Agreements
<u>Exhibit G</u>	Form of Intellectual Property Rights Assignment Agreement
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<u>Exhibit I-1</u>	Form of Escrow Agreement (Working Capital/Indemnity)
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Schedules

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<u>Schedule 8.2(b)</u>	Specific Indemnity

AGREEMENT FOR THE PURCHASE AND SALE OF ASSETS

THIS AGREEMENT FOR THE PURCHASE AND SALE OF ASSETS is made as of February, 22, 2003 by and between Broadwing Communications Services Inc., a Delaware corporation, Broadwing Communications Services of Virginia, Inc., a Virginia corporation, Broadwing Communications Real Estate Services LLC, a Delaware limited liability company, Broadwing Services LLC, a Delaware limited liability company, IXC Business Services LLC, a Delaware limited liability company, Broadwing Logistics LLC, a Delaware limited liability company, Broadwing Telecommunications Inc., a Delaware corporation, IXC Internet Services, Inc., a Delaware corporation, and MSM Associates, Limited Partnership, a Delaware limited partnership (individually, a "Seller" and collectively, "Sellers"), on the one side, and C III Communications, LLC, a Delaware limited liability company ("C III"), and C III Communications Operations, LLC, a Delaware limited liability company (individually, a "Buyer" and collectively, "Buyers"), on the other side.

RECITALS

A. WHEREAS, Sellers are, among other things, engaged in the Business (as defined herein);

B. WHEREAS, Sellers desire to sell, transfer and assign to Buyers, and Buyers desire to purchase from Sellers, the Business and the Acquired Assets (as defined herein), and Buyers are willing to assume the Assumed Liabilities (as defined herein), in each case as more fully described and upon the terms and subject to the conditions set forth herein;

C. WHEREAS, Sellers, on the one side, and Buyers, on the other side, contemplate entering into the Bill of Sale, the Assignment and Assumption Agreement, each as defined herein, and the other documents and instruments to be executed and delivered to effectuate the transfer of the Acquired Assets and the assumption of the Assumed Liabilities and the other transactions contemplated hereby; and

D. WHEREAS, one or more of Sellers and/or their Affiliates, on the one side, and Buyers, on the other side, contemplate entering into the Help Desk Agreement, the APTIS Software Agreement, the Intercompany Agreements, the Transition Services Agreement, and certain other Collateral Agreements, each as defined herein, among other reasons, to enable Buyers to continue to conduct the Business substantially as currently conducted by Sellers.

NOW, THEREFORE, in consideration of the mutual agreements, covenants, representations and warranties contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and subject to the terms and conditions hereinafter set forth, and intending to be legally bound hereby, the parties hereto hereby agree as follows:

AGREEMENT

1. Definitions

1.1 Defined Terms

For the purposes of this Agreement, the following words and phrases shall have the following meanings whenever used in this Agreement (including the Schedules and Exhibits hereto):

"Accounting Firm" has the meaning assigned to it in Section 2.4(e).

"Accounting Firm Determination" shall have the meaning assigned to it in Section 2.4(e).

"Acquired Assets" means, collectively, the Purchased Assets, the Purchased Contracts and Permits and the Transferred Communications Licenses.

"Action" means any action, litigation, claim, suit, mediation, arbitration, inquiry, government or other investigation or proceeding of any nature, whether criminal, civil, legislative, administrative, regulatory, prosecutorial or otherwise, by or before any mediator, arbitrator or Governmental Body or similar Person.

"Adjusted CWC Purchase Price" has the meaning assigned to it in Section 2.4(g).

"Adjustment Receivables" means all Receivables and "Disputes Withheld" and "Disputes Paid Under Protest" included in the accepted cost of services as contemplated by, and calculated in accordance with the principles applied in calculating the Adjustment Receivables as of December 31, 2001 set forth in, Schedule 2.4(h).

"Adjustment Statements" has the meaning assigned to it in Section 2.4(d).

"Affiliate" of any Person means any Person that controls, is controlled by, or is under common control with such Person. As used herein, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such entity, whether through ownership of voting securities or other interests, by contract or otherwise. For purposes of Sections 3.8, 3.9 and 5.2, "Affiliate" also means subsidiaries of the Sellers or any Person in which a Seller holds any equity interest (other than any minority equity interests held solely for investment purposes by any Seller).

"Agreement" means this Agreement for the Purchase and Sale of Assets, as amended, supplemented or otherwise modified in accordance with the terms herein.

"Allocation" has the meaning assigned to it in Section 5.3(b).

"APTIS Software Agreement" has the meaning assigned to it in Section 5.11(b).

"Assets" means any assets and properties, tangible and intangible, including the Business Records, the Personal Property, Seller IP and Seller IPR, used in the conduct of the Business

(including all such assets that comprise a part of the Network), other than Contracts, Permits and Communications Licenses.

"Assignment and Assumption Agreement" has the meaning assigned to it in Section 6.2(b).

"Assumed Liabilities" has the meaning assigned to it in Section 2.5(a).

"Balance Sheet" means the statement of assets and liabilities included in the Financial Statements.

"Bankruptcy" means, with respect to a Person, that such Person becomes insolvent or generally fails to pay, or admits in writing its inability to pay, debts as they become due; or such Person applies for, consents to or acquiesces in the appointment of a trustee, receiver or other custodian for such Person or any property thereof, or makes a general assignment for the benefit of creditors; or, in the absence of such application, consent or acquiescence, a trustee, receiver or other custodian is appointed for such Person or for a substantial part of its property and is not discharged within 30 days; or any bankruptcy, reorganization, debt arrangement or other case or proceeding under any bankruptcy or insolvency law; or any dissolution or liquidation proceeding is commenced in respect of any of such Person, and, if such case or proceeding is not commenced by such Person, it is consented to or acquiesced in by such Person or remains for 30 days undismissed or an order for relief is entered in any such involuntary bankruptcy; or such Person takes any corporate action to authorize, or in furtherance of, any of the foregoing.

"BCI" shall mean Broadwing Communications, Inc., a Delaware corporation.

"BCI and Sellers' Guaranties" has the meaning assigned to it in Section 5.20.

"Benefit Plan" means each "employee benefit plan," as defined in Section 3(3) of ERISA (including any "multiemployer plan" as defined in Section 3(37) of ERISA) and each profit-sharing, bonus, stock option, stock purchase, stock ownership, pension, retirement, severance, deferred compensation, excess benefit, supplemental unemployment, post-retirement medical or life insurance, welfare or incentive plan, or sick leave, long-term disability, medical, hospitalization, life insurance, other insurance plan, or other employee benefit plan, program or arrangement, whether written or unwritten, qualified or non-qualified, funded or unfunded, sponsored, maintained or contributed to by Sellers in which any current or former Business Employee participates or with respect to which the Sellers have any liability, with respect to any current or former Business Employee.

"Bill of Sale" has the meaning assigned to it in Section 6.2(a).

"Broadwing Name" shall mean any name that contains or is derived from the words "Broadwing", "Broadwing Communications", "Broadwing Services", any derivatives thereof, or any name intended or likely to be confused or associated with any such words.

"Business" shall mean the businesses currently operated by Sellers of providing data and voice communications services via a national fiber network with multiple protocols to carrier and

enterprise customers; provided, that "Business" shall not be deemed to include the Retained Business, any Excluded Asset or any Excluded Liability.

"Business Day" means a day that is not a Saturday, a Sunday or a day on which banks in The City of New York are authorized or required by law, regulation or executive order to remain closed.

"Business Employees" means the (i) employees of BCI or Sellers who work primarily in the Business and who continue to be employees of Sellers working primarily in the Business until and as of the First Stage Closing Date and (ii) employees hired by the Business between the date of this Agreement and the First Stage Closing Date who continue to be employees of BCI or Sellers working primarily in the Business until and as of the First Stage Closing Date.

"Business Records" means, collectively, all business books, records, ledgers and files or other similar business information of Sellers (in any form or medium) related to the Business, except the general ledger (other than the Oracle software on which the general ledger is kept containing a copy of the general ledger), stock ledgers, corporate minute books, litigation files, Tax Returns and other corporate level information and all information with respect to the Excluded Assets, Excluded Liabilities and the Retained Business (collectively, the "Excluded Business Records").

"Buyers" has the meaning assigned to it in the preamble.

"Buyers' Consents" has the meaning assigned to it in Section 4.3(b).

"Buyers' Covenant Failure" shall have the meaning assigned to it in Section 5.7(b).

"Buyers' Parent" means Corvis Corporation, a Delaware Corporation.

"Buyers' Parent Guaranty" has the meaning assigned to it in Section 2.8.

"Buyers' R&W Breach" shall have the meaning assigned to it in Section 5.7(b).

"Cap" shall have the meaning assigned to it in Section 8.3(b).

"C III" has the meaning assigned to it in the preamble.

"C III LLC Agreement" has the meaning assigned to it in Section 5.11(e).

"Circuit Commitments" means those commitments for circuits or local loops of the Business comprising a part of the Network arising from orders placed pursuant to tariffs or master circuit lease agreements with third party vendors such as RBOCs, competitive access providers or competitive local exchange carriers.

"Claim" has the meaning assigned to it in Section 8.2(a).

"Closing Adjustment Receivables" and "Closing Adjustment Receivables Statement" have the meanings assigned to them in Section 2.4(h).

"Closing Adjustment Receivables Pool" means Seven Million Five Hundred Thousand U.S. Dollars (\$7,500,000).

"Closing Disagreement Notice" has the meaning assigned to it in Section 2.4(e).

"Closing Working Capital" has the meaning assigned to it in Section 2.4(d).

"Closing Working Capital Statement" has the meaning assigned to it in Section 2.4(d).

"COBRA Coverage" means health continuation coverage as required by Section 4980 of the Code of Part 6 of Title I of ERISA.

"Code" means the Internal Revenue Code of 1986, as amended.

"Collateral Agreements" means the Bill of Sale, Assignment and Assumption Agreement, Help Desk Agreement, APTIS Software Agreement, Intercompany Agreements, Intellectual Property Rights Assignment Agreement, C III LLC Agreement, Escrow Agreement (Working Capital/Indemnity), Escrow Agreement (Cranberry Adjustment), Escrow Agreement (Closing Adjustment Receivables), Escrow Agreement (Second Stage Closing), Transition Services Agreement, Sellers' Parent Guaranty, Buyers' Parent Guaranty, and the other documents and instruments to be executed and delivered to effectuate the transfer of the Acquired Assets and the assumption of the Assumed Liabilities and the other transactions contemplated hereby, and any other agreement or instrument entered into at or prior to the First Stage Closing Date and/or the Second Stage Closing Date pursuant to the provisions of this Agreement, each as amended, supplemented or otherwise modified in accordance with the terms herein and/or therein.

"Collected Closing Adjustment Receivables I" and "Collected Closing Adjustment Receivables II" have the meanings assigned to them in Section 2.4(h).

"Collected PA Accounts" has the meaning assigned to it in Section 5.22.

"Commitment Letter" has the meaning assigned to it in Section 5.23.

"Communications Act" has the meaning assigned to it in Section 3.3(b).

"Communications Licenses" has the meaning assigned to it in Section 3.5(a).

"Compete" has the meaning assigned to it in Section 5.8.

"Confidential Information" has the meaning assigned to it in Section 5.9.

"Consent" means any consent, action, approval, authorization, waiver or Order.

"Contracts" means all contracts, agreements, leases, subleases, licenses, sublicenses, commitments, assignments and arrangements, whether written or oral.

"Cranberry Plan Adjustment Amount" means an adjustment to the Initial Purchase Price determined in accordance with Exhibit A attached hereto.

"Cranberry Plan Adjustment Statement" has the meaning assigned to it in Section 2.4(d).

"Credit Agreement" shall mean that certain Credit Agreement, dated as of November 9, 1999, amended and restated as of January 12, 2000, and as further amended from time to time, among Cincinnati Bell and IXCS, as the borrowers, Cincinnati Bell as parent guarantor, the Initial Lenders, Initial Issuing Banks and Swing Line Banks, each named and as defined therein, Bank of America, N.A., as syndication agent, Citicorp USA, Inc., as administrative agent, Credit Suisse First Boston and The Bank of New York, as co-documentation agents, PNC Bank, N.A., as agent and Salomon Smith Barney Inc. and Banc of America Securities LLC, as joint lead arrangers, together with all collateral agreements thereto.

"Current Assets" has the meaning assigned to it in Section 2.4(i).

"Current Liabilities" has the meaning assigned to it in Section 2.4(i).

"Customer Contracts" shall have the meaning assigned to it in Section 2.2.

"Easements" means easements, rights of way and similar interests in real property.

"ELI Contract" means that certain Fiber and Construction Lease Agreement, dated February 28, 1999, between IXC Communications Services, Inc. and Electric Lightwave, Inc.

"ELI Dispute" shall have the meaning assigned to it in Section 5.16(c).

"ELI Replacement Fibers" shall have the meaning assigned to it in Section 5.16(c).

"ELI Route" shall have the meaning assigned to it in Section 5.16(c).

"Employment Agreement" means a contract, offer letter or agreement of Sellers with or addressed to any Business Employee pursuant to which Sellers have any actual or contingent liability or obligation to provide compensation or benefits in consideration for past, present or future services, or pursuant to which any Business Employee undertakes confidentiality or non-competition obligations.

"Encumbrance" means any mortgage, pledge, security interest, easement, hypothecation, assignment, lien or other encumbrance.

"Environmental Law or Order" shall mean any Law or Order which relates to or otherwise imposes liability or standards of conduct concerning discharges, emissions, releases or threatened releases of noises, pathogens, odors, pollutants, or contaminants or hazardous or toxic wastes, substances or materials, whether as matter or energy, into air (whether indoors or out), water (whether surface or underground) or land (including any subsurface strata), or otherwise relating to their manufacture, processing, generation, distribution, use, treatment, storage, disposal, cleanup, transport or handling, including the following Laws: Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, the Superfund Amendments and Reauthorization Act of 1986, as amended, the Resource Conservation and Recovery Act of 1976, as amended, the Toxic Substances Control Act of 1976, as amended, the Federal Water Pollution Control Act Amendments of 1972, the Clean Water Act of 1977, as

amended, the National Environmental Policy Act of 1969, and any state provision analogous to any of the foregoing.

"Environmental Liability" means, without limitation, all damages, losses and liabilities (including investigation, cleanup, compliance, enforcement, response and toxic tort liabilities) (whether absolute, contingent, matured, liquidated, accrued, known, or unknown), including fines, penalties, capital expenditures, fees and expenses of any kind or nature whatsoever, including of counsel or consultants, and whether arising out of loss of life, personal injuries, liens or other claims against property or improvements thereon or other obligations of any kind or character, in each case, that relate in arise under any way to Environmental Law or Order or any Hazardous Substance.

"Environmental Permit" shall mean any Permit required by or pursuant to any applicable Environmental Law or Order.

"Environmental Warranties" shall mean the representations and warranties in Section 3.14.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Escrow Agreement (Cranberry Adjustment)" has the meaning assigned to it in Section 5.11(f).

"Escrow Agreement (Closing Adjustment Receivables)" has the meaning assigned to it in Section 5.11(f).

"Escrow Agreement (Second Stage Closing)" has the meaning assigned to it in Section 5.11(f).

"Escrow Agreement (Working Capital/Indemnity)" has the meaning assigned to it in Section 5.11(f).

"Escrow Amount (Closing Adjustment Receivables)" means Three Million Seven Hundred Fifty Thousand U.S. Dollars (\$3,750,000).

"Escrow Amount (Cranberry Adjustment)" means Five Million U.S. Dollars (\$5,000,000).

"Escrow Amount (Second Stage Closing)" means Twenty-Three Million One Hundred Ten Thousand U.S. Dollars (\$23,110,000).

"Escrow Amount (Working Capital/Indemnity)" means Five Million U.S. Dollars (\$5,000,000).

"Excluded Assets" has the meaning assigned to it in Section 2.3.

"Excluded Liabilities" has the meaning assigned to it in Section 2.5(c).

"FCC" means the Federal Communications Commission.

"Financial Statements" has the meaning assigned to it in Section 3.9(a).

"First Stage Closing" has the meaning assigned to it in Section 6.1.

"First Stage Closing Date" has the meaning assigned to it in Section 6.1.

"First Stage Customer Contracts" has the meaning assigned to it in Section 2.2(a).

"First Stage Purchased Assets" has the meaning assigned to it in Section 2.1(a).

"First Stage Transferred Communications Licenses" has the meaning assigned to it in Section 2.2(a).

"First Stage Purchased Contracts" has the meaning assigned to it in Section 2.2(a).

"First Stage Purchased Permits" has the meaning assigned to it in Section 2.2(a).

"500K Customers" means any customer of the Business that generated in excess of \$500,000 of revenues, as calculated by multiplying twelve (12) times revenues generated from such customer for the month ending November 30, 2002.

"GAAP Exceptions" means the exceptions described on Schedule 3.9(a).

"General Cap" shall have the meaning assigned to it in Section 8.2(f)(ii).

"Generally Accepted Accounting Principles" means United States generally accepted accounting principles applied on a basis consistent with the application of such principles in the preparation of the Financial Statements, but subject to the GAAP Exceptions.

"Governmental Body" means any nation or government, any state or other political subdivision thereof, any legislative, executive or judicial unit or instrumentality of any governmental entity (foreign, federal, state or local) or any department, commission, board, agency, bureau, official or other regulatory, administrative or judicial authority thereof or any entity (including a court or self-regulatory organization) exercising executive, legislative, judicial, Tax, regulatory or administrative functions of or pertaining to government.

"Hazardous Substance" shall mean any material, substance, form of energy or pathogen which (i) constitutes a "hazardous substance", "toxic substance" or "pollutant", "contaminant", "hazardous material", "hazardous chemical", "regulated substance", or "hazardous waste" (as such terms are defined by or pursuant to any Environmental Law) or (ii) is otherwise regulated or controlled by, or gives rise to liability under, any Environmental Law. Without limiting the generality of the foregoing, Hazardous Substance shall include any substance that contains asbestos or petroleum.

"Help Desk Agreement" has the meaning assigned to it in Section 5.11(a).

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"Income Taxes" has the meaning assigned to it in Section 5.3(e).

"Indemnified Party" has the meaning assigned to it in Section 8.2(a).

"Indemnifying Party" has the meaning assigned to it in Section 8.2(a).

"Initial Purchase Price" has the meaning assigned to it in Section 2.4(b).

"Intellectual Property" or "IP" shall mean all trade secrets, computer software (including source code, object code and existing user and technical documentation, databases, websites (including the content thereof in electronic form), technology, processes, methodologies, technical information and data, specifications, research materials, designs, drawings and other similar intangible property.

"Intellectual Property Rights" or "IPR" shall mean any right, title or interest in or to any packaging designs or trade dresses, any derivatives or combinations thereof, any patents, patent registrations, patent applications, trademarks, trademark registrations, trademark applications, tradenames, service names, domain names, registrations and applications therefor, copyrights, copyright applications, copyright registrations, trade secrets and inventions.

"Intellectual Property Rights Assignment Agreement" has the meaning assigned to it in Section 5.11(d).

"Intercompany Agreements" has the meaning assigned to it in Section 5.11(c).

"IRS" means the U.S. Internal Revenue Service.

"IRU Portion" has the meaning assigned to it in Section 3.15.

"Key Employees" has the meaning assigned to it in Section 7.2(d).

"Knowledge" means, in connection with any representation and warranty contained in this Agreement that is expressly qualified by reference to the Knowledge of Sellers or Buyers, with respect to Knowledge of Sellers, the actual knowledge of those persons set forth on Schedule 1.1(a), or, with respect to Knowledge of Buyers, the actual knowledge of those persons set forth on Schedule 1.1(b).

"Law" or "Laws" shall mean any law, statute, ordinance, rule, regulation or code of any Governmental Body.

"Leased Real Property" has the meaning assigned to it in Section 3.11(a).

"Losses" has the meaning assigned to it in Section 8.2(a).

"Material Adverse Effect" means a material adverse effect on the business, operations, assets, condition (financial or other) or results of operations of the Business or the Sellers (taken as a whole) or the Buyers (taken as a whole) as the context requires; provided, that none of the following shall be deemed, either alone or in combination, to constitute a Material Adverse Effect: (i) conditions generally affecting any of the industries or markets in which Sellers or Buyers, as the context requires, operate, (ii) any disruption arising out of the announcement of the transactions contemplated hereby, (iii) the engagement in hostilities by the United States, an escalation in hostilities involving the United States or a declaration of a national emergency or war by the United States or (iv) any change in general economic, political or financial condition of the United States, including, without limitation, as a result of terrorist activities.

"Monthly Statements" has the meaning assigned to it in Section 3.9(a).

"Network" means all Assets, Contracts, Permits and Communications Licenses comprising fiber, cables, ducts, conduit, equipment, the network operating center, software, systems, schematics and diagrams, licenses or other IP, and associated administrative, access and storage equipment and facilities (including without limitation hand holes and space in equipment cages) and other support facilities comprising and/or used in connection with the network, other telecommunications facilities, network management and operations and systems owned and/or operated by Sellers, covering, at a minimum, the routes indicated on the map, the route register, and the points of presence ("POPs") and other network metrics, in each case with respect to such routes, route register and POPs as indicated on Schedule 1.1(c).

"Orders" means any judgment, order (consent or other), writ, stipulation, injunction, ruling (Tax or otherwise), decision or decree of any Governmental Body.

"Overall Cap" shall have the meaning assigned to it in Section 8.2(f)(iii).

"Owned Portion" has the meaning assigned to it in Section 3.15.

"Owned Real Property" has the meaning assigned to it in Section 3.11(a).

"Participating Accounts" means accounts of the Sellers that do not constitute Current Assets for the purposes of Section 2.4, and which are set forth on Schedule 1.1(d).

"party" means a Buyer or a Seller or Buyers or Sellers, as the context requires.

"Permits" means all permits, licenses, certificates, approvals, qualifications, registrations, and similar authorizations issued to Sellers by a Governmental Body related to the Business as currently conducted, including any amendment, modification, limitation, condition or renewal thereof, other than Communications Licenses.

"Permitted Encumbrances" means (i) liens for Taxes not yet due and payable or that are being contested in good faith by appropriate proceedings, (ii) any mechanics', carriers', workmen's, repairmen's or other similar liens arising or incurred in the ordinary course of business not in excess of \$100,000, (iii) any liens arising under original purchase price conditional sales contracts and equipment leases with third parties entered into in the ordinary

course of business, (iv) mortgages, liens, security interests and similar Encumbrances which secure debt that is reflected as a liability on the Financial Statements and the existence of which is expressly indicated in the notes thereto, (v) any imperfections of title which do not, individually or in the aggregate, have a material impact on the ability of Sellers to use the Acquired Assets in the conduct of the Business as currently conducted or on the ability of the Buyer, after the applicable Staged Closing Date, to use the Acquired Assets in the conduct of the Business as currently conducted by Sellers, (vi) any restriction or limitation or other similar Encumbrance included as a term of any of the Purchased Contracts and Permits or Transferred Communications Licenses, and (vii) those Encumbrances that are set forth in Schedule 1.1(c), of which those marked with an asterisk are to be released at or before the applicable Staged Closing Date.

"Person" means any individual, corporation, partnership, limited liability company, limited liability firm, association, joint venture, joint stock company, trust, unincorporated organization or other entity, or any Governmental Body.

"Personal Property" means all fixtures, fiber, fiber rights, vehicles, machinery, equipment, rolling stock, tools, furniture, pallets, phones, office supplies and other items of personal property, related to the Business, whether or not recorded on the books of Sellers.

"Preliminary Adjustment Amount" has the meaning assigned to it in Section 2.4(b).

"Preliminary Disagreement Notice" has the meaning assigned to it in Section 2.4(a).

"Preliminary Working Capital" has the meaning assigned to it in Section 2.4(a).

"Preliminary Working Capital Statement" has the meaning assigned to it in Section 2.4(a).

"Prime Rate" has the meaning assigned to it in Section 2.4(g).

"Purchase Price" has the meaning assigned to it in Section 2.4(g).

"Purchased Assets" has the meaning assigned to it in Section 2.1.

"Purchased Contracts" has the meaning assigned to it in Section 2.2(b).

"Purchased Contracts and Permits" has the meaning assigned to it in Section 2.2(b).

"Purchased Permits" has the meaning assigned to it in Section 2.2(b).

"Real Property" has the meaning assigned to it in Section 3.11(a).

"Real Property Leases" has the meaning assigned to it in Section 3.11(a).

"Receivables" means all accounts receivable, including billed and unbilled amounts, which are payable as a result of goods and services provided by Sellers in the conduct of the Business, other than those that comprise Excluded Assets.

"Retained Business" means the business of Broadwing Technology Solutions Inc. that is described on Schedule 1.1(f).

"Revenues Statement" has the meaning assigned to it in Section 5.26.

"Second Stage Closing" has the meaning assigned to it in Section 6.1.

"Second Stage Closing Date" has the meaning assigned to it in Section 6.1.

"Security Agreement" has the meaning assigned to it in Section 5.11(i).

"Seller IP" shall mean all IP used by Sellers primarily in their conduct of the Business and comprises (a) all such IP that is owned by Sellers ("Seller Owned IP") and (b) all such IP which is licensed to Seller ("Seller Licensed IP"), as generally described on Schedule 2.2.

"Seller IPR" shall mean all IPR used by Sellers primarily in their conduct of the Business and comprises (a) all such IPR that is owned by Sellers ("Seller Owned IPR") and as set forth on Schedule 2.2, and including, without limitation, the business name, brand name, trade name, trademark, service mark, logo and domain-name "Broadwing" and any business name, brand name, trade name, trademark, service mark and domain name that includes the word "Broadwing" and any and all derivatives thereof, and (b) all such IPR which is licensed to Seller ("Seller Licensed IPR"), as generally described on Schedule 2.2.

"Sellers" has the meaning assigned to it in the preamble hereof.

"Sellers' Consents" has the meaning assigned to it in Section 3.3(b).

"Sellers' Covenant Failure" shall have the meaning assigned to it in Section 5.7(a).

"Sellers' Parent" means Broadwing Inc., an Ohio corporation.

"Sellers' Parent Guaranty" has the meaning assigned to it in Section 2.8.

"Sellers' R&W Breach" shall have the meaning assigned to it in Section 5.7(a).

"Staged Closing Dates" means, collectively, the First Stage Closing Date and the Second Stage Closing Date.

"State Licenses" has the meaning assigned to it in Section 3.5(a).

"State PUCs" means state public service and utility commissions or similar Governmental Bodies.

"Statements" has the meaning assigned to it in Section 3.9(a).

"Tax Returns" means all returns and reports (including elections, declarations, disclosures, schedules, estimates and information returns) required to be supplied to a Tax authority or any Person relating to Taxes.

"Tax Warranties" shall mean the representations and warranties in Sections 3.7(c), 3.7(d) and 3.12.

"Taxes" mean all taxes of any kind, charges, fees, customs, levies, duties, imposts, required deposits or other assessments, including all net income, capital gains, gross income, gross receipt, property, franchise, sales, use, excise, withholding, payroll, employment, social security, worker's compensation, unemployment, occupation, capital stock, ad valorem, value added, transfer, gains, profits, license, net worth, asset, transaction, and other taxes, imposed upon any Person by any Law, Order or Governmental Body, together with any interest and any penalties, or additions to tax, with respect to such taxes.

"Territory" has the meaning assigned to it in Section 5.8.

"Third Party" means any Person other than, and not an Affiliate of, the other referenced Person or Persons.

"Third Party Claim" has the meaning assigned to it in Section 8.3(a).

"Title and Authorization Warranties" shall mean the representations and warranties in Sections 3.1, 3.2, 3.4(a), 4.1 and 4.2.

"Total Escrow Amount" has the meaning assigned to it in Section 2.4(b).

"Transfer Date" has the meaning assigned to it in Section 5.4(a).

"Transferred Employee" has the meaning assigned to it in Section 5.4(a).

"Transition Services Agreement" has the meaning assigned to it in Section 5.11(g).

"Two Stage Waiver Notice" shall have the meaning assigned to it in Section 6.1.

"Working Capital" has the meaning assigned to it in Section 2.4(j).

"9% Notes" shall mean the 9% Senior Subordinated Notes due 2008 of BCI.

"12 ½% Preferred Stock" shall mean the 12 ½ % Preferred Stock of BCI.

"Senior Notes" shall mean the 12 ½% Senior Notes of BCI.

1.2 Other Definitional and Interpretive Matters

Unless otherwise expressly provided, for purposes of this Agreement and the Collateral Agreements, the following rules of interpretation shall apply:

(a) Calculation of Time Period. When calculating the period of time before which, within which or following which any act is to be done or step taken, the date that is the reference date in calculating such period shall be excluded. If the last day of such period is a non-Business Day, the period in question shall end on the next succeeding Business Day.

(b) Gender and Number. Any reference to gender shall include all genders, and words imparting the singular number only shall include the plural and vice versa.

(c) Headings. The provision of a Table of Contents, the division into Articles, Sections and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect or be utilized in construing or interpreting this Agreement and the Collateral Agreements. All references in this Agreement to any "Section" are to the corresponding Section of this Agreement, the Collateral Agreement or the other agreement in which such Section occurs (unless otherwise specified).

(d) Herein. The words such as "herein," "hereinafter," "hereof," "hereunder," "therein," "thereof" and "thereunder" refer to this Agreement, the Collateral Agreement or the other agreement to which such reference is made, as a whole and not merely to a subdivision in which such words appear (unless the context otherwise requires).

(e) Including. The word "including" or any variation thereof means "including without limitation" and shall not be construed to limit any general statement that it follows to the specific or similar items or matters immediately following it.

(f) Schedules and Exhibits. The Schedules and Exhibits attached to each of this Agreement and the Collateral Agreements shall be construed with and as an integral part of this Agreement and the Collateral Agreements, respectively, to the same extent as if the same had been set forth verbatim herein and therein. Disclosure in any of the Schedules provided pursuant to Article 3 or Article 4 shall be deemed to be disclosure on every other Schedule so provided in which it may be relevant, if the disclosure of any matter in a Schedule other than in the relevant Schedule provides the other party with sufficiently full disclosure such that the party should reasonably be expected to know that the matter disclosed was applicable to the disclosure contained in the relevant Schedule. By listing matters on the Schedules, neither Sellers nor Buyers shall be deemed to have established any materiality standard, admitted any liability, or concluded that any one or more of such matters are material, or expanded in any way the scope or effect of the representations and warranties of Sellers or Buyers, as applicable, contained in this Agreement.

2. Purchase and Sale of the Assets

2.1 Purchased Assets

(a) First Stage Closing. Upon the terms and subject to the conditions of this Agreement, at and as of the First Stage Closing Date, Sellers shall sell and transfer, assign, convey and deliver to Buyers, and Buyers shall purchase, acquire and accept from Sellers, all of the Sellers' right, title and interest in, to and under, all of the Assets for which the sale, transfer, assignment, conveyance and delivery do not require FCC or State PUC Consents or for which FCC and State PUC Consents have been obtained, but excluding the Excluded Assets (collectively, the "First Stage Purchased Assets"), including the Assets listed on Schedule 2.1 (but only to the extent FCC and State PUC Consents are not required or have been obtained). In addition, as FCC and State PUC Consents (up to the last required FCC and State PUC Consent) necessary to sell, transfer, assign and convey to Buyers any Assets are obtained, such

Assets shall be deemed so sold, transferred, assigned and conveyed and to constitute "First Stage Purchased Assets" as of the date obtained.

(b) Second Stage Closing. Upon the terms and subject to the conditions of this Agreement, Sellers shall sell and transfer, assign, convey and deliver to Buyers, and Buyers shall purchase, acquire and accept from Sellers, all of Sellers' right, title and interest in, to and under, each remaining Asset not transferred pursuant to the First Stage Closing, but excluding the Excluded Assets (collectively, with the First Stage Purchased Assets, the "Purchased Assets"), including the remaining Assets listed on Schedule 2.1, when and as the last FCC and State PUC Consent(s) required to sell, transfer, assign, convey and deliver such Assets are obtained.

2.2 Assignment of Contracts and Permits

(a) First Stage Closing. Upon the terms and subject to the conditions of this Agreement, at and as of the First Stage Closing Date, Sellers shall assign and transfer to Buyers all of Sellers' right, title and interest in and to, and Buyers shall take assignment of all of the following (as to which FCC and State PUC Consents are not required or have been obtained): (a) all of the Contracts related to the Business (including, without limitation, the Network) to which one or more Sellers is a party, excluding Contracts that comprise Excluded Assets, but including all of the Contracts with customers of the Business ("First Stage Customer Contracts"), the Employment Agreements set forth on Schedule 3.8(a) to the extent the Business Employee under such an Employment Agreement executes and delivers to Buyers a Commitment Letter and becomes a Transferred Employee and all of the other Contracts listed on Schedule 2.2 (collectively, including the First Stage Customer Contracts, the "First Stage Purchased Contracts"), (b) all of the Permits of Sellers related to the Business, (including, without limitation, the Network) set forth on Schedule 2.2 which are transferable, excluding Permits that comprise Excluded Assets, but including the Permits listed on Schedule 2.2 (collectively, the "First Stage Purchased Permits"); and (c) the Communications Licenses of Sellers related to the Business (including, without limitation, the Network) that are transferable, excluding Communications Licenses that comprise Excluded Assets (collectively, the "First Stage Transferred Communications Licenses"). In addition, when and as the FCC and State PUC Consents (up to the last required FCC and PUC Consent) necessary to assign and transfer to Buyers all of Sellers' right, title and interest in and to all Contracts, Permits and Communications Licenses described in the preceding clauses (a), (b) and (c), respectively, are obtained, all such items shall be deemed so assigned and transferred to Buyers and to constitute "First Stage Purchased Contracts", "First Stage Purchased Permits" and "First Stage Transferred Communications Licenses", respectively, as of the date obtained.

(b) Second Stage Closing. Upon the terms and subject to the conditions of this Agreement, when and as the last FCC and State PUC Consent(s) required to assign and transfer the following are obtained, Sellers shall assign and transfer to Buyers all of Sellers' right, title and interest in and to, and Buyers shall take assignment of all of the following: (a) all of the remaining Contracts related to the Business to which one or more Sellers is a party, excluding Contracts that comprise Excluded Assets, but including all of the remaining Contracts with customers of the Business (collectively, with the First Stage Customer Contracts, the "Customer Contracts") and all of the other remaining Contracts listed on Schedule

2.2 (collectively, including the Customer Contracts, with the First Stage Purchased Contracts, the "Purchased Contracts"); (b) all of the remaining Permits of Sellers related to the Business set forth on Schedule 2.2 which are transferable, excluding Permits that comprise Excluded Assets, but including the remaining Permits listed on Schedule 2.2 (collectively, with the First Stage Purchased Permits, the "Purchased Permits"; and together with the Purchased Contracts, the "Purchased Contracts and Permits"); and (c) the remaining Communications Licenses of Sellers related to the Business that are transferable, excluding Communications Licenses that comprise Excluded Assets (collectively, with the "First Stage Transferred Communications Licenses", the "Transferred Communications Licenses").

2.3 Excluded Assets

Notwithstanding Sections 2.1 and 2.2, Sellers shall not sell or transfer, assign, convey or deliver, and Buyers shall not assume or acquire any interest in, any Assets, Contracts, Permits or Communications Licenses that are listed on Schedule 2.3 (the "Excluded Assets").

2.4 Purchase Price

(a) (i) On or before fifteen (15) days before the First Stage Closing Date, Sellers shall deliver to Buyers a statement (the "Preliminary Working Capital Statement"), setting forth the Working Capital as of the close of business on the last day of the immediately preceding month. The Preliminary Working Capital Statement shall be prepared by the Sellers in accordance with the terms of this Agreement.

(ii) During the ten (10) day period following Buyers' receipt of the Preliminary Working Capital Statement, Sellers shall provide access to the Business Records and Business Employees and provide Buyers' independent accountants with such access, upon reasonable prior notice and during normal business hours, to the work papers of Sellers as is reasonably necessary to verify the calculation of the Working Capital. The Preliminary Working Capital Statement shall be final and shall be accepted by and be binding on the parties on the tenth (10th) day following delivery thereof unless Buyers give written notice to Sellers of its disagreement with the Preliminary Working Capital Statement (such notice, a "Preliminary Disagreement Notice") prior to such date. Any Preliminary Disagreement Notice shall specify in reasonable detail the nature of any disagreement so asserted. If a Preliminary Disagreement Notice is received by Sellers on or prior to such date, then the Preliminary Working Capital Statement (as revised in accordance with clause (iii) below) shall become final and binding upon each Seller and each Buyer on the date Sellers and Buyers resolve in writing any differences they have with respect to the matters specified in such Preliminary Disagreement Notice.

(iii) During the two (2) day period following delivery of a Preliminary Disagreement Notice, Sellers and Buyers shall seek in good faith to resolve in writing any differences which they may have with respect to the matters set forth in such Preliminary Disagreement Notice. If any disagreement included in the Preliminary Disagreement Notice is not resolved in writing within such two (2) day period, the amount of the Working Capital shall be equal to the amount that was not the subject of the Preliminary Disagreement Notice plus any additional amount that Sellers and Buyers

have mutually agreed upon (as set forth in the Preliminary Working Capital Statement and adjusted, if necessary pursuant to this Section 2.4(a), the "Preliminary Working Capital").

(b) In consideration of the sale, transfer, assignment, conveyance and delivery by Sellers of the Business and the Acquired Assets, Buyers shall (i) (A) pay Ninety-Two Million Four Hundred Forty Thousand U.S. Dollars (\$92,440,000) in cash to Sellers at the First Stage Closing Date which amount shall be either (1) increased by an amount, if any, by which the Preliminary Working Capital is greater than \$0 or (2) reduced by an amount, if any, by which Preliminary Working Capital is less than \$0 (the amount in the preceding clause (1) or clause (2), whichever is applicable, the "Preliminary Adjustment Amount"), (B) place the Escrow Amount (Second Stage Closing) in an interest bearing escrow account in which it will be held pursuant to the terms of the Escrow Agreement (Second Stage Closing) to support Buyers' obligation to pay the amount Buyers' are obligated to pay at the Second Stage Closing, (C) place the Escrow Amount (Working Capital/Indemnity) in an interest bearing escrow account in which it will be held pursuant to the terms of the Escrow Agreement (Working Capital/Indemnity) to support Sellers' obligations to pay any amount required to be paid by Sellers under Section 2.4(g) regarding the difference between Closing Working Capital and Preliminary Working Capital and Sellers' indemnification obligations in accordance with Article 8, (D) place the Escrow Amount (Cranberry Adjustment) in an interest bearing account in which it will be held pursuant to the terms of the Escrow Agreement (Cranberry Adjustment) to support Sellers' obligation to pay amounts, if any, required to be paid by Sellers under Section 2.4(g) regarding the Cranberry Plan Adjustment Amount, and (E) place the Escrow Amount (Closing Adjustment Receivables) in an interest bearing account in which it will be held pursuant to the terms of the Escrow Agreement (Closing Adjustment Receivables) to support Sellers' obligation to pay amounts, if any, required to be paid by Sellers under Section 2.4(h) and (ii) assume the First Stage Assumed Liabilities. The amount in Section 2.4(b)(i)(A), as adjusted by the Preliminary Adjustment Amount plus the Escrow Amount (Working Capital/Indemnity), the Escrow Amount (Cranberry Adjustment) and the Escrow Amount (Closing Adjustment Receivables) (the three such escrow amounts in the preceding clauses (C), (D) and (E) referred to herein collectively as the "Total Escrow Amount") constitutes the "Initial Purchase Price".

(c) All payments of the Purchase Price, except for the Total Escrow Amount, shall be made by wire transfer in immediately available funds to an account designated by Sellers in written instructions to be delivered to Buyers on or prior to the payment date.

(d) Within thirty (30) days after the First Stage Closing Date, Sellers shall deliver to Buyers a statement (the "Closing Working Capital Statement"), setting forth the Working Capital as of the close of business on the First Stage Closing Date (the "Closing Working Capital") and a Cranberry Plan Adjustment Statement (the "Cranberry Plan Adjustment Statement") setting forth the Cranberry Plan Adjustment Amount. The Closing Working Capital Statement and the Cranberry Plan Adjustment Statement shall be referred collectively to as the "Adjustment Statements". The Adjustment Statements shall be prepared by the Sellers, and the Sellers' independent accountants shall provide an attestation thereof, in accordance with the terms of this Agreement. The Cranberry Plan Adjustment Statement shall apply the principles

and will be calculated consistently with the model Cranberry Plan Adjustment Statements attached as Annex I to Exhibit A hereto.

(e) During the thirty (30) day period following Buyers' receipt of the Adjustment Statements, Sellers shall provide access to the Business Records and Business Employees and shall cause Sellers' independent accountants to provide Buyers' independent accountants with such access, upon reasonable prior notice and during normal business hours, to the work papers of Sellers' independent accountants as is reasonably necessary to verify the calculation of the Closing Working Capital and the Cranberry Plan Adjustment Amount. The Adjustment Statements shall be final and shall be accepted by and be binding on the parties on the thirtieth (30th) day following delivery thereof unless Buyers give written notice to Sellers of their disagreement with the Adjustment Statements (such notice, a "Closing Disagreement Notice") prior to such date. Any Closing Disagreement Notice shall specify in reasonable detail the nature of any disagreement so asserted. If a Closing Disagreement Notice is received by Sellers on or prior to such date, then the Adjustment Statements (as revised in accordance with Section 2.4(f)) shall become final and binding upon each Seller and each Buyer, on the earlier of (1) the date Sellers and Buyers resolve in writing any differences they have with respect to the matters specified in such Closing Disagreement Notice and (2) the date that a nationally or regionally recognized independent accounting firm mutually agreed upon by Sellers and Buyers (the "Accounting Firm") delivers to the Sellers and Buyers its written determination of all disputed matters submitted to it pursuant to Section 2.4(f) (the "Accounting Firm Determination").

(f) During the thirty (30) day period following delivery of a Closing Disagreement Notice, Sellers and Buyers shall seek in good faith to resolve in writing any differences which they may have with respect to the matters set forth in such Closing Disagreement Notice. If any disagreement included in the Closing Disagreement Notice is not resolved in writing within such thirty (30) day period, Sellers and Buyers shall submit to the Accounting Firm for review and determination of any and all matters which remain in dispute. The scope of the Accounting Firm's review shall be limited to only those matters which have not been resolved in writing within such thirty (30) day period. Sellers and Buyers shall use all reasonable efforts to cause the Accounting Firm to deliver the Accounting Firm Determination within thirty (30) days of the receipt of such submission. Sellers and Buyers agree that the Accounting Firm Determination shall be final and binding on the parties and that judgment may be entered upon the Accounting Firm Determination in any court having jurisdiction over the party against which such Determination is to be enforced. The Accounting Firm Determination shall be accompanied by a certificate of the Accounting Firm that it reached the Accounting Firm Determination in accordance with the provisions of this Section 2.4. The cost incurred in connection with the Accounting Firm Determination (including the fees and expenses of the Accounting Firm and of any enforcement of the Accounting Firm Determination) pursuant to this Section 2.4 shall be borne by Buyers and Sellers in inverse proportion as they may prevail on matters resolved by the Accounting Firm, which proportionate allocation shall be calculated on an aggregate basis based on the relative dollar values of the amounts in dispute and shall be determined by the Accounting Firm at the time the Accounting Firm Determination is rendered on the merits of the matter submitted.

(g) The Initial Purchase Price shall be (i) increased by the amount, if any, by which the Closing Working Capital, as finally determined pursuant to this Section 2.4, exceeds the Preliminary Working Capital, and (ii) decreased by (x) the amount of any Cranberry Plan Adjustment Amount, as finally determined pursuant to this Section 2.4, and (y) the amount, if any, by which the Closing Working Capital, as finally determined pursuant to this Section 2.4, is less than the Preliminary Working Capital (the Initial Purchase Price as so increased or decreased shall hereinafter be referred to as the "Adjusted CWC Purchase Price"). Within five (5) Business Days after the Closing Working Capital and the Cranberry Plan Adjustment Amount have been finally determined in accordance with this Section 2.4, (I) if the Closing Working Capital is in excess of the Preliminary Working Capital, Buyers shall pay to Sellers an amount equal to such excess, together with interest thereon at a rate per annum equal to the rate of interest from time to time publicly announced by Citibank, N.A., in its New York office as its prime or base rate (the "Prime Rate"), calculated on the basis of the actual number of days elapsed over 365 from the date of delivery of the Closing Working Capital Statement pursuant to Section 2.4(d) to the date of payment, (II) if the Closing Working Capital is less than the Preliminary Working Capital, Buyers shall receive from the Escrow Amount (Working Capital/Indemnity) pursuant to the Escrow Agreement (Working Capital/Indemnity), and from Sellers to the extent such Escrow Amount (Working Capital/Indemnity) is insufficient, an amount equal to such deficit, together with interest thereon at the Prime Rate, calculated on the basis of the actual number of days elapsed over 365 from the date of delivery of the Closing Working Capital Statement pursuant to Section 2.4(d) to the date of payment and (III) if there is a Cranberry Plan Adjustment Amount owing from Sellers to Buyers, Buyers shall receive from the Escrow Amount (Cranberry Adjustment) pursuant to the Escrow Agreement (Cranberry Adjustment) and, to the extent the Escrow Amount (Cranberry Adjustment) is insufficient, at Buyers' election, from Sellers or from any remaining Escrow Amount (Working Capital/Indemnity), an amount equal to the Cranberry Plan Adjustment Amount, together with interest thereon calculated as set forth in the preceding clause; and any remaining funds in the Escrow Amount (Cranberry Adjustment) shall be returned to Sellers pursuant to the terms of the Escrow Agreement (Cranberry Adjustment). Payments in respect of this Section 2.4 shall be made by wire transfer in immediately available funds to an account that is designated by the party entitled to payment at least two (2) Business Days prior to the date of payment.

(h) (i) Within one-hundred twenty (120) days after the First Stage Closing, Buyers shall provide to Sellers a statement showing all of the Adjustment Receivables that were included in Current Assets or Current Liabilities on the Closing Working Capital Statement (collectively, the "Closing Adjustment Receivables"), and stating the amount of the Closing Adjustment Receivables that have been collected by Buyers and by Sellers (and remitted to and received by Buyers, or credits have been issued to Buyers) as of ninety (90) days after the First Stage Closing Date (collectively, the "Collected Closing Adjustment Receivables I"). Buyers shall collect the Closing Adjustment Receivables in the ordinary course of business and according to the past practices of the Business. Buyers shall deliver monthly financial information detailing the collections (and any dispute credits issued) described herein.

a. In the event the Closing Adjustment Receivables are in excess of the Collected Closing Adjustment Receivables I and such excess is less than the

Escrow Amount (Closing Adjustment Receivables), Seller shall not at that time be obligated to pay to Buyers the amount of such excess.

b. In the event there is an excess of Closing Adjustment Receivables over the Collected Closing Adjustment Receivables I and such excess is also in excess of the Escrow Amount (Closing Adjustment Receivables), Sellers shall pay to Buyers an amount of the excess of the Closing Adjustment Receivables over the Collected Closing Adjustment Receivables I (up to the maximum amount of the Closing Adjustment Receivables Pool), within five (5) Business Days. In the event Sellers do not make such payment, Buyers shall be entitled to withdraw such payment from the Escrow Amount (Closing Adjustment Receivables), and Sellers shall continue to be liable for the amount, if any, of such required payment in excess of the Escrow Amount (Closing Adjustment Receivables), as well as interest on the amount of the Escrow Amount (Closing Adjustment Receivables) so withdrawn and any such excess at the Prime Rate.

(ii) Within one-hundred eighty (180) days after the First Stage Closing, Buyers shall provide to Sellers a statement showing all of the Closing Adjustment Receivables, and stating the amount of the Closing Adjustment Receivables that have been collected by Buyers and by Sellers (and remitted to and received by Buyers) as of one-hundred fifty (150) days after the First Stage Closing Date (collectively, the "Collected Closing Adjustment Receivables II"). In the event the Closing Adjustment Receivables are in excess of the Collected Closing Adjustment Receivables II, Sellers and Buyers shall effect a true-up that results in the receipt by Buyers, in the aggregate, pursuant to Section 2.4(h)(i) and (ii) of an amount equal to such excess (up to the maximum amount of the Closing Adjustment Receivables Pool) plus any interest payable by Sellers under Section 2.4(h)(i)(b), (x) with any additional amount that is to be paid by Sellers to Buyers to come first from the Escrow Amount (Closing Adjustment Receivables) and, to the extent the Escrow Amount (Closing Adjustment Receivables) is insufficient, then from the Sellers, in each case within five (5) Business Days and (y) any repayment to be made by Buyers to Sellers to be within five (5) Business Days (it being understood and agreed that any such repayment shall not exceed the payment received by Buyers under Section 2.4(h)(i)(b)).

(iii) Illustrations of the operation at this Section 2.4(h) are shown in Schedule 2.4(h)(iii).

(i) The term "Working Capital" shall mean Current Assets minus Current Liabilities. The term "Current Assets" means, with respect to the Business, Receivables less reserves and allowances for Receivables determined in accordance with Generally Accepted Accounting Principles as consistently applied with historical methods, inventory, materials and supplies and prepaid expenses which accrue or will accrue to the benefit of Buyers, vendor and real estate deposits and costs incurred and not billed related to reimbursable projects for Governmental Bodies, and the term "Current Liabilities" means accounts payable-trade, accrued cost of service, accrued liabilities, short and long term capital lease liabilities, advance billings and customer deposits, accrued vacation liability as required in Section 5.4(f) and minority interest, in each case with respect to the Business and calculated in accordance with the principles applied in calculating the Working Capital for the Business as of December 31, 2002, attached hereto as Schedule 2.4(i) and with Generally Accepted Accounting Principles (except as otherwise provided on Schedule 2.4(i)). Notwithstanding anything in this Agreement to the contrary, Working Capital shall not include any Excluded Assets or Excluded Liabilities.

(j) At the Second Stage Closing, the Escrow Amount (Second Stage Closing) shall be released to Sellers pursuant to the Escrow Agreement (Second Stage Closing) and the sum of the Adjusted CWC Purchase Price and such Escrow Amount shall constitute the "Purchase Price".

2.5 Assumed Liabilities

(a) Upon the terms and subject to the conditions in this Agreement, at and as of the First Stage Closing Date, Sellers shall assign, and Buyers shall assume and agree to honor, pay and discharge when due, all of the following liabilities and obligations of Sellers: (i) the obligations under the First Stage Purchased Contracts, First Stage Purchased Permits and the First Stage Transferred Communications Licenses, to the extent arising out of, or resulting from, facts, events and circumstances occurring, or which accrue, after the First Stage Closing Date (other than due to any failure to comply or breach of any of Sellers or any of their Affiliates, whether before, on or after the First Stage Closing Date); (ii) all liabilities reflected on the balance sheet of the Business on the First Stage Closing Date that are included as Current Liabilities in the calculation of Working Capital; provided that to the extent Sellers fail to make any payment provided for in Section 2.4(g)(II) the amount equal to the amount of any such deficiency shall not be assumed by Buyers as an Assumed Liability; (iii) all Circuit Commitments to the extent arising out of, or resulting from, facts, events and circumstances occurring, or which accrue, after the First Stage Closing Date (other than due to any failure to comply or breach of any of Sellers or any of their Affiliates, whether before, on or after the First Stage Closing Date); and (iv) those liabilities and obligations listed on Schedule 2.5(a), in each case except any Excluded Liabilities (collectively, the "First Stage Assumed Liabilities"); provided, that with respect to First Stage Purchased Contracts, First Stage Purchased Permits and First Stage Transferred Communications Licenses that are conveyed pursuant to the last sentence of Section 2.2(a), such items will constitute First Stage Assumed Liabilities as of the applicable conveyance date(s).

(b) Upon the terms and subject to the conditions in this Agreement, at and as of (a) the Second Stage Closing Date, Sellers shall assign, and Buyers shall assume and agree to honor, pay and discharge when due, all of the following liabilities and obligations of Sellers: the obligations under the Second Stage Purchased Contracts, Second Stage Purchased Permits and the Second Stage Transferred Communications Licenses, to the extent arising out of, or resulting from, facts, events and circumstances occurring, or which accrue, after the Second Stage Closing Date (other than due to any failure to comply or breach of any of Sellers or any of their Affiliates, whether before, on or after the Second Stage Closing Date), in each case except any Excluded Liabilities (collectively, the "Second Stage Assumed Liabilities" and, collectively with the First Stage Assumed Liabilities, the "Assumed Liabilities").

(c) The Assumed Liabilities shall not include any liabilities or obligations of Sellers which are not described in Sections 2.5(a) and (b), including without limitation those liabilities and obligations that are listed on Schedule 2.5(c) (the "Excluded Liabilities"), it being understood that the Second Stage Assumed Liabilities shall constitute Excluded Liabilities until the occurrence of the Second Stage Closing.

2.6 No Offset

Except for the determinations of Purchase Price set forth in Section 2.4, Buyers' and Sellers' obligations under Sections 2.4 and 2.5 shall not be subject to offset or reduction for any reason, including by reason of any actual or alleged breach of any representation, warranty or covenant contained in this Agreement or any of the Collateral Agreements or any right or alleged right to indemnification hereunder or thereunder.

2.7 Further Assurances; Further Conveyances and Assumptions; Consent of Third Parties

(a) Subject to the specific terms and conditions hereof, Sellers and Buyers agree to use reasonable best efforts to take all actions and to do all things necessary, proper or advisable to consummate the transactions contemplated hereby. Sellers will from time to time subsequent to the applicable Staged Closing Date, at Buyers' request and assistance as necessary, execute and deliver such other instruments of conveyance, assignment and transfer and take such other actions as Buyers may reasonably request in order more effectively to convey, assign, transfer to and vest in Buyers the Acquired Assets, subject to any restrictions under applicable Law. Buyers and Sellers will work together from the date of this Agreement to and following the applicable Staged Closing Date to transfer electronic data and records and accounting and personnel information related to the Business and similar information that are being transferred in connection with the Business and the Acquired Assets. Buyers will from time to time subsequent to the applicable Staged Closing Dates, at Sellers' request, execute and deliver such other instruments of conveyance, assignment and transfer and take such other actions as Sellers may reasonably request in order more effectively to accomplish the assumption of the related Assumed Liabilities.

(b) Anything in this Agreement or the Collateral Agreements to the contrary notwithstanding, neither this Agreement nor the Collateral Agreements shall constitute an attempt or agreement to sell, assign, sublease, sublicense or assume any Acquired Asset, including without limitation, any Contract, Permit or Communications License or Business Record or any claim or right or any benefit or obligation thereunder or resulting therefrom, if a sale, assignment, sublease, sublicense or assumption thereof would violate any Law or Order or, without the Consent of a Third Party thereto or a Governmental Body, would constitute a breach or violation of such Acquired Asset and if such a Consent is not obtained at or prior to the applicable Staged Closing Date. (Notwithstanding the prior sentence, Sellers' representations and warranties, covenants and agreements regarding Acquired Assets shall include any Assets (other than Excluded Assets), Contracts or Permits or Communications Licenses that would constitute Acquired Assets but for the fact that a Consent is required to sell, assign, sublease, sublicense, or assume such Assets, Contracts or Permits or Communications Licenses.) Sellers shall use reasonable best efforts, and Buyers shall reasonably cooperate with Sellers, to obtain such prior Consents and to resolve the impediments to the sale, assignment, sublease, sublicense or assumption required by this Agreement or the Collateral Agreements; provided, that Sellers shall not be required to pay any fees or make any other concessions to any Person in order to obtain any Consents other than those listed on Schedule 3.3(b) in response to Sections 3.3(b)(ii) and (iii). In the event any such Consents are not obtained on or prior to the applicable Staged Closing Date, Sellers shall continue to use reasonable best efforts to obtain any such Consents

after the applicable Staged Closing Date, and Sellers shall reasonably cooperate with Buyers (at Buyers' request) in any lawful and economically feasible arrangement to provide that Buyer shall receive the interest of Sellers in the benefits under any such Asset, Contract or Permit which require Consent to sell, assign, sublease, sublicense, or assume such Asset, Contract or Permit, including performance by Sellers, as agent, if economically feasible; provided, that Buyers shall undertake to pay or satisfy the corresponding liabilities for the enjoyment of such benefit to the extent Buyers would have been responsible therefor hereunder if such Consent had been obtained; provided, further that Sellers shall not be required to pay any fees or make any other concessions to any Person in order to obtain any Consents other than those listed on Schedule 3.3(b) in response to Sections 3.3(b) (ii) and (iii). Upon the receipt of any such Consent(s) after the applicable Staged Closing Date, the relevant Asset(s), Contract(s) and/or Permit(s) and/or Communications License(s) shall constitute Acquired Assets. During such time as the parties are attempting to obtain Consents to assignment or assumption of any Contracts hereunder following the applicable Staged Closing Date (including, any Contract that required a Consent of a court for Sellers to perform services or receive compensation under the Contract), if, and to the extent that, Buyers are unable to provide services under any such Contract (including, by virtue of the fact that a court does not provide its Consent to Sellers ceasing to perform services under the Contract or otherwise), Sellers may, notwithstanding anything to the contrary herein, continue to do so, if they so elect, and receive their customary fees and expenses thereunder, or if Sellers are unable to do so for any reason (and Buyers are not able for any reason to perform the work being performed by the Seller), Sellers may terminate or withdraw from the Contract where necessary to avoid material Losses (unless Buyers agree to indemnify, defend and hold harmless Sellers under Section 8.2(c)).

2.8 Delivery of Guaranties

Simultaneously with the execution and delivery of this Agreement, (i) Buyers' Parent is executing and delivering a guaranty to Sellers, the form of which is attached hereto as Exhibit B (the "Buyers' Parent Guaranty"), and (ii) Sellers' Parent is executing and delivering to Buyers a guaranty, the form of which is attached hereto as Exhibit C (the "Sellers' Parent Guaranty").

3. Representations and Warranties of Sellers

Sellers hereby jointly and severally represent and warrant to Buyers as follows:

3.1 Organization and Qualification

Each Seller is a corporation, limited partnership or limited liability company, as applicable, duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and has all requisite power and authority to carry on the Business as currently conducted and to own, lease or license and operate the Acquired Assets owned, leased or licensed by it as currently operated. Sellers are licensed or qualified to do business and are in good standing as foreign corporations in each jurisdiction set forth on Schedule 3.1. Except as set forth on Schedule 3.1, no Seller owns any capital stock or other equity interest in any Person. Except as set forth on Schedule 3.1, all of the capital stock of Sellers is held by BCI or other Sellers party hereto.

3.2 Authorization; Binding Effect

(a) Each Seller has all requisite power and authority to execute and deliver this Agreement and each Collateral Agreement to which it will be a party and to effect the transactions contemplated hereby and thereby. Except as set forth on Schedule 3.2, the execution, delivery and performance by each Seller of this Agreement and each Collateral Agreement to which it will be a party and the consummation by each Seller of the transactions contemplated hereby and thereby have been duly and validly approved by each Seller's board of directors and, to the extent required by applicable Law or Contract, by any Affiliate of any Seller, and all stockholders or other securityholders of each Seller (and each Affiliate of any Seller) entitled to vote thereon, and no other actions or proceedings on the part of any Seller (or any Affiliates of any Seller or any stockholder or other securityholder of any Seller or any Affiliates of any Seller) are necessary to authorize the execution, delivery and performance by each Seller of this Agreement or the Collateral Agreements to which it will be a party or the transactions contemplated hereby and thereby.

(b) Except as set forth on Schedule 3.2, this Agreement has been, and each Collateral Agreement to which Sellers will be a party will be, on or prior to First Stage Closing Date, duly and validly executed and delivered by each Seller, as applicable. Assuming due execution by Buyers, this Agreement is, and each Collateral Agreement to which Sellers will be a party, when duly executed and delivered by each applicable Seller, will be, valid and legally binding obligations of each applicable Seller, enforceable against each applicable Seller in accordance with their respective terms, except as such agreements may be subject to bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws and equitable principles relating to or affecting or qualifying the rights of creditors generally and general principles of equity.

3.3 Non-Contravention; Consents

(a) Except as set forth on Schedule 3.3(b), the execution and delivery of this Agreement by each Seller and the Collateral Agreements by each Seller party thereto, and the consummation of the transactions contemplated hereby and thereby, do not and will not: (i) conflict with or result in a breach or violation of any provision of any organizational document of Sellers' Parent or any Seller, provided that the approvals of the shareholders of Sellers' Parent and of the Sellers are required to effect the name changes contemplated in Section 5.17(a); (ii) violate or result in a breach of or constitute an occurrence of default under any provision of, result in the acceleration or cancellation of any obligation under, or give rise to a right by any party to terminate or amend its obligations under, any Contract to which any Seller is a party or is otherwise bound, except in each case for Contracts that are not material to the conduct of the Business and having an annual value or involving annual consideration that is less than \$100,000 individually or \$1,000,000 in the aggregate, or that would not materially impair, delay or prevent the consummation by any of the Sellers of the transactions contemplated by this Agreement or any of the Collateral Agreements; (iii) or result in the creation of any Encumbrance upon any of the Acquired Assets (other than a Permitted Encumbrance), or permit the acceleration of the maturity of any indebtedness of Sellers or indebtedness secured by any of the Acquired Assets, having a value in excess of \$100,000 individually or \$1,000,000 in the

aggregate; or (iv) violate in any material respect any Law or Order of any Governmental Body (including any State PUC) having jurisdiction over any Seller or the Acquired Assets.

(b) No Consent (including a waiver of any right of first refusal or first offer) of, filing or registration with, or cooperation from, any Governmental Body or any other Person not a party to this Agreement is necessary in connection with the execution, delivery and performance by Sellers of this Agreement or the Collateral Agreements to which Sellers will be a party or the consummation by Sellers of the transactions contemplated hereby or thereby, except for (i) any filings required to be made under the HSR Act, (ii) filings with the FCC under the Communications Act of 1934, as amended (the "Communications Act"), and filings with State PUCs as required by applicable Law, as set forth in Schedule 3.3(b), and (iii) Consents of Third Parties required to transfer or assign to Buyers the Acquired Assets, or assign the benefits of or delegate performance with regard thereto, in each case as set forth in Schedule 3.3(b), except in each case for Purchased Contracts (other than Customer Contracts) and Permits or other Acquired Assets that are not material to the conduct of the Business and have a value or involving consideration having an annual value or involving annual consideration of less than \$200,000 individually and \$1,000,000 in the aggregate and Customer Contracts that are not material to the conduct of the Business and have a value or involving consideration having an annual value of less than \$500,000 (the "Sellers' Consents").

3.4 Title to Purchased Assets; Sufficiency of Assets

(a) Sellers have, and at the applicable Staged Closing Date will have, good and valid title to, or a valid and binding leasehold interest, right, or license in, the Acquired Assets, free and clear of any Encumbrance (except for Permitted Encumbrances, excluding on the applicable Staged Closing Date, those contemplated by Section 7.2(f) to be removed). Except as set forth on Schedule 3.4(a), Sellers have the full right to sell, convey, transfer, assign and deliver the Acquired Assets to Buyers, and, at and as of the applicable Staged Closing Date, Sellers will sell, convey, transfer, assign and deliver the Acquired Assets to Buyers by instruments of sale, conveyance, transfer and assignment effective to vest in Buyers, and Buyers shall have, good and valid title to, or a valid and binding leasehold interest, right, or license in, all of the Acquired Assets, ~~free and clear of all Encumbrances~~ (except for Permitted Encumbrances, excluding on the applicable Staged Closing Date, those contemplated by Section 7.2(f)).

(b) Except as set forth on Schedule 3.4(b), all of the tangible Purchased Assets, whether real or personal, owned or leased, have been well maintained and are in good operating condition and repair (with the exception of normal wear and tear) in all material respects.

(c) Except as set forth on Schedule 3.4(c) or with respect to other items which are not material to the conduct of the Business or which have a value of less than \$100,000, the Acquired Assets constitute all of the Assets, Contracts, Permits and Communications Licenses (in each case, except for the Excluded Assets) that are currently used in the conduct of the Business (including the operation of the Network).

3.5 Licenses and Permits

(a) Sellers have obtained all necessary registrations, certifications and other regulatory authorizations from the appropriate state and local Governmental Bodies (collectively, the "State Licenses"), including State PUCs, and hold all licenses, permits, certificates, franchises, registrations and other authorizations issued by the Federal Communications Commission (collectively, the "FCC Licenses"), that are required for the conduct of the Business as currently conducted, and for the holding of the Acquired Assets, except where the failure to hold such State Licenses or FCC Licenses (collectively, the "Communications Licenses") would not reasonably be expected to result in a Material Adverse Effect. All of the Communications Licenses are set forth in Schedule 3.5(a) hereto.

(b) Other than Communications Licenses that are immaterial, each of the Communications Licenses was duly issued (to Sellers' Knowledge) and is valid and in full force and effect and each of the Communications Licenses has not been modified, canceled, revoked, or conditioned in any adverse manner other than in a manner that is immaterial.

(c) Each holder of a Communications License is set forth in Schedule 3.5(c) and has operated in all material respects in compliance with all terms thereof. Each holder of a Communications License is in all material respects in compliance with, and its businesses have operated in all material respects in compliance with, the Communications Act, as applicable, and with any other applicable Laws and Orders, and has filed all registrations and reports and paid all required fees, including any renewal applications, required by the Communications Act and any applicable Laws and Orders. Except as would not reasonably be expected to result in a Material Adverse Effect, (i) there is no pending or, to Sellers' Knowledge, threatened Action by or before the FCC or any State PUC to revoke, cancel, suspend, modify or refuse to renew any of the Communications Licenses, and (ii) except as set forth in Schedule 3.5(c), there is not now any issued, outstanding or, to Sellers' Knowledge, threatened notice by the FCC or any State PUC of any violation or complaint against Sellers with respect to the operation of their respective businesses.

~~..... (d) Except as set forth in Schedule 3.5(d) or as would not reasonably be expected to result in a Material Adverse Effect, no event has occurred that permits the revocation or termination of any of the Communications Licenses or the imposition of any restriction thereon.~~

(e) Sellers hold (i) all valid and effective Permits, leases, Communications Licenses, Easements, rights of way, licenses and other Consents, whether issued by a Governmental Body or otherwise, necessary to retain in place, operate and use the Owned Portion as currently conducted, (ii) all valid and effective IRUs and other agreements, or any other Consents necessary to retain in place, operate and use the IRU Portion as currently conducted, and (iii) all material Permits that are required for them to own, lease or operate their Assets and to carry on the Business as currently conducted, except as set forth on Schedule 3.5(e). Sellers are in compliance in all material respects with each Permit identified on Schedule 3.5(e), and no Action is pending or, to Sellers' Knowledge, threatened to revoke or limit any such Permit. Except as set forth on Schedule 3.5(e), Sellers have received no notice of and have no Knowledge of any event or circumstance that could reasonably be expected to cause a

material impairment of their rights to retain, operate and/or use the Owned Portion or the IRU Portion.

3.6 Compliance With Laws; Litigation

(a) Except as set forth on Schedule 3.6(a) and except as would not materially impair, delay or prevent the consummation by any of the Sellers of the transactions contemplated hereby, Sellers are in material compliance with all Laws and Orders applicable to the Business or the Acquired Assets.

(b) Except as set forth on Schedule 3.6(b), no Order that names a Seller and is related to the Business or the Acquired Assets is in effect and that imposes a material obligation on the ongoing conduct of the Business (including the operation of the Network). Except as set forth on Schedule 3.6(b), Sellers have not entered into any agreement to settle or compromise any Action pending or threatened against them which has involved any obligation other than the payment of money or for which Sellers have any continuing obligation. Except for individual Actions having an amount in controversy, and which could not reasonably result in a Loss of, greater than \$200,000, and except as set forth on Schedule 3.6(b), there are no Actions pending (to Sellers' Knowledge with respect to investigations of Governmental Bodies) or, to Sellers' Knowledge, threatened, against or affecting Sellers or any of their officers, directors, employees, agents or stockholders in their capacity as such, in each case with respect to the Business or the Acquired Assets, and to Sellers' Knowledge, there are no facts or circumstances which may give rise to any of the foregoing.

(c) There are no Actions pending (to Sellers' Knowledge with respect to investigations of Governmental Bodies) or, to Sellers' Knowledge, threatened by or against Sellers with respect to this Agreement or any of the Collateral Agreements, or in connection with the transactions contemplated hereby or thereby, and Sellers have no reason to believe there is a valid basis for any such Action.

3.7 Business Employees; Employee Benefits

(a) Schedule 3.7(a) contains a list of the position held and aggregate annual compensation for Sellers' last fiscal year and date of hire with respect to each Business Employee (which list shall be updated as of the First Stage Closing Date and no update is deemed to be an inaccuracy if in compliance with Section 5.2).

(b) Schedule 3.7(b) contains a list of all Benefit Plans (which list shall be updated as of the First Stage Closing Date and no update is deemed to be an inaccuracy if in compliance with Section 5.2). With respect to each of the Benefit Plans identified on Schedule 3.7(b), Sellers have made available to the Buyers true and complete copies of all plan documents and benefit schedules, or if none exist, a summary of the material terms thereof.

(c) Each Benefit Plan has been administered in accordance with its terms, except for any failures so to administer any Benefit Plan that would not individually or in the aggregate have a Material Adverse Effect with respect to the Business. Sellers and all Benefit Plans are in [material] compliance with the applicable provisions of ERISA, the Code

and all other applicable Laws and Orders and the terms of all applicable collective bargaining agreements, except for any failures to be in such compliance that would not individually or in the aggregate have a Material Adverse Effect with respect to the Business.

(d) Except as set forth on Schedule 3.7(d), no Seller sponsors, maintains or contributes to any Benefit Plan that is subject to Title IV of ERISA and no Benefit Plan is a multiemployer plan (within the meaning of Section 3(37) of ERISA). No Benefit Plan which is subject to Title IV of ERISA has been terminated and all contributions to any such plan which are due have been paid.

(e) Sellers are in [material] compliance with all Federal, state, local and foreign requirements regarding employment, except for any failures to comply that would not individually or in the aggregate have a Material Adverse Effect with respect to the Business. No Seller is a party to any collective bargaining or other labor union contract applicable to persons employed by any Seller in the United States and as of the date of this Agreement no such collective bargaining agreement is being negotiated by any Seller. There is no (i) strike against or otherwise affecting any Seller pending, or to Seller's Knowledge, threatened; or (ii) work stoppage or other labor dispute against or otherwise affecting any Seller pending or, to Sellers' Knowledge, threatened, which may materially interfere with the respective business activities of any Seller with respect to the Business. To Sellers' Knowledge, within the last three (3) years, no Seller or any of their respective representatives or employees has committed any unfair labor practice in connection with the operation of the respective businesses of Sellers, and there is no action, charge or complaint against any Seller by the National Labor Relations Board or any comparable Governmental Body pending or, to Sellers' Knowledge, threatened in writing.

(f) (i) No employee of any Seller will be entitled to any additional benefits or any acceleration of the time of payment or vesting of any benefits under any Benefit Plan or otherwise (other than acceleration of vesting of options in accordance with their terms) as a result of the transactions contemplated by this Agreement, (ii) no amount payable, or economic benefit provided, by any Seller (including any acceleration of the time of payment or vesting of any benefit (other than acceleration of vesting of options in accordance with their terms)) could be considered an "excess parachute payment" under Section 280G of the Code and (iii) no person is entitled to receive any additional payment from any Seller or any other person in the event that the excise tax of Section 4999 of the Code is imposed on such person, in each case except where such additional benefits or payments or acceleration (other than acceleration of vesting of options in accordance with their terms), would not individually or in the aggregate have a Material Adverse Effect with respect to the Business.

(g) Except as set forth in Schedule 3.7(g), no Seller has implemented any plant closing or layoff of employees that could implicate the Worker Adjustment Retraining and Notification Act of 1988, as amended ("WARN"), or any similar state or local Law, within the last 90 days.

3.8 Contracts

Schedule 3.8 contains a complete and accurate list of all Contracts to which one or more of the Sellers are a party and that are related to the Business as follows (which list shall be

updated as of the First Stage Closing Date and the Second Stage Closing Date and no such update is deemed to be an inaccuracy if in compliance with Section 5.2).

(a) any Employment Agreement or other Contract of any kind with any stockholder, director, officer or employee of any Seller or any of its Affiliates;

(b) any Customer Contracts, except for (i) Customer Contracts that generate aggregate annual revenues of \$500,000 or less, or (ii) Customer Contracts entered into on or after November 30, 2002;

(c) any Contract with any Person for the purchase or delivery of goods, or performance of services, to Sellers, including goods or services used to provide services, or to be resold, to Sellers' customers, in each case other than Contracts entered into in the ordinary course of business or having a value or annual consideration less than \$100,000 or that has a term, or requires the performance of any obligations by any Seller over a period of less than one (1) year;

(d) any Contract which is material to the conduct of the Business or that has a value in excess of \$100,000 pursuant to which any Seller grants or is granted any license or other rights to use any of the Acquired Assets or any material rights of joint use with respect to any of the Acquired Assets (other than any Real Property Lease or IP License or IPR License);

(e) any Contract with a sales representative, sales agency, advertising agency or other Person engaged in sales or promotional activities, or any Contract to act as one of the foregoing on behalf of any Person in which the expected annual payment to such Person is in excess of \$100,000;

(f) any Contract pursuant to which any Seller has made or will make loans or advances, or has or will have incurred debts or become a guarantor or surety or pledged its credit on or otherwise become responsible with respect to any undertaking of another Person (except for the negotiation or collection of negotiable instruments in transactions in the ordinary course of business), individually in excess of \$25,000 or in the aggregate in excess of \$100,000;

(g) any indenture, credit agreement, loan agreement, note, mortgage, security agreement, lease of real property or personal property, loan commitment or other Contract relating to the borrowing of funds, an extension of credit or financing, individually in excess of \$25,000 and in the aggregate in excess of \$100,000;

(h) any Contract having a value or containing payment or other obligations in excess of \$25,000 involving a partnership, joint venture or other cooperative undertaking;

(i) any Contract involving any material restrictions with respect to the geographical area of operations or scope or type of business of any Seller, including the Business;

(j) any power of attorney or agency Contract with any Person pursuant to which such Person is granted the authority to act for or on behalf of any Seller, or any Seller is granted the authority to act for or on behalf of any Person;

(k) any Contract, whether or not fully performed, relating to any acquisition or disposition of any stock of, or any material portion of the assets of, any Seller, or any acquisition or disposition of any subsidiary, division, line of business or real property of any Seller, except as such Contract relates to any Excluded Asset or Excluded Liability; and

(l) any Contract having a value individually in excess of \$100,000 or in the aggregate in excess of \$300,000, not made in the ordinary course of business and consistent with past practice and that is to be performed in whole or in part at or after the date hereof.

Sellers have provided Buyers with access to (i) true, accurate and complete copies of each of the Contracts and the other documents set forth on Schedule 3.8, as amended or modified and (ii) a written description of each oral arrangement so listed on Schedule 3.8.

Each and all of (i) the Customer Contracts and (ii) the other Contracts which, individually or in the aggregate, are material to the Business are valid and binding on the applicable Seller and, to such Seller's Knowledge, on the other parties thereto in accordance with its terms and is in full force and effect. Except as set forth on Schedule 3.8(m), no Seller has received any written notice that it is in default or breach of and is otherwise delinquent in performance in any material respect under any Contract, and, to Sellers' Knowledge, each of the other parties thereto has performed in all material respects all obligations required to be performed by it and is not in default in any material respect thereunder.

Except as set forth on Schedule 3.8(n), since December 31, 2002, no \$500K Customer has terminated or informed a Seller that it intends to terminate, renegotiate or let expire, or materially reduce the amount of goods and/or services received under, such Customer Contract(s) and, to Sellers' Knowledge, there are no material disputes with any \$500K Customers.

3.9 Financial Statements; Absence of Changes

(a) Schedule 3.9(a)(i) contains correct and complete copies of the audited consolidated statements of BCI of (1) Assets and Liabilities, (2) Income Statement and (3) Cash Flows (the "Statements"), in each case for the fiscal year ended December 31, 2001 and the unaudited Statements for the nine-months ended September 30, 2002 (collectively, the "Financial Statements"). Also attached as Schedule 3.9(a)(i) is a correct and complete copy of the unaudited consolidated balance sheet and profit and loss statement of BCI and the Sellers for each of October 2002, November 2002, December 2002 and January 2003 (collectively, the "Monthly Statements"). The Financial Statements and the Monthly Statements include information with respect to and reflect the financial condition and results of operation of the Retained Business which are not being transferred hereby, and as to which Sellers makes no representation or warranty of any kind. The Financial Statements and Monthly Statements were prepared in conformity with Generally Accepted Accounting Principles, except as set forth on

Schedule 3.9(a)(ii) and subject, in the case of the unaudited Statements for the nine-months ended September 30, 2002 and the Monthly Statements, to year-end adjustments consistent with past practice.

(b) Except as set forth therein or on Schedule 3.9(b) with respect to the Business, the Financial Statements and Monthly Statements present fairly the consolidated financial condition and results of operations of BCI and its subsidiaries as of and for the periods then ended.

(c) Schedule 3.9(c) is an accurate and complete aging schedule of all Receivables as of November 30, 2002. Except as set forth on Schedule 3.9(c), (i) each Receivable represents a sale made in the ordinary course of business which arose pursuant to an enforceable written Contract for a bona fide sale of goods or for services performed, and (ii) the applicable Seller has performed all of its obligations to produce the goods or perform the services to which such Receivable relates.

(d) Except as set forth in the balance sheets included in the Financial Statements or the balance sheets in the Monthly Statements or on Schedule 3.9(d), there are no liabilities, debts, claims or obligations, whether accrued, absolute, contingent or otherwise, whether due or to become due that are required to be included in such Financial Statements in accordance with Generally Accepted Accounting Principles or which are contemplated by this Agreement to constitute Assumed Liabilities.

(e) Since December 31, 2002, Sellers have conducted and operated the Business in the ordinary course consistent with past practice, and except as set forth in Schedule 3.9(e):

(i) there has been no material destruction, damage or other loss to any material Purchased Assets;

(ii) other than in the ordinary course of business, there has been no sale, lease, or other disposition of any Acquired Asset, except for any such transaction less than \$100,000 individually in value or \$250,000 in value in the aggregate for all such transactions;

(iii) Except in compliance with Section 5.15, other than in the ordinary course of business consistent with past practice, there has been no purchase, lease or other acquisition of any properties or assets related to the Business or other capital expenditures related to the Business or with respect to the Acquired Assets other than any such transaction less than \$100,000 individually in value or \$250,000 in the aggregate for all such transactions;

(iv) no Seller has entered into or authorized any material Contract related to the Business or any material amendment or modification to any such Contract, other than in the ordinary course of business and consistent with past practice; and, to Sellers' Knowledge, no parties to such Contracts (including any Seller) having the

right to do so have accelerated, terminated, made modifications to or cancelled any such Contract.

(v) no Seller has suffered or permitted the imposition of any material Encumbrance (other than Permitted Encumbrances) upon any Acquired Asset;

(vi) no Seller has granted any license or sublicense of any rights under or with respect to any IP or IPR related to the Business other than in the ordinary course of business and consistent with past practice;

(vii) no Seller has made any loan or advance, individually in excess of \$10,000 or in the aggregate in excess of \$25,000, or capital contribution to, or investment in, any other Person;

(viii) no Seller has entered into any transaction or arrangement of any kind with any director, officer or employee of any Seller or any Affiliate of any Seller (other than another Seller), except as set forth in Schedule 3.8 in response to Section 3.8(a);

(ix) no Seller has granted any increase in the base compensation of any of the Business Employees other than in the ordinary course of business consistent with past practice;

(x) no Seller has made any other material change to the employment terms for any of the Business Employees terminated the employment of any material Business Employee of any Seller or established or materially modified any Benefit Plan other than as required by applicable Law or entered into an Employment Agreement;

(xi) no change has occurred (or circumstance involving a prospective change) which is reasonably likely to have a Material Adverse Effect;

(xii) no Seller has waived, released or canceled any claims against third parties or debts owing to it or any rights which have a value in excess of \$200,000 individually or \$1,000,000 in the aggregate;

(xiii) no Seller has made any changes in its accounting systems, policies, principles or practices, other than any changes required by applicable accounting standards or the Securities and Exchange Commission rules and regulations;

(xiv) no Seller has made any borrowing, incurred any debt (other than ordinary course borrowings under the Credit Agreement and trade payables in the ordinary course of business and consistent with past practice) or assumed, guaranteed, endorsed (except for the negotiation or collection of negotiable instruments in transactions in the ordinary course of business and consistent with past practice and the guarantee of lease obligations by Broadwing Communications Real Estate Services LLC) or otherwise become liable (whether directly, contingently or otherwise) for the

obligations of any other Person, or made any payment or repayment in respect of any indebtedness (other than ordinary course borrowings under the Credit Agreement and accrued expenses in the ordinary course of business and consistent with past practice), in each case, in excess of \$50,000 individually or \$200,000 in the aggregate;

(xv) no Seller has paid any amount, performed any obligation or agreed to pay any amount or perform any obligation, in settlement or compromise of any Action or other claims of liability against any Seller, or any of its directors, officers, employees or agents, in each case, in excess of \$200,000 individually or \$500,000 in the aggregate; or

(xvi) no Seller has contractually committed or agreed to any of the foregoing in the future.

3.10 Intellectual Property

(a) Sellers own or possess the right to use all of the Seller IP and Seller IPR. Sellers have the right to convey by sale or by license any such Seller IP and Seller IPR that is so conveyed.

(b) Sellers have not granted any license to any Person to use any of the Seller IP or Seller IPR other than in the ordinary course of business. Except as set forth on Schedule 3.10, (i) no Action is pending or, to Sellers' Knowledge, threatened, against Sellers or any of their Affiliates where any of the Seller IP or Seller IPR is the basis for the Action; (ii) no Seller has received written notice that a Person has claimed and, to Sellers' Knowledge no Person has alleged, any rights to the Seller IP or Seller IPR; (iii) to Sellers' Knowledge, the conduct by Sellers of the Business, any process, method, part, design, material or other Seller IP or Seller IPR it employs, and the marketing and use by Sellers of such Business and Seller IP or Seller IPR, in each case, does not infringe any IP or IPR of any other Person; (iv) Sellers are not obligated to pay any recurring royalties to any Person with respect to the use of any Seller IP or Seller IPR; and (v) to Sellers' Knowledge, no other Person has interfered with, infringed upon, or misappropriated, any Seller IP or Seller IPR.

(c) Upon the applicable Staged Closing Date, Sellers will, subject to any third party rights therein, deliver to Buyers complete and correct copies of the source code, object code and user and technical documentation for all computer software included in the Seller IP and Seller IPR.

3.11 Real Property

(a) Schedule 3.11(a)(i), sets forth a true, accurate and complete list of all of the parcels of land owned by any Seller and used by such Seller in the conduct of the Business by street address, block and lot or other appropriate description (the "Owned Real Property"). Schedule 3.11(a)(ii) sets forth (i) a true, accurate and complete list of all of the leases of real property to which any Seller is a party and which provide for the lease to or by any Seller of any real property and used by such Seller in the conduct of the Business (all such real property leased to any Seller, collectively, the "Leased Real Property") and (ii) the street

addresses and current use of all of the Leased Real Property. Except as otherwise disclosed on Schedule 3.11(a)(i), Sellers hold fee simple title to the Owned Real Property, subject only to the Permitted Encumbrances. Except as otherwise disclosed on Schedule 3.11(a)(ii), Sellers have a valid leasehold interests in the Leased Real Property leased to or by Sellers pursuant to the leases described on Schedule 3.11(a)(ii) (the "Real Property Leases"), subject only to the Permitted Encumbrances. Except as otherwise disclosed on Schedule 3.9(a)(iii), Sellers hold good title to those licenses or Easements appurtenant to the Leased Real Property or Owned Real Property necessary to conduct the Business in all material respects as it is currently being conducted (the Easements and the Leased Real Property and the Owned Real Property, collectively the "Real Property"), subject only to Permitted Encumbrances.

(b) All of the Real Property Leases necessary to conduct the Business in all material respects as it is currently conducted are in full force and effect, and are valid and enforceable in accordance with their respective terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar laws in effect which affect the enforcement of creditors' rights generally, by equitable limitations on the availability of specific remedies and by principles of equity.

(c) No Seller has received any notice of any, and, to Seller's Knowledge, there exists no, dispute, claim, event of default or event which constitutes or would constitute (with notice or lapse of time or both) a default under any Real Property Lease or Easement, except in each case that would not result in, or would not reasonably be expected to result in, individually or in the aggregate, a liability or other obligation with respect to the Business in an amount in excess of \$100,000. All rent due and payable with respect to the Real Property Leases have been paid through the date of this Agreement and all rent due and payable with respect to the Real Property Leases on or prior to the Staged Closing Dates will have been paid on or prior to the Staged Closing Dates or the parties will otherwise reimburse the others so that they have effectively prorated the rent.

3.12 Taxes

(a) None of the Purchased Assets is "tax exempt use property" within the meaning of Section 168(h) of the Code; (b) no liens for material Taxes have been filed and no material claims for Taxes have been asserted in writing, with respect to the Acquired Assets; the Assumed Liabilities or the Business, except for taxes that are being contested in good faith by Sellers and their Affiliates; (c) Sellers have paid all material Taxes required to be paid by it with respect to the Business, the Acquired Assets and the Assumed Liabilities that could become liens against the Business or the Acquired Assets or could otherwise affect the Buyer; and (d) all Taxes which are required by Law or Order to be withheld or collected with respect to the Business, including sales and use taxes, and amounts required to be withheld for Taxes of employees, have been duly withheld or collected and, to the extent required, have been paid over to the proper Governmental Bodies or are held in separate bank accounts for such purpose.

3.13 Brokers

No broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission from Buyers in

connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of any Seller or any of their respective Affiliates.

3.14 Environmental Matters:

Except as set forth on Schedule 3.14 or as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect:

(a) Each Seller is complying in all [material] respects with all applicable Environmental Laws and Orders, which compliance includes the possession and maintenance of all Environmental Permits that are necessary for the operation of the Business.

(b) No Seller is a party to any Action nor, to Sellers' Knowledge, is any Action threatened, against any Seller with respect to the Business that relates to any Environmental Laws or Orders or any Hazardous Substance.

(c) There are no Environmental Liabilities of any Seller with respect to the Business, and, to Sellers' Knowledge, there are no facts, conditions, situations or set of circumstances that could reasonably be expected to result in or be the basis of any such Environmental Liability.

(d) This Section 3.14 contains the sole and exclusive representations and warranties of the Sellers with respect to any environmental matters.

3.15 Network

The Network (i) is operational, (ii) has a minimum of 12 fibers in each segment cross-section, with an average of 28 fibers or more, and (iii) covers approximately 18,700 route miles of fiber-optic transmission facilities across the contiguous United States, as set forth on Schedule 1.1(e), including approximately 7,700 route miles built and owned by Sellers (the "Owned Portion") and approximately 11,000 miles acquired through IRUs (the "IRU Portion").

3.16 Overall Material Adverse Effect

The preceding representations and warranties of Sellers in this Article 3 (with the deletion of any and all references to materiality or Material Adverse Effect or any other materiality qualifiers as set forth therein) do not result in any breach or inaccuracy in any and all such representations and warranties, where such breach and/or inaccuracy would individually or in the aggregate have, or be reasonably likely to have, a Material Adverse Effect on the Business or the Buyers (taken as a whole).

3.17 No Other Representations

EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS ARTICLE 3 OR IN THE COLLATERAL AGREEMENTS (TO THE EXTENT THAT THE SELLERS ARE PARTY THERETO), SELLERS MAKE NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WRITTEN OR ORAL, AND HEREBY TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW DISCLAIMS ANY SUCH

REPRESENTATION OR WARRANTY (INCLUDING WITHOUT LIMITATION ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE), WHETHER BY SELLERS, THEIR AFFILIATES OR ANY OF THEIR OFFICERS, DIRECTORS, PARTNERS, MEMBERS, PRINCIPALS, EMPLOYEES, AGENTS, MEMBERS OR REPRESENTATIVES OR ANY OTHER PERSON, WITH RESPECT TO THE ACQUIRED ASSETS, ASSUMED LIABILITIES AND THE BUSINESS OR THE EXECUTION AND DELIVERY OF THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

4. Representations and Warranties of Buyers

Buyers represent and warrant to Sellers that:

4.1 Organization and Qualification

Each Buyer is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware, and each Buyer has all requisite limited liability company power and authority to carry on its business as currently conducted and to own or lease and operate its properties.

4.2 Authorization; Binding Effect

(a) Each Buyer has all requisite limited liability company power and authority to execute and deliver this Agreement and the Collateral Agreements and to effect the transactions contemplated hereby and thereby and has duly authorized the execution, delivery and performance of this Agreement and the Collateral Agreements by all requisite limited liability company action.

(b) This Agreement has been duly executed and delivered by each Buyer and this Agreement is, and each of the Collateral Agreements when duly executed and delivered by each Buyer will be, valid and legally binding obligations of such Buyer enforceable against it in accordance with its terms, except as such agreements may be subject to bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws and equitable principles relating to or affecting or qualifying the rights of creditors generally and general principles of equity.

4.3 No Violations

(a) The execution, delivery and performance of this Agreement and the Collateral Agreements by Buyers and the consummation of the transactions contemplated hereby and thereby do not and will not (i) conflict with or result in a breach or violation of any provision of the limited liability company agreement of any Buyer; (ii) violate or result in a breach of or constitute an occurrence of default under any provision of, result in the acceleration or cancellation of any obligation under, or give rise to a right by any party to terminate or amend its obligations under, any mortgage, deed of trust, conveyance to secure debt, note, loan, indenture, lien, lease, contract, agreement, instrument, order, judgment, decree or other arrangement or commitment to which any Buyer is a party or by which it or its assets or

properties are bound, or result in the creation of any Encumbrance (other than a Permitted Encumbrance) upon any of its assets or properties, which violation, breach, default or Encumbrance would individually or in the aggregate be have a Material Adverse Effect with respect to Buyers (taken as a whole); or (iii) violate any Law or Order of any Governmental Body having jurisdiction over Buyers or any of their properties, which violation would individually or in the aggregate be material to Buyers or materially impair, delay or prevent the consummation by Buyers of the transactions contemplated hereby.

(b) Except as set forth on Schedule 4.3(b), no Consent of, registration, declaration or filing with, any Person (including any Governmental Body) is required to be obtained by Buyers in connection with the execution and delivery by Buyers of this Agreement and the Collateral Agreements to which Buyers will be a party or the consummation by Buyers of the transactions contemplated hereby or thereby that has not been obtained, other than any filings required to be made under the HSR Act (such scheduled Consents registrations, declarations and filings being referred to herein collectively as the "Buyers' Consents"), and other such consents the failure to obtain which would not materially impair, delay or prevent the consummation of the transactions contemplated hereby.

4.4 Litigation

(a) Except as set forth on Schedule 4.4(a) and except as would not materially impair, delay or prevent the consummation by any of the Buyers of the transactions contemplated hereby, Buyers are in material compliance with all Laws and Orders applicable to Buyers.

(b) Except for individual Actions having an amount in controversy, and which could not reasonably result in a Loss of, greater than \$100,000, and except as set forth on Schedule 4.4(b), there are no Actions pending (to Buyers' Knowledge with respect to investigations by Governmental Bodies) or, to Buyers' Knowledge, threatened, against or affecting Buyers or any of their officers, directors, employees, agents or stockholders in their capacity as such, and to Buyers' Knowledge, there are no facts or circumstances which may give rise to any of the foregoing.

(c) There are no Actions pending (to Buyers' Knowledge with respect to investigations by Governmental Bodies) or, to Buyers' Knowledge, threatened by or against Buyers with respect to this Agreement or any of the Collateral Agreements, or in connection with the transactions contemplated hereby or thereby, and Buyers have no reason to believe there is a valid basis for any such Action.

4.5 No Additional Representations or Warranties

Buyers acknowledge that no Seller nor any of their respective Affiliates or any other Person acting on behalf of any Seller (a) has made any representation or warranty, express or implied, including any implied representation or warranty as to the condition, merchantability, suitability or fitness for a particular purpose of any of the Acquired Assets, or (b) has made any representation or warranty, express or implied, as to the accuracy or completeness of any information regarding Sellers, the Business or the Acquired Assets, in each case except as

expressly set forth in this Agreement or any Collateral Agreement or as and to the extent required by this Agreement or any Collateral Agreement to be disclosed on the Schedules hereto or thereto. Buyer further agrees that no Seller nor any of their respective Affiliates or any other Person acting on behalf of any Seller will have or be subject to any liability, except as specifically set forth in this Agreement, to Buyers resulting from the distribution to Buyers, for Buyers' use, of any such information, and any information, document or material made available to Buyers in certain "data rooms," management presentations or any other form in expectation of the transactions contemplated by this Agreement.

4.6 Brokers

No broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission from Sellers in connection with the transactions contemplated by this Agreement based on arrangements made by or on behalf of Buyers or an Affiliate of Buyers.

4.7 Financing

Buyers have as of the date hereof; and will have as of the First Stage Closing Date, sufficient cash, available lines of credit or other sources of immediately available funds to enable it to pay the Purchase Price.

4.8 Overall Material Adverse Effect

The preceding representations and warranties of Buyers in this Article 4 (with the deletion of any and all references to materiality or Material Adverse Effect or any other materiality qualifiers as set forth therein) do not result in any breach or inaccuracy in any and all such representations and warranties, where such breach and/or inaccuracy would individually or in the aggregate have, or be reasonably likely to have, a Material Adverse Effect on Sellers (taken as a whole).

4.9 No Other Representations

EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS ARTICLE 4 OR IN THE COLLATERAL AGREEMENTS (TO THE EXTENT THAT BUYERS ARE PARTY THERETO), BUYERS MAKE NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WRITTEN OR ORAL, AND HEREBY TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW DISCLAIM ANY SUCH REPRESENTATION OR WARRANTY (INCLUDING WITHOUT LIMITATION ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE), WHETHER BY BUYERS, THEIR AFFILIATES OR ANY OF THEIR OFFICERS, DIRECTORS, PARTNERS, MEMBERS, PRINCIPALS, EMPLOYEES, AGENTS, MEMBERS OR REPRESENTATIVES OR ANY OTHER PERSON, WITH RESPECT TO THE ACQUIRED ASSETS, ASSUMED LIABILITIES AND THE BUSINESS OR THE EXECUTION AND DELIVERY OF THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

5. Certain Covenants

5.1 Access to Information

(a) Subject to any restrictions under applicable Law, Sellers will (i) give to the Buyers and their officers, employees, accountants, counsel and other representatives reasonable access, including for inspection and copying, during normal business hours throughout the period prior to the Staged Closing Dates, to the properties, personnel, books, contracts, commitments, reports of examination and records reasonably requested by Buyers, (ii) furnish or shall cause to be furnished any and all financial, technical and operating data and other information pertaining to the Business and the Acquired Assets as Buyers may reasonably request, and (iii) provide or cause to be provided such copies or extracts of documents and records related to its business as Buyers may reasonably request; provided, that no Seller shall be obligated to disclose or provide hereunder information other than related to the Business.

(b) For a period of six (6) years after the First Stage Closing Date, upon reasonable prior written notice, Buyers and Sellers shall furnish or cause to be furnished to each other and their employees, agents, auditors and representatives access, during normal business hours, to such information, books and records relating to the Business as is reasonably necessary for financial reporting and accounting matters; for reports or filings with any Governmental Bodies, for the preparation and filing of Tax Returns, reports or forms for the defense of any Tax claims, assessments, audits or disputes, or for the prosecution or defense of any Action, provided that with respect to any Tax Returns or other records relating to Tax matters or any other Action, either party shall have reasonable access to such information until the applicable statute of limitations, if any, shall have expired. Except as otherwise agreed in writing, each party shall reimburse the other for reasonable out-of-pocket costs and expenses incurred in assisting the other pursuant to this Section 5.1(b). Each party shall have the right to copy any of such records at its own expense. Neither party shall be required by this Section 5.1(b) to take any action that would unreasonably interfere with the conduct of its business or unreasonably disrupt its normal operations.

(c) Sellers and Buyers agree to preserve all Business Records in their possession for at least six (6) years after the First Stage Closing Date; provided that each party will preserve all such records relating to Tax matters until expiration of the applicable statute of limitations. After such six (6) years period or expiration of the applicable statute of limitations and at least six (6) days prior to the planned destruction of any Business Records or Tax-related records; but in any event no longer than the later of six (6) years after the Second Staged Closing Date or the expiration of the applicable statute of limitations, the party planning to destroy such Business Records or Tax-related records shall notify in writing and shall make available to the other, upon its reasonable request, such Business Records or Tax-related records.

5.2 Conduct of Business

From and after the date of this Agreement and until the First Stage Closing Date, except as set forth on Schedule 5.2 or as otherwise contemplated by this Agreement or the Schedules

and Exhibits hereto or as Buyers shall otherwise consent to in writing, in each case to the extent related to the Business, Sellers:

(a) will incur and pay costs and otherwise operate the Business only in the ordinary course and in a manner consistent with past practice, and shall use their commercially reasonable efforts to (i) preserve intact the present business organization and the Business Employees, (ii) preserve the goodwill and advantageous relationships of the Business with customers, suppliers, independent contractors and other Persons material to the operation of the Business, (iii) prevent any event that could have a Material Adverse Effect and (iv) not permit any action or omission that would cause any of the representations or warranties of Sellers contained herein to become inaccurate or any of the covenants of Sellers to be breached, in either case in any material respect.

(b) without limiting the generality of clause (a), until the First Stage Closing Date, except as set forth on Schedule 5.2 or with the prior written consent of Buyers, Sellers will not:

(i) do any act or omit to do any act, or permit any act or omission to act, which would cause a material breach of any of the Purchased Contracts, Purchased Permits and Transferred Communications Licenses or any liabilities or obligations contemplated by this Agreement or any of the Collateral Agreements to be an Assumed Liability, the breach of which is reasonably likely to have a Material Adverse Effect;

(ii) sell, transfer, convey, assign or otherwise dispose of any of the Acquired Assets with a fair market value in excess of \$100,000 (without purchasing a replacement of the same or better quality and condition) other than for goods or inventory, including parts or supplies, sold or otherwise disposed of in the ordinary course of business and consistent with past practice;

(iii) -except for capital improvements, purchases and expenditures permitted by clause (iv), purchase, lease or other acquisition of any Acquired Assets, except for any such transaction less than \$50,000 individually in value or \$250,000 in the aggregate in value, except for circuits and services acquired in the ordinary course of business and consistent with past practice for the purpose of supporting ongoing sales activities;

(iv) authorize or make any capital improvements or purchases or other capital expenditures that individually or in the aggregate are in excess of those contemplated by Section 5.15(c);

(v) other than in the ordinary course of business and consistent with past practice, waive, release or cancel any claims against third parties or debts owing to it, or any rights which have a value of \$200,000 individually or \$500,000 in the aggregate, other than any claims against or debts owing from Affiliates;

(vi) (A) make any borrowing, incur any debt (other than ordinary course borrowings under the Credit Agreement or from Sellers' Parent, and trade payables in the ordinary course of business and consistent with past practice); (B) assume, guarantee, endorse (except for the negotiation or collection of negotiable instruments in the ordinary course of business and consistent with past practice and the guarantee of lease obligations of Broadwing Communications Real Estate Services LLC where any such guarantee is not an Assumed Liability) or otherwise become liable (whether directly, contingently or otherwise) for the obligations of any other Person; or (C) make any payment or repayment in respect of any indebtedness (other than (i) trade payables and accrued expenses in the ordinary course of business and consistent with past practice or (ii) except as provided for in the Credit Agreement, repayments or prepayments of Debt (as defined in the Credit Agreement) owed to Sellers' Parent or any of its Subsidiaries (as defined in the Credit Agreement)); in each case in excess of \$25,000 individually or \$100,000 in the aggregate;

(vii) grant or permit the creation of any Encumbrance over any of the Acquired Assets, other than Permitted Encumbrances (except for items (iv) and (v) included in the definition of Permitted Encumbrances with respect to any Acquired Assets owned by any Seller on the date hereof). Until such time as the Required Lenders under the Credit Agreement shall have consented to the first sentence of this clause (vii) (or otherwise amended or waived the provisions of Section 5.02(l) of the Credit Agreement) or the Credit Agreement shall be terminated, this clause (vii) shall be subject to (x) the restrictions on, and (y) the exceptions to the restrictions on, the creation of Encumbrances set forth in Section 5.02(l) of the Credit Agreement

(viii) make any loan, advance or capital contribution (other than to any of the other Sellers) to, or investment in, any other Person in excess of \$10,000 individually or \$25,000 in the aggregate;

(ix) enter into, adopt, amend or terminate any bonus, profit sharing, compensation, termination, stock appreciation right, restricted stock, performance unit, pension, retirement, deferred compensation, employment, severance or other employee benefit agreement, trust, plan, fund or other arrangement for the benefit or welfare of any director, officer, consultant (except with respect to termination of any consultants) or employee, or increase in any manner the compensation or fringe benefits of any director, officer, consultant or employee or pay any benefit not required by any existing plan and arrangement or enter into any Contract to do any of the foregoing, which, in each case, individually or in the aggregate, is reasonably likely to have a Material Adverse Effect;

(x) (A) terminate the employment of any Key Employee without cause; or (B) terminate the employment of any other Business Employees without cause (which termination contemplated by this clause (B), individually, or in the aggregate, is reasonably likely to have a Material Adverse Effect);

(xi) pay any amount, perform any obligation or agree to pay any amount or perform any obligation, in settlement or compromise of any suits or claims

of liability against any Seller or any of its directors, officers, employees or agents which would be an Assumed Liability or, in each case in excess of \$200,000 individually or \$1,000,000 in the aggregate;

(xii) other than in the normal course of business and consistent with past practice, terminate, rescind, modify, amend or otherwise alter or change any of the material terms or provisions of any of the Purchased Contracts, Purchased Permits or Transferred Communications Licenses, or reduce, discount, waive or forego any material payment or right thereunder, or agree to any compromise or settlement with respect thereto, in each case in excess of \$100,000 individually or \$500,000 in the aggregate;

(xiii) enter into any Employment Agreement or other Contract of any kind with any director, officer or employee of any Seller or any of the respective Affiliates of such individuals, or with any Affiliate of any Seller, which, in each case, is related to the Business or would be an Assumed Liability;

(xiv) enter into any Contract pursuant to which any Seller grants or is granted any license or sublicense or other right to use any of the Acquired Assets;

(xv) other than in the ordinary course of business and consistent with past practice, incur any obligation or enter into, amend or modify any Contract or arrangement, which is related to the Business or would be an Assumed Liability, that either (i) requires a payment by any party in excess of, or a series of payments which in the aggregate exceed, \$500,000 or provides for the delivery of goods or performance of services, or any combination thereof, having a value in excess of \$500,000 and (ii) has a term, or requires the performance of any obligations by Seller over a period, in excess of one (1) year;

(xvi) enter into any material Contract with a sales representative, sales agency, advertising agency or other Person engaged in sales, distributing or promotional activities, or any material Contract to act as one of the foregoing on behalf of any Person;

(xvii) enter into any Contract with respect to any material modification or termination of any Real Property Lease; or

(xviii) enter into any Contract to do any of the foregoing.

(c) without limiting the generality of clause (a), until the First Stage Closing Date, except as set forth on Schedule 5.2, each Seller shall use their commercially reasonable efforts to:

(i) maintain all Communications Licenses and Permits that are required for and material to the conduct of the Business as currently conducted and for the holding of the Acquired Assets.

(ii) maintain their books, accounts and records in the usual, regular and ordinary manner, and on a basis consistent with the Financial Statements and past practices, and

(iii) duly comply in all material respects with all Laws and Orders applicable to Sellers or as may be required for the valid and effective transfer and assignment of the Acquired Assets.

(d) Sellers shall continue to carry their existing "occurrence" liability insurance applicable to periods up to the Second Staged Closing Date and shall not allow any breach, default, termination or cancellation of such insurance policies or agreements to occur or exist.

Any Contract or other obligation which is related to the Business and would be an Assumed Liability which requires the prior written consent of Buyers pursuant to Section 5.2(b) and which is entered into or incurred with the prior written consent of Buyers shall be included in the Acquired Assets and shall constitute an Assumed Liability, and the Schedules to this Agreement shall be deemed to have been updated to include any such Contract or obligation. Any Contract or other obligation entered into or incurred in violation of Section 5.2(b) shall not be included in the Acquired Assets, shall constitute an Excluded Liability, and shall not be included on any of the Schedules to this Agreement.

5.3 Taxes

(a) Sellers and Buyers acknowledge and agree that (i) Sellers will be responsible for and will perform all applicable Tax withholding, payment and reporting duties with respect to any wages and other compensation and benefits paid or provided by Sellers to any Business Employee for a taxable period or portion thereof ending on or prior to the First Stage Closing Date, and (ii) Buyers will be responsible for and will perform all Tax withholding, payment and reporting duties with respect to any wages and other compensation and benefits paid or provided by Buyers or any of their Affiliates to any Transferred Employee after the First Staged Closing Date.

(b) Buyers and Sellers shall use commercially reasonable efforts to agree upon an allocation of the Purchase Price (and the amount of Assumed Liabilities that are liabilities for Federal income tax purposes) among the Acquired Assets (the "Allocation"), consistent with the principles to be mutually agreed between Sellers and Buyers and set forth in Schedule 5.3(b) on or prior to the first Stage Closing Date and Section 1060 of the Code and the Treasury Regulations thereunder, within a reasonable amount of time following the Staged Closing Dates. Buyers shall provide a proposed Allocation to Sellers within sixty (60) days following the Staged Closing Dates. Sellers shall propose any changes to the Allocation within thirty (30) days thereafter, together with a reasonably detailed explanation of the reasons therefor. Buyers and Sellers will negotiate in good faith to resolve any disputed items. If Buyers and Sellers are unable to agree on the Allocation within thirty (30) days following delivery of Sellers' proposed changes, then Buyers and Sellers shall be permitted to use their respective Allocations.

(c) If Buyers and Sellers are able to agree to an Allocation, (i) each Seller and Buyer shall timely file IRS Form 8594 and all other Federal, state, local and foreign Tax Returns in accordance with the Allocation, as adjusted pursuant to Section 5.3(b) and (ii) neither Sellers nor Buyers nor any of their respective Affiliates or representatives shall take any position on any Tax Return that is inconsistent with the Allocation. Sellers and Buyers agree to promptly provide the other party with any additional information as so adjusted required to complete Form 8594.

(d) Buyers and Sellers shall cooperate fully with respect to all Tax matters and shall keep each other promptly apprised of any Tax audit or other controversy that may affect the other or reasonably could be expected to result in an indemnification obligation hereunder.

(e) Each of Buyers and Sellers shall pay fifty percent (50%) of all sales, transfer, value added (to the extent not creditable) or similar Taxes and all recording and filing fees and other similar costs that may be imposed, assessed or payable by reason of the sales, transfers, leases, rentals, licenses, assignments and assumption of liabilities, if any, required for performance under this Agreement and the Collateral Agreements. Buyers and Sellers shall cooperate in timely making and filing all filings, Tax Returns, reports and forms as may be required with respect to any Taxes described in the preceding sentence. Buyers and Sellers shall use commercially reasonable efforts to avail themselves of any available exemptions or other opportunities to reduce or eliminate any such Taxes or fees. Notwithstanding any other provision hereof, Sellers shall be responsible for income and capital gains Taxes or franchise or other Taxes based on overall gross or net income of Sellers from the sale of the Acquired Assets ("Income Taxes").

(f) Liability of Sellers for real, personal and intangible property Taxes for the 2003 tax year including the Staged Closing Dates shall be equal to the amount of such property Taxes for the entire period multiplied by a fraction, the numerator of which is the number of days in such period that precede the First Stage Closing Date and the denominator of which is the number of days in the entire period. Liability for the remainder of such Taxes shall be borne by Buyers. Sellers shall pay all such amounts to the taxing authority when due and shall provide to Buyers proof of such payment and a schedule setting out in reasonable detail the amount of Buyers' liability. Buyers shall promptly pay to Sellers the amount of their liability as determined in this Section 5.3(f) within five (5) days of Sellers' payment and notice thereof. Sellers and Buyers shall cooperate with respect to any protest or audit proceedings, and shall share the costs of such proceedings in proportion to the fraction determined in the first sentence of this Section 5.3(f). Neither Sellers nor Buyers shall settle any such proceeding without the prior written consent of the other party, which consent shall not be unreasonably withheld.

(g) Sellers shall deliver to Buyers at the First Stage Closing Date a certification of non-foreign status as described in Section 1.1445-2(b)(2) of the Treasury Regulations.

5.4 Employees and Employee Benefits

(a) Sellers shall provide Buyers with an update to Schedule 3.7(a) immediately prior to the First Stage Closing Date. Unless otherwise agreed in writing prior to the First Stage Closing Date, Buyers shall make offers of employment to all of the Business Employees of Sellers as of the First Stage Closing Date, provided that Sellers shall comply with the covenant set forth in Section 5.15(b). Business Employees who accept such offer of employment, as of the effective date of their employment with Buyers or one of its Affiliates (the "Transfer Date"), shall be referred to as "Transferred Employees." All liabilities, costs and Actions related to Business Employees who do not accept such offers of employment shall be Excluded Liabilities hereunder. Each offer of employment shall provide for a base salary no less than their base salary as an employee of Sellers as of the First Stage Closing Date and health, welfare, retirement and severance benefits as shall be applicable to comparable Buyers' employees generally; provided, however, that any Transferred Employee who is a Key Employee shall receive base salary and health, welfare, retirement and severance benefits (other than any defined benefit plans) that are, taken as a whole, substantially equivalent to that currently enjoyed by such Transferred Employee as an employee of Sellers.

(b) To the extent permitted by law, Buyers' benefit plans and policies, including vacation, floating holidays, retirement, severance and welfare plans, shall recognize, for purposes of determining eligibility to participate all service with Sellers that was recognized by Sellers for a similar purpose under a corresponding Benefit Plan. Nothing in this paragraph (b) shall require the Buyers to provide duplicate benefits to any Transferred Employee.

(c) Except as specifically provided in this Section 5.4: (i) no Buyer or any of its Affiliates shall adopt, become a sponsoring employer of, or have any obligations under or with respect to the Benefit Plans, and Sellers shall be responsible for any and all liabilities which have arisen or may arise under or in connection with any Benefit Plan; and (ii) Sellers shall be responsible for any and all liabilities relating to or arising out of the employment of any Business Employee by Sellers before the First Stage Closing Date.

(d) Buyers shall be responsible for all liabilities, costs and Actions to the extent arising out of, or resulting from, facts, events and circumstances occurring, or which accrue, after the First Stage Closing Date (other than due to any failure to comply or breach of any Sellers or any of their Affiliates, whether before, on or after the First Stage Closing Date) related to (i) the Transferred Employees, and (ii) the Business Employees with respect to whom Buyers have not extended an offer as required under Section 5.4(a) and whose employment with Sellers terminates within two (2) months after the First Stage Closing Date (other than due to any failure or breach of any Sellers or any of its Affiliates, whether before, on or after the First Stage Closing Date). Sellers shall provide within three (3) months after the First Stage Closing Date written reconciliation of any amount owed with respect to such Transferred Employees and Business Employees, from and after the First Stage Closing Date, including without limitation: (A) claims for the type of benefits described in Section 3(1) of ERISA (whether or not covered by ERISA but in no event to include such claims with respect to Business Employees to whom offers have not been extended, in accordance with the terms hereof, who are on long term disability) and for workers compensation, in each case that are incurred by or with respect to any Transferred Employee on or after his or her Transfer Date, and (B) claims relating to severance,

redundancy and similar pay, salary continuation, and similar obligations (collectively, "Severance Pay") relating to the termination or alleged termination of employment of any Business Employee described in clause (ii) of this Section 5.4(d) with Sellers, whether arising under a Benefit Plan, an Employment Agreement or other agreement, in each case only with respect to those which have been disclosed to Buyers on Schedule 3.7(b), with an individual Business Employee, or applicable Law. Buyers shall indemnify and hold harmless Sellers from: (i) all COBRA Coverage and related Losses attributable to "qualifying events" with respect to any Business Employees described in clause (ii) of this Section 5.4(d) and his or her beneficiaries and dependents that occur on or after the First Stage Closing Date (other than due to any failure to comply or breach of any of the Sellers or any of their Affiliates, whether before, on or after the First Stage Closing) and (ii) all liabilities, costs, claims and Actions arising under the Worker Adjustment and Retraining Notification Act ("WARN") with respect to any Business Employees described in clause (ii) of this Section 5.4(d) because of the failure of Buyers or their Affiliates to extend offers of employment to Business Employees as required by Section 5.4(a) (other than due to any failure to comply or breach of any of the Sellers or any of their Affiliates, whether before, on or after the First Stage Closing).

(e) Buyers shall provide Sellers with information concerning the employment status of Transferred Employees, including any date of termination from Buyers and its Affiliates, so as to enable Sellers to administer its Benefit Plans with respect to such Transferred Employees. Such information shall be provided from time to time in such form (including any electronic media) as reasonably requested by Sellers.

(f) Buyers shall credit each Transferred Employee with vacation accrued but not used through his or her Transfer Date.

5.5 Regulatory Compliance

(a) Sellers and Buyers shall use their reasonable best efforts to take, or cause to be taken, all appropriate action, and do, or cause to be done, all things necessary, proper or advisable under applicable Law or otherwise to consummate and make effective the transactions contemplated by this Agreement as promptly as practicable, including to: (i) obtain from Governmental Bodies any consents, licenses, permits, waivers, approvals, authorizations or orders required to (A) be obtained or made by Sellers or Buyers or any of their Affiliates to consummate the transactions contemplated by this Agreement or (B) avoid any action or proceeding by any Governmental Body (including those in connection with the HSR Act and antitrust and competition Laws of any other applicable jurisdiction) in connection with the authorization, execution and delivery of this Agreement and to permit the consummation of the transactions contemplated hereby to occur as soon as reasonably possible, and (ii) promptly make all necessary filings, and thereafter make any other required submissions, with respect to this Agreement required under (A) the HSR Act and antitrust and competition Laws of any other applicable jurisdiction, in each case, to the extent required by applicable Law, (B) the Communications Act or (C) any other applicable Law. Sellers and Buyers shall cooperate with each other in connection with the making of all filings referenced in the preceding sentence. Sellers and Buyers shall bear its own costs and expenses in connection with its performance under this Section 5.5, except the filing fees in connection with any required filings or

submissions under the HSR Act shall be apportioned fifty percent (50%) to Sellers and fifty percent (50%) to Buyers.

(b) Without limiting the foregoing, Buyers and Sellers shall:

(i) promptly provide to the Federal Trade Commission or Department of Justice, as the case may be, such information as may reasonably and legally be requested by the Federal Trade Commission or Department of Justice, as the case may be, and shall cause their respective officers and employees to respond to any reasonable and legal information or other requests from the Federal Trade Commission or Department of Justice, as the case may be (including complying with requests for in-person meetings), in connection with the review by the Federal Trade Commission or Department of Justice, as the case may be, of this Agreement and the transactions contemplated hereby; and

(ii) promptly submit to the FCC, any State PUCs, regulatory agencies or similar Governmental Bodies as required by applicable Law and all other applicable Governmental Bodies all applications, notices and other filings necessary to consummate the transactions contemplated by this Agreement and the Collateral Agreements, including those indicated on Schedule 3.3(b) and Schedule 4.3(b) and obtain any other Consents necessary to consummate the transactions contemplated hereby.

5.6 Certain Provisions Relating to the Transfer

(a) In the event that record or beneficial ownership or possession of any Excluded Asset or Excluded Liability has been transferred to Buyers on or after the Staged Closing Dates, Sellers and Buyers shall use their commercially reasonable efforts to transfer, or cause to be transferred, to Sellers such Excluded Asset or Excluded Liability; and, pending such transfer to Sellers, Buyers shall hold such Excluded Asset or Excluded Liability and provide to Sellers all of the benefits and liabilities associated with the ownership and operation of such Excluded Asset or Excluded Liability and, accordingly, Buyers shall cause such Excluded Asset or Excluded Liability to be operated or retained as may reasonably be instructed by Sellers.

(b) In the event that record or beneficial ownership or possession of any Acquired Asset or any Assumed Liability has not been transferred to Buyers on the Staged Closing Dates, Sellers and Buyers shall cooperate and shall use their commercially reasonable efforts to transfer, or cause to be transferred, from Sellers to Buyers, such Acquired Asset or Assumed Liability, and pending such transfer to Buyers; Sellers shall hold such Acquired Asset or Assumed Liability and provide to Buyers all of the benefits and liabilities associated with the ownership and operation of such Acquired Asset or Assumed Liability and, accordingly, Sellers shall cause such Acquired Asset or Assumed Liability to be operated or retained as may reasonably be instructed by Buyers.

5.7 Advice of Changes

(a) Sellers will promptly provide written notice to Buyers of (i) any event known to Sellers which has rendered or reasonably could be expected to render any

representation or warranty of Sellers contained in this Agreement or any Collateral Agreement (A) which does not contain materiality, Material Adverse Effect or any other materiality qualifier, if made on or as of the date of such event or the date of the First Stage Closing Date, untrue or inaccurate in any material respect or (B) which does contain a materiality, Material Adverse Effect or other materiality qualifier, if made on and as of the date of such event or the First Stage Closing Date, untrue or inaccurate in any respect (each, a "Sellers' R&W Breach"), or (ii) any failure of Sellers to comply with or satisfy (X) in any material respect any covenant, condition or agreement contained in this Agreement or any Collateral Agreement which does not contain materiality, Material Adverse Effect or any other materiality qualifier to be complied with or satisfied by Sellers hereunder or thereunder on or prior to the First Stage Closing Date or (Y) any covenant, condition or agreement contained in this Agreement or any Collateral Agreement which does contain materiality, Material Adverse Effect or any other materiality qualifier to be complied with or satisfied by Sellers hereunder or thereunder on or prior to the First Stage Closing Date (each, a "Sellers' Covenant Failure").

(b) Buyers will promptly provide written notice to Sellers of (i) any event known to Buyers which has rendered or reasonably could be expected to render any representation or warranty of Buyers contained in this Agreement or any Collateral Agreement (A) which does not contain materiality, Material Adverse Effect or any other materiality qualifier, if made on or as of the date of such event or the date of the First Stage Closing Date, untrue or inaccurate in any material respect or (B) which does contain a materiality, Material Adverse Effect or other materiality qualifier, if made on and as of the date of such event or the First Stage Closing Date, untrue or inaccurate in any respect (each, a "Buyers' R&W Breach"), or (ii) any failure of Buyers to comply with or satisfy (X) in any material respect any covenant, condition or agreement contained in this Agreement or any Collateral Agreement which does not contain materiality, Material Adverse Effect or any other materiality qualifier to be complied with or satisfied by Buyers hereunder or thereunder on or prior to the First Stage Closing Date or (Y) any covenant, condition or agreement contained in this Agreement or any Collateral Agreement which does contain materiality, Material Adverse Effect or any other materiality qualifier to be complied with or satisfied by Buyers hereunder or thereunder on or prior to the First Stage Closing Date (each, a "Buyers' Covenant Failure").

(c) The parties acknowledge and agree that if the Buyers have been given notice of any Sellers' R&W Breach(es) and/or Sellers' Covenant Failure(s) in accordance with Section 5.7(a) and Buyers proceed with the First Stage Closing when Buyers have the right not to proceed to Closing under Section 7.2(a), then Buyers shall not be deemed to have waived such Breach(es) and Failure(s), and Buyers and their related Indemnified Parties shall be entitled to be indemnified pursuant to Section 8.2 relating to such Breach(es) and/or Failure(s) to the extent solely of the Losses up to Five Million U.S. Dollars (\$5,000,000). The disclosure by Sellers of any Sellers' R&W Breach(es) and/or Sellers' Covenant Failure(s) shall not limit any right of Buyers to terminate this Agreement in accordance with Article 9, nor shall such notice constitute an admission by Sellers that any such Breach(es) and/or Failure(s) constitute or give rise to a Material Adverse Effect, failure of a condition in Article 7 or right to terminate in accordance with Article 9.

(d) The parties acknowledge and agree that if the Sellers have been given notice of any Buyers' R&W Breach(es) and/or Buyers' Covenant Failure(s) in accordance with Section 5.7(b) and Sellers proceed with the First Stage Closing, Sellers shall not be deemed to have waived such Breach(es) or Failure(s), and Sellers and their related Indemnified Parties shall be entitled to be indemnified pursuant to Section 8.2 hereof relating to such Breach(es) and/or Failure(s) to the extent solely of the Losses up to Five Million U.S. Dollars (\$5,000,000). The disclosure by Buyers of any Buyers' R&W Breach(es) and/or Buyers' Covenant Failure(s) shall not limit any right of Sellers to terminate this Agreement in accordance with Article 9, nor shall such notice constitute an admission by Buyers that any such Breach(es) and/or Failure(s) constitute or give rise to a Material Adverse Effect, failure of a condition in Article 7 or right to terminate in accordance with Article 9.

(e) Sellers, on the one hand; and Buyers, on the other hand, will promptly give notice to the other upon becoming aware that any Action is pending or threatened by or before any Governmental Body, in each case with respect to the transactions contemplated by this Agreement or any Collateral Agreement. Sellers, on the one hand, and Buyers, on the other hand, (i) will cooperate in connection with the prosecution, investigation or defense of any such Action, (ii) will supply promptly all information reasonably and legally requested by the other, by any such Governmental Body or by any party to any such Action and (iii) will use commercially reasonable efforts to cause any such Action to be determined as promptly as practicable and in a manner which does not impact adversely on, and is consistent with, the transactions contemplated by this Agreement and the Collateral Agreements.

5.8 Covenant Not to Compete; No Solicitation and No Hiring

Sellers covenant and agree that for a period of thirty-six (36) months following the First Stage Closing Date, except as required or permitted by the Collateral Agreements listed in Sections 5.11(c) and 5.11(e) hereof, none of the Sellers or their subsidiaries shall, directly or indirectly (and Sellers will use their commercially reasonable efforts to cause their respective Affiliates not to), (i) engage in, control, advise, manage, serve as a director, officer, or employee of, act as a consultant to, receive any economic benefit from (other than any economic benefit from the C III LLC Agreement) or exert any influence upon, any business which conducts the same activities as those conducted by the Business (individually and collectively "Compete"), except the delivery of products and services to the Buyers under the Collateral Agreements and the conduct of the Retained Business, within the continental United States (the "Territory"); or (ii) solicit, divert or attempt to solicit or divert any party who is, was, or was solicited to become, a customer or supplier of the Business at any time prior to the Second Stage Closing Date, except solely the attempted solicitation or solicitation of any such customer or supplier to become a customer or supplier of a business that does not Compete with the Business, except the delivery of products and services to the Buyers under the Collateral Agreements and the conduct of the Retained Business, within the Territory. For a period of thirty-six (36) months following the Second Stage Closing Date, neither Sellers nor their respective Affiliates (other than any directors, officers or employees of Sellers provided not in their capacity as such) shall directly or indirectly solicit for employment or hire as an employee or consultant, any of the Transferred Employees or other employees of Buyers or its Affiliates engaged in the Business unless such employee's employment is earlier terminated by Buyers. For the avoidance of doubt, neither the

covenant in this Section nor the Sellers' Parent's Non-Competition and Confidentiality Agreement shall prohibit Sellers' Parent or its Affiliates from continuing to conduct their respective businesses described on Schedule 5.8. For a period of twelve (12) months following the Second Stage Closing Date, Buyers and their Affiliates shall not directly or indirectly solicit for employment or hire as an employee or consultant, any employee (other than a Transferred Employee) who works for Sellers or their respective Affiliates unless such employee's employment is earlier terminated by Sellers or any of their respective Affiliates. Notwithstanding the foregoing, this Section 5.8 shall not prevent Buyers or Sellers (or any of their respective Affiliates or any Person acting on their behalf) from conducting general searches for employees by use of advertisements or the media that are not directly targeted at the employees of the other party.

5.9 Confidentiality

Except for confidential information related to or otherwise contained in the Excluded Assets (other than any Excluded Assets that comprise Business Records) including Intellectual Property not being sold, but being licensed to Buyers, for a period of four (4) years after the Second Stage Closing Date, Sellers will not, and Sellers will use commercially reasonable efforts to cause their respective Affiliates not to, use for its or their own benefit or divulge or convey to any Third Party, any Confidential Information (as hereinafter defined) relating to the Business, provided that Sellers shall be entitled to provide copies of this Agreement and the Collateral Agreements to the lenders under the Credit Agreement. For purposes of this Agreement, Sellers shall not be deemed to have violated this Section 5.9 if any Seller or any of their respective Affiliates receives a request to disclose all or any part of the Confidential Information under the terms of a subpoena, civil investigative demand or order issued by a Governmental Body, and such Seller or such Affiliate, to the extent not inconsistent with such request and to the extent time reasonably allows: (a) notifies Buyers of the existence, terms and circumstances surrounding such request; (b) consults with Buyers on the advisability of taking legally available steps to resist or narrow such request; and (c) if disclosure of any Confidential Information is advisable, to prevent such Seller or such Affiliate or any of its or their partners, principals or employees from becoming subject to any penalty, to furnish only such portion of the Confidential Information as it reasonably determines that such Seller or such Affiliate is legally obligated to disclose and to exercise commercially reasonable efforts to obtain an order or other reliable assurance that confidential treatment will be accorded to the disclosed Confidential Information. For purposes of this Agreement and subject to the first sentence of this Section 5.9, "Confidential Information" consists of all information, knowledge or data related to the Business not in the public domain or otherwise publicly available which are or were treated as confidential by the Business. Information that enters the public domain or is or becomes publicly available loses its confidential status hereunder so long as neither Sellers nor any of their respective Affiliates, directly or indirectly, improperly causes such information to enter the public domain.

5.10 Waiver of Restrictions on Certain Business Employees

Sellers hereby agree to waive, effective as of the First Stage Closing Date, any non-competition and other applicable restrictions on Business Employees who become Transferred Employees so as to permit them to participate in the conduct by Buyers and their Affiliates (and

their respective successors and assigns) of the Business, whether such restrictions are in their respective Employment Agreements or any other Contracts.

5.11 Additional Agreements

(a) Buyers and Sellers shall have entered into an agreement prior to or on the First Stage Closing Date, substantially on the terms and conditions contained in Exhibit D hereto, relating to Buyers' use of Broadwing Technology Solutions Inc.'s provision of help desk services (the "Help Desk Agreement").

(b) Buyers and Sellers shall have entered into an agreement prior to or on the First Stage Closing Date, substantially on the terms and conditions contained in Exhibit E hereto, relating to Buyers' use of Sellers' APTIS software (the "APTIS Software Agreement").

(c) Buyers and Sellers shall have entered into agreements prior to on the First Stage Closing Date, substantially on the terms and conditions contained in Exhibit F hereto, including with respect to the business of (i) providing underlying goods and services for resale to Sellers' Parent and its Affiliates' customers, (ii) providing goods and services for internal use by Sellers' Parent and its Affiliates and (iii) acting as an agent of Buyers with respect to Sellers' Parent and Affiliates' customers (collectively, the "Intercompany Agreements").

(d) Buyers and Sellers shall have entered into an agreement prior to or on the First Stage Closing Date, substantially on the terms and conditions contained in Exhibit G hereto, pursuant to relating to Buyers' use of certain of Sellers' IP and Sellers' IPR (the "Intellectual Property Rights Assignment Agreement").

(e) C III and Sellers' Parent shall have entered into a limited liability agreement prior to or on the First Stage Closing Date, substantially on the terms and conditions contained in Exhibit H hereto relating to Sellers' Parent becoming a member of C III (the "C III LLC Agreement").

(f) Buyers and Sellers and the escrow agent thereunder shall have entered into (w) an escrow agreement prior to or on the First Stage Closing Date, substantially on the terms and conditions contained in Exhibit I-1 hereto, relating to the Escrow Amount (Working Capital/Indemnity) (the "Escrow Agreement (Working Capital/Indemnity)"), (x) an escrow agreement prior to or on the First Stage Closing Date, substantially on the terms and conditions contained in Exhibit I-2 hereto, relating to the Escrow Amount (Cranberry Adjustment) (the "Escrow Agreement (Cranberry Adjustment)"), (y) an escrow agreement prior to or on the First Stage Closing Date, substantially on the terms and conditions contained in Exhibit I-3 hereto, relating to the Escrow Amount (Closing Adjustment Receivables) (the "Escrow Agreement (Closing Adjustment Receivables)"), and (z) an escrow agreement prior to or on the First Stage Closing Date, substantially on the terms and conditions contained in Exhibit I-4 hereto, relating to the Escrow Amount/Second Stage Closing (the "Escrow Agreement (Second Stage Closing)").

(g) Buyers and Sellers and Sellers' Parent shall have entered into an agreement prior to or on the First Stage Closing Date, substantially on the terms and conditions contained in Exhibit J hereto relating to transition services to be provided by Sellers and Sellers' Parent to Buyers (the "Transition Services Agreement").

(h) Buyers and Sellers' Parent shall have entered into a letter agreement prior to or on the First Stage Closing Date, substantially on the terms and conditions contained in Exhibit K hereto relating to the obligation of Sellers' Parent and their Affiliates to comply with Section 5.8 (the "Sellers' Parent's Non-Competition Agreement").

(i) Buyers and Sellers and Sellers' Parent shall have entered into an agreement prior to or on the First Stage Closing Date, substantially on the terms and conditions contained in Exhibit L hereto relating to management services to be provided by Buyers to Sellers during the period between the First Stage Closing and the Second Stage Closing (the "Management Services Agreement").

(j) Buyers and Sellers shall have entered into a security agreement prior to or on the First Stage Closing Date, substantially on the terms and conditions contained in Exhibit M hereto relating to a security interest to be provided by Sellers to Buyers in the Acquired Assets that are contemplated by this Agreement to be sold, transferred, assigned and conveyed after the First Stage Closing to secure the obligation of Sellers to effect the Second Stage Closing (the "Security Agreement").

5.12 Other Securities

(a) Sellers covenant and agree (i) to retire the 9% Notes and the Senior Notes or (ii) to obtain a consent and/or waiver from the holders of the 9% Notes and the Senior Notes with respect to the transactions contemplated hereby, in either case on or prior to the First Stage Closing Date.

(b) Sellers covenant and agree to use their best efforts (i) to retire or exchange the 12 1/2% Preferred Stock or (ii) to obtain any necessary consents and/or waivers from the holders of the 12 1/2% Preferred Stock with respect to the transactions contemplated hereby, in either case on or prior to the First Stage Closing Date.

5.13 No Solicitation

From and after the date of this Agreement, Sellers shall not, and shall use their respective reasonable best efforts to cause their respective Affiliates, representatives and agents (including, without limitation, investment bankers, attorneys and accountants) not to, directly or indirectly, through any officer, director, agent or otherwise, enter into, solicit, initiate, conduct or continue any discussions or negotiations with, or knowingly encourage any inquiries or proposals or offers by, or provide any information to, or otherwise cooperate in any other way with, any Person or group, other than Buyers and their representatives and agents, concerning (i) any sale of all or any portion of the Business or the Acquired Assets to any Person other than Buyers, (ii) any merger, acquisition, consolidation, recapitalization, liquidation, dissolution or similar transaction

involving the Business or the Acquired Assets or (iii) any transaction or transactions that would have an effect similar to the transactions described in clause (i) or (ii).

5.14 Communication and Cooperation with Respect to Customers

Sellers and Buyers shall, within ten (10) days after the date hereof, reach mutual agreement on a communications plan with respect to customers and other Persons who are important to the conduct of the Business which communications plan shall constitute Exhibit N hereto. Seller shall use reasonable commercial efforts to communicate with customers and such other Persons as set forth in such communications plan, and otherwise as Buyers shall reasonably request, with the objective of reducing any adverse consequences arising from the announcement of the transactions contemplated hereby and by the Collateral Agreements. Buyers shall have the right to review and comment upon any communication, or plan to communicate, about the transaction prior to such communication or plan being made or implemented.

5.15 Sellers' Business Plan

Except as otherwise consented to by Buyers, Sellers will:

(a) Use commercially reasonable efforts to Employ at least seventy-five (75) national market sales persons as of the First Stage Closing Date.

(b) Employ, as of the First Stage Closing Date, a number of Business Employees in each of the line item categories listed on Schedule 5.15(b), equal to (i) no more than ten percent (10%) greater than or ten percent (10%) less than the number of Business Employees for those line items with one hundred (100) or more employees, and (ii) no more than twenty percent (20%) greater than or twenty percent (20%) less than the number of Business Employees for those line items with fewer than 100 employees. The minimums in this paragraph are on a commercially reasonable basis. The number of Business Employees for this purpose shall be rounded to the nearest whole person.

(c) Make capital expenditures no more than twenty percent (20%) greater than and no less than twenty percent (20%) less than the capital expenditure budget set forth in the Cranberry Capital Expenditure budget set forth on Schedule 5.15(c).

(d) Except as set forth on Schedule 5.15(d), not to exit or terminate any line of business of the Business that accounted for greater than Five Million U.S. Dollars (\$5,000,000) of annual revenue for the fiscal year ending December 31, 2002.

(e) Not to terminate or discontinue access to circuits that are necessary to generate any revenues of the Business.

5.16 Agreements Regarding Certain Actions

With respect to the Actions set forth on Schedule 5.16 and all other Excluded Liabilities, Sellers and Buyers hereby agree as follows:

(a) All such Actions shall be Excluded Assets and Excluded Liabilities; and

(b) Buyers shall provide Sellers with access to all information that constitutes a part of the Acquired Assets and shall otherwise cooperate with Sellers (including by the provision of a reasonable amount of the time of Key Employees to assist Sellers) in Sellers' prosecution of all such Actions; provided that such cooperation shall not unreasonably interfere with the operation of Buyers' business and, except as set forth in Section 5.16(c), Sellers shall have exclusive control with respect to such Actions.

(c) One or more Sellers and/or their Affiliates have a dispute under the ELI Contract (the "ELI Dispute") which, among other things, could result in the loss by Sellers of the rights to the IRU under the ELI Contract with respect to the ELI route from Sacramento to Seattle (the "ELI Route"). Sellers shall provide Buyers with access to all information that does not constitute a part of Acquired Assets and shall otherwise cooperate with Buyers (including by the provision of a reasonable amount of time of the personnel of Sellers and their Affiliates to assist Buyers) in Buyers' prosecution of the ELI Dispute and Buyers shall have exclusive control with respect to the ELI Dispute, except that Buyers shall allow Sellers to participate in (at Seller's expense) and be kept informed regarding, such dispute, and Buyers shall not be entitled to settle the dispute in a manner which imposes any liability on Sellers or any of their Affiliates, without the prior written consent of the applicable Seller(s). If at any time within one (1) year after the Closing Date, Buyers' rights to the IRU with respect to the ELI Route become unavailable for any reason (including without limitation in connection with the ELI Dispute) other than Buyers' breach thereunder, then Sellers shall use commercially reasonable efforts to procure for Buyers, immediately after the loss or anticipated loss of such route and at no cost to Buyers, four (4) fiber pairs of comparable or better fiber type with hut, space, power and other features comparable to the existing fiber pairs (the "ELI Replacement Fibers") for use with the Corvis ON platform on the same route. Sellers shall transfer to Buyers, upon terms and conditions (including price) to be negotiated in good faith at such time, any fiber, conduit, rights of way, huts or similar items obtained by one or more Sellers in connection with the dispute with El Paso Global Networks.

5.17 Ownership and Use of Broadwing Names Following Staged Closings

(a) Sellers covenant and agree that Sellers shall, and Sellers shall cause all of their Affiliates (including Sellers' Parent and BCI) which use the Broadwing Name, to pass all required resolutions and to amend their respective articles or certificate of incorporation or other organizational documents to change their corporate or company name to a name that does not include the word "Broadwing" or any name intended or likely to be confused or associated with any Broadwing Name prior to or on the First Stage Closing Date, and shall make commercially reasonable efforts to cause the registration of the new name with the appropriate Governmental Bodies no later than the Second Stage Closing Date. Promptly following receipt of confirmation from the appropriate Governmental Bodies that such name change has been effected, Sellers shall provide to Buyers written proof that such name change has been effected.

(b) Sellers acknowledge that the Broadwing Name shall be and remain, subsequent to the Second Stage Closing, the sole and exclusive property of Buyers or their Affiliates.

(c) Sellers shall grant Buyers an exclusive license to the use of the Broadwing Name in every jurisdiction where Sellers are permitted by Law, Governmental Body or applicable Communications License to grant such license, and shall extend such license to additional jurisdiction as Consents are obtained under Section 2.7.

(d) Subsequent to the Second Stage Closing, neither Sellers nor any of their Affiliates shall have any right, title or interest in or to, and, subject to Sections 5.17(e), Buyers are not granting Sellers or any of their Affiliates, a license to use, the Broadwing Name.

(e) Sellers agree:

(i) that, as soon as reasonably practicable, but, in any event, within ninety (90) days following the Second Stage Closing, no stationery, purchase order, invoice, receipt or other similar document containing any reference to the Broadwing Name shall be printed, ordered or produced for use by any Seller or any of its Affiliates and that Sellers shall, and Sellers shall cause each of their respective Affiliates to, following the Second Stage Closing, cease to use any of its Affiliates and that Sellers shall, and Seller shall cause each of their respective Affiliates to, following the Second Stage Closing, cease to use any stationery, purchase order, invoice, receipt or other similar document containing any reference to the Broadwing Name or shall only use such stationery, purchase order, invoice, receipt or other similar document after having deleted, pasted over or placed a sticker over such references. The obligations in this paragraph (i) shall not apply (x) to the extent use of the Broadwing Name is required by Law or otherwise reasonably required pending the registration of the change of corporate name (as set out in Section 5.17), (y) to the extent use of the Broadwing Name is reasonably required in order to enable collection or payment of invoices issued by a Seller or any of its Affiliates, or (z) to the extent use of the Broadwing Name is reasonably required pending registration of products under the new corporate name (as set out in Section 5.17);

(ii) as soon as reasonably practicable after the First Stage Closing, and in any event no later than (A) ninety (90) days after the First Closing Date, with respect to all premises and signs and (B) sixty (60) days after the First Stage Closing Date, with respect to all vehicles, to remove the Broadwing Name from all such premises, signs and vehicles which are used by or in connection with the Sellers and their Affiliates, except in those jurisdictions where an exclusive license is not granted pursuant to Section 5.17(c);

(iii) that following the First Stage Closing, no brochures, leaflets or similar documents and no packaging containing any reference to the Broadwing Name shall be printed, ordered or produced for use by any Seller or any of its Affiliates (or in connection with its business) and, with respect to existing brochures, leaflets or similar documents and packaging containing a reference to the Broadwing

Name, that Sellers shall, and Sellers shall cause each of its Affiliates to, use its reasonable efforts to ensure that, as soon as reasonably practicable but in no event later than sixty (60) days following the First Stage Closing, such references are deleted, pasted over or a sticker is put over such references, except in those jurisdictions where an exclusive license is not granted pursuant to Section 5.17(c); and

(iv) that Sellers shall, and Sellers shall cause each of its Affiliates to, use its reasonable efforts to ensure that, from and following the First Stage Closing, no stocks, goods, products, services or software are manufactured, produced or provided showing or having marked thereon or using the Broadwing Name; provided that any stocks, goods or products of a Seller or any of its Affiliates which, at the date hereof, show the Broadwing Name or have the Broadwing Name marked thereon may be used by such Seller or Affiliate in the conduct of their business as carried on at the date hereof, except in those jurisdictions where an exclusive license is not granted pursuant to Section 5.17(c).

(f) Notwithstanding any other provision of this Agreement, it is understood and agreed that the remedy of indemnity payments pursuant to Article 8 and other remedies at Law would be inadequate in the case of a breach of any of the covenants contained in this Section 5.17. Accordingly, Buyers shall be entitled to equitable relief, including the remedy of specific performance, with respect to any breach or attempted breach of such covenants, in accordance with Section 10.11.

5.18 Business Audited Financials

At or prior to Closing, Sellers shall deliver to Buyers financial statements for the Business for the periods as at and ending December 31, 2000, 2001 and 2002 which have been audited by Sellers' independent public accountants in compliance with applicable requirements of generally accepted accounting principles, generally accepted auditing standards and Securities and Exchange Commission requirements for inclusion in a periodic report on Form 8-K. Buyers shall be responsible for all fees charged and costs incurred by such independent public accountants for the audit of such financial statements and for any out-of-pocket expenses incurred by Sellers in connection therewith. Buyers acknowledge and agree that Sellers make, and shall make, no representation or warranty with respect to such financial statements to be prepared pursuant to this Section.

5.19 Additional Monthly Financials

For each month ending after the date of this Agreement and prior to the First Stage Closing Date, as soon as available but in any event within twenty (20) days after the end of each such month, Sellers shall deliver to Buyers an unaudited consolidated balance sheet and profit and loss for the Business (which for purposes hereof may include the Retained Business) in substantially the form of the Monthly Statements.

5.20 Certain BCI and Sellers' Guaranties

BCI and Sellers have executed and delivered the guaranties listed on Schedule 5.20 pursuant to which BCI and Sellers have guaranteed certain liabilities and/or obligations of one or more of the Sellers that constitute Assumed Liabilities (collectively, the "BCI and Sellers' Guaranties"). Buyers and Sellers shall use reasonable commercial efforts to obtain the Consent of the Persons who are the named beneficiaries of the BCI and Sellers' Guaranties to the replacement of BCI or applicable Seller, as guarantor under the BCI and Sellers' Guaranties, with Buyers' Parent, with respect to the Assumed Liabilities, provided that neither Buyers nor Buyers' Parent shall be required to pay any fees or make any other financial or other concession to any such Persons, including without limitation, any amendment, supplement or other modification to any BCI or Seller Guaranty. In the event Buyers' Parent has not replaced BCI or the applicable Seller under any BCI or Seller Guaranty on or prior to the Second Stage Closing, Buyers shall indemnify, defend and hold harmless BCI or the applicable Seller with respect to any Assumed Liabilities under such BCI and Seller Guaranty(ies) as set forth in Section 8.2(c)(i). BCI and Sellers shall remain on, and continue to be liable under, the BCI and Sellers' Guaranties with respect to any Excluded Liabilities, and Sellers shall indemnify, defend and hold harmless Buyers with respect to any Excluded Liabilities under the BCI and Sellers' Guaranties as set forth in Section 8.2(b)(i).

5.21 Collection of Receivables

Prior to the applicable Staged Closing Date, Sellers shall continue to collect Receivables in the ordinary course of business and according to past practices, provided that Sellers shall not be obligated to initiate a suit or other cause of action in order to collect any of the Receivables.

5.22 Participating Accounts

From and after the First Stage Closing Date, Buyers shall use reasonable commercial efforts to collect the Participating Accounts, provided that Buyers shall not be obligated to initiate a suit or other cause of action in order to collect any of the Participating Accounts. Within thirty (30) days after the end of each month after the First Stage Closing for the first six (6) months after such Closing, and within thirty (30) days after the end of each calendar quarter for two (2) years thereafter, Buyers shall provide a written statement to Sellers showing the collections of any amount of the Participating Accounts (the "Collected PA Amounts"), and the out-of-pocket expenses incurred by Buyers to make such collections. Buyers shall submit to Sellers with each such statement an amount equal to the product of seventy-five percent (75%) and the excess of the Collected PA Amounts over such out-of-pocket expenses.

5.23 Commitment Letters

Prior to the First Stage Closing Date, Buyers shall meet with each Business Employee who has an Employment Agreement set forth on Schedule 3.8(a), explain such Business Employee his or her contemplated position within Buyers and make a corresponding offer of employment. Buyers shall assume the Employment Agreement of each such Business Employee who agrees to accept such offer (including such position) and executes a letter agreeing to the assumption of such Employment Contract and that such assumption (and the position to be held

by such Business Employee) is not a constructive termination under such Employment Contract (a "Commitment Letter").

5.24 Optional Intercompany Agreements

At the First Stage Closing, Buyers shall have the right (but not the obligation) to enter into the Collateral Agreements set forth on Schedule 5.24 on the terms set forth therein. In the event that Buyers determine, in their sole discretion, not to accept such terms, Buyers and Sellers shall undertake good faith negotiations to attempt to reach agreement on mutually acceptable terms for such Collateral Agreements. Any election or failure to reach mutual agreement pursuant to this Section 5.24 will not be grounds for the failure of a condition under Section 7.3(b).

5.25 BTS Employees.

On or before the First Stage Closing Date, the Broadwing Technology Services, Inc. employees set forth on Schedule 5.25 shall be transferred to the Business and become Business Employees.

5.26 Revenues by State

Within sixty (60) days prior to the contemplated First Stage Closing Date, Sellers shall deliver to Buyers a statement showing the allocation of the revenues of the Business under Customer Contracts for each state in the United States in which Sellers conduct the Business, such statement to be as of the last day of the immediately preceding month (the "Revenues Statement"), accompanied by a certification from the financial officer of Sellers who prepared the Revenue Statement that it was prepared consistent with the methodology used to fulfill prior annual reporting requirements of Sellers to the relevant State PUCs.

6. Closing

6.1 Closing

The closing of the transactions contemplated by this Agreement (the "Closing") shall take place in two (2) stages at the offices of Gibson, Dunn & Crutcher LLP in New York City. The first closing stage (the "First Stage Closing"), at which the Initial Purchase Price shall be paid in full, shall commence at 9:00 a.m. local time on the last Business Day of the month containing the date on which all FCC and State PUC Consents necessary to effectuate the transfer of Customer Contracts that generate not less than eighty percent (80%) of the revenues of the Business set forth in the Revenues Statement have been obtained (the "First Stage Closing Date"). The second closing stage (the "Second Stage Closing") shall commence at 9:00 a.m. local time on the first Business Day after the date on which the last FCC and the last State PUC Consent(s) necessary to effectuate transfer of the remaining Acquired Assets, including the Customer Contracts, have been obtained (the "Second Stage Closing Date"). Buyers may elect to effect the Second Stage Closing at any time on or subsequent to the First Stage Closing Date, by written notice to Sellers at least five (5) Business Days before the Second Stage Closing Date contained in such notice (the "Two Stage Waiver Notice").

6.2 Deliveries by Sellers

At the applicable Staged Closing Date, and as applicable, Sellers shall deliver to Buyers the following:

(a) a bill of sale for the Acquired Assets (other than those Acquired Assets being conveyed pursuant to the Assignment and Assumption Agreement, the Intellectual Property Rights Assignment Agreement and the other agreements and instruments of conveyance executed at the applicable Staged Closing), which shall include a schedule of the Acquired Assets (or a reasonably specific description of the categories thereof) being transferred or assigned from the respective Sellers to the respective Buyers, substantially in the form of Exhibit Q (the "Bill of Sale"), duly executed by Sellers;

(b) a counterpart of the Assignment and Assumption Agreement substantially in the form of Exhibit P (the "Assignment and Assumption Agreement") which shall include a schedule of the Assumed Liabilities (or a reasonably specific description of categories thereof) being transferred to or assumed by the respective Buyers from the respective Sellers, duly executed by Sellers;

(c) executed counterparts of each other Collateral Agreement;

(d) a certificate of non-foreign status as described in U.S. Treasury Regulation section 1.1445-2(b)(2) of the Treasury Regulations;

(e) other instruments of transfer reasonably required by Buyers to evidence the transfer of the Acquired Assets to Buyers;

(f) certificate, dated the First Stage Closing Date, of Sellers certifying as to the compliance by Sellers with Sections 7.2(a) and (b);

(g) an opinion, dated the First Stage Closing Date, from Gibson, Dunn & Crutcher LLP, counsel(s) for Sellers, and/or such other counsel(s) reasonably acceptable to Buyers, in form and substance reasonably satisfactory to Buyers and to the effect set forth and otherwise as contemplated on Exhibit Q.

6.3 Deliveries by Buyers

At the applicable Staged Closing Date, and as applicable, Buyers shall deliver, or shall cause a subsidiary of Buyers, as applicable, to deliver, to Sellers or their respective designee(s) the following:

(a) the Initial Purchase Price;

(b) a counterpart of the Bill of Sale and the Assignment and Assumption Agreement, duly executed by Buyers;

(c) executed counterparts of each other Collateral Agreement;

(d) a certificate, dated the First Stage Closing Date, of Buyers, certifying as to compliance by Buyers with Sections 7.3(a) and (b); and

(e) An opinion, dated the First Stage Closing Date, of Mayer, Brown, Rowe & Maw, special counsel for Buyers, and/ or such other counsel reasonably acceptable to Sellers, in form and substance reasonably satisfactory to Sellers and to the effect set forth and otherwise as contemplated on Exhibit R.

6.4 Contemporaneous Effectiveness

All acts and deliveries prescribed by this Article 6, regardless of chronological sequence, will be deemed to occur contemporaneously and simultaneously on the occurrence of the last act or delivery, and none of such acts or deliveries will be effective until the last of the same has occurred.

7. Conditions Precedent to Staged Closings

7.1 First Stage Closing General Conditions

The respective obligations of Buyers and Sellers to effect the First Stage Closing of the transactions contemplated hereby are subject to the fulfillment, prior to or at the First Stage Closing Date, of each of the following conditions; provided that such conditions shall only be a condition to the obligations of and may only be waived by, the party(ies) adversely affected thereby:

(a) No Action by any Governmental Body or other Person shall have been instituted or threatened which (i) has had, or is reasonably likely to have, a Material Adverse Effect or (ii) is reasonably likely to enjoin, restrain or prohibit, or could result in substantial damages in respect of, any provision of this Agreement or any Collateral Agreement or the consummation of the transactions contemplated hereby or thereby, or affect materially and adversely the right of Buyers to own the Acquired Assets or to operate the Business.

(b) Any applicable waiting period under the HSR Act relating to the transactions contemplated by this Agreement and the Collateral Agreements shall have expired or been terminated.

7.2 First Stage Closing Conditions Precedent to Buyers' Obligations

The obligations of Buyers to effect the First Stage Closing of the transactions contemplated hereby are subject to the fulfillment, prior to or at the First Stage Closing Date, of each of the following conditions, any of which may be waived in writing by Buyers in their sole discretion:

(a) (i) The representations and warranties of Sellers contained in this Agreement shall be true and correct both when made and at and as of the First Stage Closing Date, as though such representations and warranties were made at and as of the First Stage Closing Date (except to the extent that such representations and warranties are made as of a specified date, in which case such representations and warranties shall be true and correct as of

such specified date) and (ii) each Seller shall have performed all obligations and agreements and complied with all covenants and conditions required by this Agreement and the Collateral Agreements to be performed or complied with by it prior to or at the First Stage Closing Date, except where (x) with respect to clause (i) the failure of such representations and warranties to be true and correct (without giving effect to any limitation as to materiality or Material Adverse Effect or other materiality qualifiers as set forth therein) and/or (y) with respect to clause (ii) the failure to so perform or comply (without giving effect to any limitation as to materiality or Material Adverse Effect or other materiality qualifiers as set forth therein), have not individually or in the aggregate had, or would not individually or in the aggregate be reasonably likely to have, a Material Adverse Effect with respect to the Business or Buyers (taken as a whole) or a material adverse effect on the ability of any of the Sellers to consummate the transactions contemplated hereby or a material adverse effect on Sellers' Parent's ability to consummate the transactions contemplated by Sellers' Parent Guaranty.

(b) Each Seller party thereto shall have executed and delivered, and have caused the other parties thereto (other than Buyers) to have executed and delivered the agreements, instruments and documents listed in Section 6.2.

(c) No change since December 31, 2002 (i) shall have occurred which has had a Material Adverse Effect with respect to the Business or Buyers (taken as a whole) or has had a material adverse effect on the ability of any of the Sellers to consummate the transactions contemplated hereby or on the Sellers' Parent's ability to consummate the transactions contemplated by the Sellers' Parent Guaranty, and (ii) shall have occurred (or circumstance involving a prospective change) which is reasonably likely to have a Material Adverse Effect with respect to the Business.

(d) Seventy-five percent (75%) of the thirty (30) Business Employees set forth on Schedule 7.2(d) and identified as key sales and operations employees or replacements that are acceptable to Buyers in their sole discretion (collectively, the "Key Employees") shall have accepted Buyers' offer of employment.

(e) Buyers shall have received written evidence reasonably satisfactory to them (i) that the Sellers' Consents set forth and indicated as required on Schedule 3.3(b) (including without limitation an amendment of the Credit Agreement, or Consent under the Credit Agreement, that permits the consummation of the transactions contemplated by this Agreement and the Collateral Agreements) and (ii) the Buyers' Consents set forth and indicated as required on Schedule 4.3(b) have been received.

(f) Buyers shall have received written evidence reasonably satisfactory to them that each of the Encumbrances (other than Permitted Encumbrances) on the Acquired Assets, and Permitted Encumbrances marked with an asterisk on Schedule 1.1(c), has been released, including, without limitation, any Encumbrance under the Credit Agreement.

(g) The Sellers' Parent Guaranty shall continue to be in full force and effect, and Sellers' Parent shall have received the written amendment of the Credit Agreement, or Consent under the Credit Agreement, necessary to permit the execution, delivery and performance of Sellers' Parent Guaranty.

(h) No facts, events or circumstance shall have occurred prior to First Stage Closing Date that, in the aggregate, cause or permit, or are reasonably likely to cause or permit before or after First Stage Closing Date, the Pension Benefit Guaranty Corporation to seek to impose or impose an Encumbrance on any of the Acquired Assets.

(i) Buyers shall have received written evidence reasonably satisfactory to them (A) that the resolutions and amendments to the articles or certificate of incorporation and/or other organizational documents contemplated by Section 5.17(a) have been obtained, and (B) that the related registrations are to become effective on the Second Stage Closing Date.

(j) There shall not have been or be any Encumbrance (other than Permitted Encumbrances, excluding those contemplated by Section 7.2(f) to be removed) imposed on any of the Acquired Assets in connection with any Bankruptcy of any Seller or any of their Affiliates (including, without limitation, Sellers' Parent and/or BCI).

7.3 First Stage Closing Conditions Precedent to Sellers' Obligations

The obligations of Sellers to effect the First Stage Closing of the transactions contemplated hereby are subject to the fulfillment, prior to or at the First Stage Closing Date, of each of the following conditions, any of which may be waived in writing by Sellers in their sole discretion:

(a) (i) The representations and warranties of Buyers contained in this Agreement shall be true and correct both when made and at and as of the First Stage Closing Date, as though such representations and warranties were made at and as of the First Stage Closing Date (except to the extent that such representations and warranties are made as of a specified date, in which case such representations and warranties shall be true and correct as of such specified date) and (ii) Buyers shall have performed all obligations and agreements and complied with all covenants and conditions required by this Agreement or any Collateral Agreement to be performed or complied with by their prior to or at the First Stage Closing Date, except where (x) with respect to clause (i) the failure of such representations and warranties to be true and correct (without giving effect to any limitation as to materiality or Material Adverse Effect or any other materiality qualifiers as set forth therein) and/or (y) with respect to clause (ii) the failure to so perform or comply (without giving effect to any limitation as to materiality or Material Adverse Effect or any other materiality qualifiers as set forth therein) has not individually or in the aggregate had, or would not individually or in the aggregate be reasonably expected to have, a Material Adverse Effect with respect to Sellers (taken as a whole), a material adverse effect on the ability of any of the Buyers to consummate the transactions contemplated hereby or a material adverse effect on Buyers' Parent to consummate the transactions contemplated by the Buyers' Parent Guaranty.

(b) Buyers shall have executed and delivered, and have caused the other parties thereto (other than Sellers and Sellers' Parent) to have executed and delivered the documents listed in Section 6.3.

(c) The Buyers' Parent Guaranty shall continue to be in full force and effect.

(d) Buyers shall have delivered the Initial Purchase Price.

(e) Sellers shall have received written evidence reasonably satisfactory to them (i) that the Buyers' Consents set forth and indicated as required on Schedule 4.3(b) have been received and (ii) an amendment of the Credit Agreement, or Consent under the Credit Agreement, that permits the consummation of the transactions contemplated by this Agreement and the Collateral Agreements has been received.

7.4 Second Stage General Conditions

The respective obligations of Buyers and Sellers to effect the Second Stage Closing of the transactions contemplated hereby are subject to (i) there not being an injunction or other court order prohibiting the consummation of the transactions contemplated by this Agreement to occur on the Second Stage Closing Date and (ii) Sellers shall have changed their corporate or company name to a name that does not include the word "Broadwing" or any name intended or likely to be confused or associated with any Broadwing Name and have caused the registration of the new name with the appropriate Governmental Body.

8. Survival and Indemnity

The rights and obligations of Buyers and Sellers under this Agreement shall be subject to the following terms and conditions:

8.1 Survival of Representations and Warranties

The representations and warranties of Buyers and Sellers contained in this Agreement and in any Collateral Agreement shall survive the First Stage Closing Date for eighteen (18) months, except the Environmental Warranties which shall survive for three (3) years, Tax Warranties which shall survive for the applicable statutes of limitations plus ninety (90) days and Title and Authorization Warranties which shall survive forever. Neither Sellers nor Buyers shall have any liability whatsoever with respect to any such representations or warranties unless a claim is made hereunder prior to expiration of the survival period for such representation or warranty.

8.2 General Agreement to Indemnify

(a) Sellers, jointly and severally, on the one side, and Buyers, on the other side (Sellers or Buyers, whichever has the obligation to indemnify, defend and hold harmless, the "Indemnifying Party") shall indemnify, defend and hold harmless the other party hereto and their Affiliates and any employee, representative, agent, director, officer, partner, member or principal, as applicable, or assign of such party and their Affiliates (each, an "Indemnified Party") from and against any and all Actions, whether by a third party against an Indemnified Party or by one party against another party (collectively, "Claims") related to or arising out of or resulting from, liabilities, losses, damages, costs and expenses (including

reasonable attorneys', accountants' and experts' fees and costs, and costs and expenses of establishing entitlement to indemnification) (collectively, "Losses") incurred by any Indemnified Party related to, or arising out of or resulting from (i) any breach of or any inaccuracy in any representation or warranty of the Indemnifying Party contained in this Agreement or any Collateral Agreement when made or as of the applicable Staged Closing Date (or as of such different date or period specified for such representation or warranty) as though such representation or warranty were made at the applicable Staged Closing Date (or at such different date or period specified for such representation or warranty) (and for purposes of determining liability under this Section 8.2, after removing any reference to materiality or Material Adverse Effect or any other materiality qualifiers contained in such representations and warranties other than such of the foregoing that are underlined, provided that when an underlined reference to the word "material" or "materiality" also appears in brackets, the applicable representations and warranties should not be read for purposes of this Agreement (other than the preceding portion of this sentence) as though such terms were therein) or (ii) the breach by the Indemnifying Party of any covenant or agreement of such party contained in this Agreement or any Collateral Agreement.

(b) Sellers further agree jointly and severally to indemnify, defend and hold harmless Buyers and any other Indemnified Party of Buyers from and against any Losses incurred by such party arising out of, resulting from, or relating to (i) any of the Excluded Assets (including the Retained Business) or Excluded Liabilities (including those related to the Retained Business), (ii) any matters identified on Schedule 8.2(b), (iii) any matters identified on Schedule 3.6(a) or (b), (iv) any Taxes of Sellers (except any such Taxes for which Buyers are responsible pursuant to Section 5.3 or Section 10.2) and (v) any failure of Sellers to comply with the provisions of any bulk transfer laws which may be applicable to the transactions contemplated hereby and by the Collateral Agreements.

(c) Buyers further agree to jointly and severally indemnify, defend and hold harmless Sellers and any other Indemnified Party of Sellers from and against any Losses incurred by such party arising out of, resulting from, or relating to: (i) any of the First Stage Assumed Liabilities after the First Stage Closing and the Second Stage Assumed Liabilities after the Second Stage Closing; (ii) any claim, demand or liability for the Taxes for which Buyers are responsible pursuant to Section 5.3; (iii) any other liability or obligation with respect to the conduct of the Business transferred on the First Stage Closing Date after such Closing Date and with respect to the conduct of the Business transferred after the First Stage Closing, to the extent arising out of, or resulting from, facts, events or circumstances occurring, or which accrue, after the applicable Staged Closing Date (other than due to any failure to comply or breach of any of Sellers or any of their Affiliates, whether before, on or after the applicable Staged Closing Date); and (iv) any Third Party Claims arising out of the Two Stage Waiver Notice (if any).

(d) Whether or not the Indemnifying Party chooses to defend or prosecute any Third Party Claim (as defined in Section 8.3(a)), both parties hereto shall cooperate in the defense or prosecution thereof and shall furnish such records, information and testimony, and attend such conferences, discovery proceedings, hearings, trials and appeals, as may be reasonably requested in connection therewith, except that nothing herein shall permit

Sellers, or require Buyers as a condition to obtaining indemnification, to seek to collect back sales or use Tax from clients or customers of the Business.

(e) The indemnification obligations of each party hereto under this Article 8 shall inure to the benefit of the Affiliates of the other party and the employees, representatives, agents, directors, officers, partners, members and principals, as applicable, of the other party hereto and their Affiliates on the same terms as are applicable to such other party.

(f) Sellers' and Buyers' respective liability for all Claims under Section 8.2(a)(i) shall be subject to the following limitations:

(i) neither the Sellers nor Buyers, respectively, shall have any liability for any Losses arising from such Claims unless the aggregate of all Losses for which the Sellers or Buyers, respectively, would, but for this provision, be liable exceeds on a cumulative basis an amount equal to Five Hundred Thousand U.S. Dollars (\$500,000) (the "Threshold"), provided, that in the event that such Losses of Sellers or Buyers, as applicable, on a cumulative basis exceed the Threshold, the liability shall be from the first dollar of Losses. Notwithstanding the foregoing, the Threshold shall not apply (i) to Claims or Losses with respect to the Title and Authorization Warranties, Tax Warranties and the representations and warranties contained in Sections 3.13 and 4.6, or (ii) when Buyers have the right not to proceed to Closing under Section 7.2(a) but proceed to Closing under Section 5.7(c);

(ii) the Sellers' or Buyers' respective aggregate liability for all Losses arising from such Claims (other than any such Claims with respect to the Title and Authorization Warranties, the Tax Warranties and the representations and warranties in Sections 3.13 and 4.6) shall not exceed fifty percent (50%) of the Purchase Price (the "General Cap");

(iii) the Sellers' or Buyers' respective aggregate liability with respect to their respective Title and Authorization Warranties shall not exceed the Purchase Price (the "Overall Cap"), and the Sellers' or Buyers' respective aggregate liability under the preceding clause (ii) and this clause (iii) shall not exceed the Overall Cap;

(iv) Sellers' or Buyers' respective liability for Tax Warranties and the representations and warranties contained in Sections 3.13 and 4.6 shall not be subject to the General Cap or the Overall Cap; and

(v) in no event shall Sellers be obligated to indemnify Buyers or any other Person with respect to any Loss to the extent that a specific accrual or reserve for the amount of such Loss was included in the calculation of the Closing Working Capital. No Indemnified Party may make a claim for indemnification under Section 8.2(a)(i) for breach by the Indemnifying Party of a particular representation or warranty after the expiration of the survival period specified in Section 8.1.

(g) The amount of any Loss for which indemnification is provided under this Article 8 shall be net of any amounts recovered or recoverable by the Indemnified Party under insurance policies with respect to such Loss.

(h) Notwithstanding anything herein or in the Collateral Agreements (other than the Security Agreement) to the contrary, none of the parties hereto or thereto shall be liable to the other, whether in contract, tort or otherwise, for any special, indirect, incidental, consequential, punitive or exemplary or other similar type of damages whatsoever, which in any way arise out of, relate to, or are a consequence of, its performance or nonperformance hereunder or the Collateral Agreements (other than through fraud), including loss of profits, business interruptions and claims of customers, except to the extent to which a Third Party Claim against an Indemnified Party includes such damages.

(i) Each party further acknowledges and agrees that, should the First Stage Closing occur, its sole and exclusive remedy with respect to any and all claims relating to this Agreement, the Collateral Agreements, the transactions contemplated hereby, the Business and its assets, liabilities and business (other than claims of, or causes of action arising from, fraud; provided that inaccuracies of representations or warranties (whether or not accurate facts were knowable by inquiry including title searches or otherwise) shall not be construed to be fraud, absent intent to deceive) shall be pursuant to the indemnification provisions set forth in this Article 8. In furtherance of the foregoing, except as set forth in the preceding sentence, each party hereby waives and releases, from and after the First Stage Closing Date, any and all rights, claims and causes of action (other than claims of, or causes of action arising from, fraud, subject to the proviso set forth above in this Section 8.2(i)) it may have against the other party and its Affiliates arising under or based upon any Federal, state, local or foreign statute, law, ordinance, rule or regulation or otherwise (except pursuant to the indemnification provisions set forth in this Article 8) arising out of or related to this Agreement and the Collateral Agreements. Notwithstanding the foregoing, nothing in this Section 8.2(i) or elsewhere in this Agreement shall be deemed to limit any party's right to seek specific performance or other equitable relief in any court of competent jurisdiction of its rights and remedies hereunder or in any Collateral Agreement, in accordance with Section 10.11.

8.3 General Procedures for Indemnification

(a) Procedures Relating to Indemnification. In order for the Indemnified Party to be entitled to any indemnification provided for under this Agreement in respect of, arising out of or involving a Claim made by any Person against the Indemnified Party (each, a "Third Party Claim"), such Indemnified Party must notify the Indemnifying Party in writing, and in reasonable detail, of the Third Party Claim within ten (10) Business Days after receipt by such Indemnified Party of written notice of the Third Party Claim; provided, that the failure of the Indemnified Party to give notice in the manner specified above shall not relieve the Indemnifying Party of its obligations under this Article 8 except to the extent (if any) that the Indemnified Party shall have been materially prejudiced thereby.

If the Indemnifying Party does not object in writing to such indemnification claim within thirty (30) days of the Indemnifying Party's knowledge of its receipt of notice thereof, the Indemnified Party shall be entitled to recover promptly from the Indemnifying Party the amount

of such claim, and no later objection by the Indemnifying Party shall be permitted. If the Indemnifying Party agrees that it has an indemnification obligation but objects that it is obligated to pay only a lesser amount, the Indemnified Party shall nevertheless be entitled to recover promptly from the Indemnifying Party the lesser amount, without prejudice to the Indemnified Party's claim for the difference.

If a Third Party Claim is made against an Indemnified Party, the Indemnifying Party shall be entitled to participate in the defense thereof and to assume the defense thereof with counsel selected by the Indemnifying Party which is reasonably satisfactory to the Indemnified Party. Should the Indemnifying Party so elect to assume the defense of a Third Party Claim, the Indemnifying Party shall not be liable to the Indemnified Party for legal expenses subsequently incurred by the Indemnified Party in connection with the defense thereof unless the Indemnified Party reasonably determines in its judgment that representation by the Indemnifying Party's counsel of both the Indemnifying Party and the Indemnified Party would present such counsel with a conflict of interest, then such Indemnified Party may employ separate counsel to represent or defend it in any such Third Party Claim and the Indemnifying Party shall pay the reasonable fees and disbursements of one such separate counsel. If the Indemnifying Party assumes such defense, the Indemnified Party shall have the right to participate in the defense thereof and to employ counsel, at its own expense (subject to the preceding sentence), separate from the counsel employed by the Indemnifying Party, it being understood that the Indemnifying Party shall control such defense. The Indemnifying Party shall be liable for the fees and expenses of counsel employed by the Indemnified Party for any period during which the Indemnifying Party has failed to assume the defense thereof (other than during the period prior to the time the Indemnified Party shall have given notice of the Third Party Claim as provided above). All attorneys' fees and expenses shall count towards the indemnity limit specified in Section 8.2(f).

(b) If the Indemnifying Party so elects to assume the defense of any Third Party Claim, all of the Indemnified Parties shall reasonably cooperate with the Indemnifying Party in the defense or prosecution thereof. Such cooperation shall include the retention and (upon the Indemnifying Party's request) the provision to the Indemnifying Party of records and information that are reasonably relevant to such Third Party Claim, and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Any settlement or compromise made or caused to be made by the Indemnified Party (which is permitted if the Indemnifying Party has declined to assume the defense thereof) or the Indemnifying Party, as the case may be, of a Third Party Claim referred to in this paragraph shall also be binding upon the Indemnifying Party or the Indemnified Party, as the case may be, in the same manner as if a final judgment or decree had been entered by a court of competent jurisdiction in the amount of such settlement or compromise; provided, that no such settlement by the Indemnifying Party shall be binding upon the Indemnified Party without its prior written consent, which shall not be unreasonably withheld or delayed with respect to proposed settlements whereby the Indemnified Party is held harmless with respect to all Losses and no other material obligation is imposed upon the Indemnified Party (provided that in the event a Third Party Claim is subject to the General Cap or the Overall Cap (each, a "Cap"), the Indemnified Party need only be held harmless up to the amount of the remaining balance of the applicable Cap); and provided, further that where a Third Party Claim is subject to a Cap and the proposed settlement involves Losses in excess of such Cap (and does

not impose any other material obligation on the Indemnified Party) either the Indemnified Party shall accept the proposed settlement or agree to assume the defense thereof and hold harmless the Indemnifying Party for all Losses over the lesser of the amount of the proposed settlement or the remaining balance of the applicable Cap.

(c) Each Seller and Buyers shall make commercially reasonable efforts to mitigate any Claim or other liability with respect to which one party is obligated to indemnify the other party hereunder.

9. Termination

9.1 Termination

This Agreement may be terminated at any time prior to the applicable Staged Closing Date by:

(a) The mutual written consent of Buyers and Sellers.

(b) Buyers or Sellers, if there shall be in effect a non-appealable injunction or order of a Governmental Body of competent jurisdiction prohibiting the consummation of the transactions contemplated hereby.

(c) Buyers or Sellers, if the First Stage Closing Date shall not have occurred by the date that is ten (10) months following the date hereof; provided that the failure of the First Stage Closing to occur on or before such date did not result from the failure by the party seeking termination of this Agreement to fulfill any undertaking or agreement or satisfy any condition provided for herein that is required to be fulfilled or satisfied by it prior to First Stage Closing.

(d) By Sellers, if there shall have been a breach of any representation and warranty or covenant of Buyers hereunder or under any of its Collateral Agreements, and such breach shall not have been remedied within sixty (60) days after receipt by Buyers of notice in writing from Sellers specifying the breach and requesting such be remedied, except where such breach of representation and warranty or covenant (without giving effect to any limitation as to materiality or Material Adverse Effect or any other materiality qualifiers as set forth therein) has not individually or in the aggregate had, or would not individually or in the aggregate be reasonably likely to have, a Material Adverse Effect with respect to Sellers (taken as a whole) or on the ability of any of the Buyers to consummate the transactions contemplated hereby or a material adverse effect on Buyers' Parent's ability to consummate the transactions contemplated by the Buyers' Parent Guaranty.

(e) By Buyers, if there shall have been a breach of any representation and warranty or covenant of Sellers hereunder or under any of its Collateral Agreements, and such breach shall not have been remedied within sixty (60) days after receipt by Sellers of notice in writing from Buyers specifying the breach and requesting such be remedied, except where such breach of representation and warranty or covenant (without giving effect to any limitation as to materiality or Material Adverse Effect or any other materiality qualifiers as set forth

therein) has not individually or in the aggregate had, or would not individually or in the aggregate be reasonably likely to have, a Material Adverse Effect with respect to the Business or Buyers (taken as a whole) or on the ability of any of the Sellers to consummate the transactions contemplated hereby or a material adverse effect on the Sellers' Parents' ability to consummate transactions contemplated by the Sellers' Parent's Guaranty.

9.2 Effect of Termination

In the event of the termination of this Agreement in accordance with Section 9.1, this Agreement shall become void and have no effect, without any liability on the part of any party or its directors, officers, partners, members, principals or stockholders, except for the obligations of the parties hereto as provided in Sections 10.1, 10.2, 10.4, 10.5, 10.12 and this Section 9.2, and except that, notwithstanding anything in this Agreement to the contrary, neither Sellers nor Buyers shall be relieved or released from any liabilities or damages arising out of its breach of any provision of this Agreement.

10. Miscellaneous Provisions

10.1 Notices

All notices and other communications hereunder and under the Collateral Agreements shall be in writing and shall be deemed to have been duly given upon receipt if (i) mailed by certified or registered mail, return receipt requested, (ii) sent by a nationally recognized overnight delivery service (receipt requested), fee prepaid, (iii) sent via facsimile with receipt confirmed, or (iv) delivered personally, addressed as follows or to such other address or addresses of which the respective party shall have notified the other.

(a) If to Sellers, to:

Broadwing Inc.
201 East Fourth Street, 102-745
Cincinnati, Ohio 45204
Attention: General Counsel
Facsimile: (513) 721-7358

With an additional copy to:

Gibson, Dunn & Crutcher LLP
200 Park Avenue
New York, New York 10166
Attention: Steven Shoemate
Facsimile: (212) 351-5316

(b) If to Buyers, to:

C III Communications LLC
7015 Albert Einstein Drive
Columbia, MD 21046
Attention: Kim Larsen
Facsimile: (443) 259-4418

and:

C III Communications LLC
Suite 450
12444 Powerscourt Dr.
St. Louis, MO 63131
Attention: Martin Kerckhoff
Facsimile: 314-965-0500

With a copy to:

Mayer, Brown, Rowe & Maw
1909 K Street, N.W.
Washington, D.C. 20006
Attention: Stuart P. Pergament
Facsimile: (202) 263-3300

and

Paul Hastings, Janofsky & Walker LLP
75 East 55th Street
New York, New York 10022
Attention: Leigh P. Ryan
Facsimile: (212) 319-4090

10.2 Expenses

Any sales, use or other transfer taxes arising out of or incurred in connection with the transactions contemplated by this Agreement shall be paid in accordance with Section 5.3. Except as provided in the preceding sentence or otherwise expressly provided in this Agreement or the Collateral Agreements, each party will pay its own costs and expenses, including legal and accounting expenses, related to the transactions contemplated by this Agreement, irrespective of when incurred and whether or not the Closing occurs; provided, that Buyers and Sellers shall bear their portion of the fees and expenses of the filings under the HSR Act irrespective of the occurrence of Closing hereunder.

10.3 Entire Agreement

The agreement of Sellers and Buyers, which is comprised of this Agreement, the Schedules and Exhibits hereto and the documents referred to herein and therein, including the Collateral Agreements, sets forth the entire agreement and understanding between the parties and supersedes any prior agreement or understanding, written or oral, relating to the subject matter of this Agreement.

10.4 Jurisdiction, Service of Process

Each of the parties hereto hereby irrevocably and unconditionally consents to submit to the exclusive jurisdiction of the (a) Supreme Court of the State of New York, New York County and (b) United States District Court for the Southern District of New York, for any actions, suits or proceedings arising out of or relating to this Agreement and the Collateral Agreements (and agrees not to commence any action, suit or proceeding relating thereto except in such courts), and further agrees that service of any process, summons, notice or document by U.S. registered mail to its respective address set forth in Section 10.1 will be effective service of process for any action, suit or proceeding brought against it in any such court. Each of the parties hereto hereby irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement or the Collateral Agreements in the courts of the State of New York or the United States of America located in the City of New York and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

10.5 Governing Law

This Agreement and the Collateral Agreements will be construed in accordance with and governed by the internal laws of the State of New York applicable to agreements made and to be performed entirely within such State without regard to conflicts of laws principles thereof.

10.6 Waiver

The rights and remedies of the parties to this Agreement and the Collateral Agreements are cumulative and not alternative. Neither the failure nor any delay by any party in exercising any right, power or privilege under this Agreement or the documents referred to in this Agreement will operate as a waiver of such right, power or privilege, and no single or partial exercise of any such right, power or privilege will preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege. To the maximum extent permitted by Law, (a) no claim or right arising out of this Agreement or the Collateral Agreements can be discharged by one party, in whole or in part, by a waiver or renunciation of the claim or right unless in writing signed by the other party; (b) no waiver that may be given by a party will be applicable except in the specific instance for which it is given and will not operate as a waiver of, or estoppel with respect to, any subsequent or other failure or noncompliance; and (c) no notice to or demand on one party will be deemed to be a waiver of any obligation of such party or of the right of the party giving such notice or demand to take further action without notice or demand as provided in this Agreement or the Collateral Agreements.

10.7 No Oral Modification

Neither this Agreement nor any Collateral Agreement may not be amended except by a written agreement executed by the party to be charged with the amendment. Any attempted amendment in violation of this Section 10.7 will be void ab initio.

10.8 Assignments, Successors

No party may assign any of its rights under this Agreement or any Collateral Agreements without the prior written consent of the other parties hereto or thereto. Notwithstanding the foregoing, Buyers may assign this Agreement or rights and obligations of Buyers hereunder, in each case in whole or part, to any Affiliate of Buyers and to any successor to all or substantially all of the Business (whether by merger, consolidation, sale of assets or otherwise), provided that Buyers shall remain liable for all of their obligations under this Agreement. Subject to the preceding sentences, this Agreement and the Collateral Agreements will apply to, be binding in all respects upon, and inure to the benefit of the successors and permitted assigns of the parties.

10.9 Severability

If any provision of this Agreement or the Collateral Agreements is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement and the Collateral Agreements will remain in full force and effect. Any provision of this Agreement or the Collateral Agreements held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

10.10 Captions

The Article, section and paragraph captions herein and the table of contents hereto are for convenience of reference only, do not constitute part of this Agreement and the Collateral Agreements and will not be deemed to limit or otherwise affect any of the provisions hereof or thereof. Unless otherwise specified, all references herein to numbered Articles and Sections are to articles and sections of this Agreement, all references herein to Schedules are to Schedules to this Agreement and all references herein to Exhibits are to Exhibits to this Agreement.

10.11 Specific Performance

Each party recognizes and affirms that in the event of breach by him or it of any of the provisions of Sections 5.8, 5.9, or 5.17 money damages would be inadequate and the other parties would have no adequate remedy at law. Accordingly, each party agrees that the other parties shall have the right, in addition to any other rights and remedies existing in their favor, to enforce their respective rights and the breaching party's obligations under Sections 5.8, 5.9 or 5.17 not only by an action or actions for damages, but also by an action or actions for specific performance, injunction and/or other equitable relief in order to enforce or prevent any violations (whether anticipatory, continuing or future) of the provisions of Sections 5.8, 5.9 or 5.17. If a bond is required to be posted in order for any party to secure an injunction, the parties agree that such bond need not exceed the sum of \$1,000.

10.12 No Third Party Beneficiaries

Nothing in this Agreement or the Collateral Agreements, express or implied, is intended to or shall constitute the parties hereto as partners or as participants in a joint venture. This Agreement is solely for the benefit of the parties hereto and, only to the extent provided in Article 8, their respective Affiliates and employees, representatives, agents, directors, officers, partners, members or principals, as applicable, or their respective assigns, for whom the parties shall be entitled to enforce this Agreement, and no provision of this Agreement shall be deemed to confer upon any other Third Parties any remedy, claim, liability, reimbursement, cause of action or other right (including a right to enforce). Nothing in this Agreement or the Collateral Agreements shall be construed as giving to any Business Employee, or any other individual, any right or entitlement of any kind of nature, whether under any Benefit Plan, policy or procedure maintained by any Seller or Buyer or otherwise. No Third Party shall have any rights under Section 502, 503 or 504 of ERISA or any regulations thereunder because of this Agreement or the Collateral Agreements that would not otherwise exist without reference to this Agreement or the Collateral Agreements. No Third Party shall have any right, independent of any right that exists irrespective of this Agreement or the Collateral Agreements, under or granted by this Agreement or the Collateral Agreements, to bring any Action at law or equity for any matter governed by or subject to the provisions of this Agreement (except for Indemnified Parties as provided in Section 8.2) or the Collateral Agreements.

10.13 Counterparts

This Agreement and Collateral Agreements may be executed simultaneously in two or more counterparts, each of which will be deemed to be an original copy of this Agreement and the Collateral Agreements and all of which together will be deemed, respectively, to constitute one and the same agreement.

10.14 Waiver of Compliance with Bulk Transfer Laws

Buyers hereby waive compliance by Sellers with the provisions of any bulk transfer laws which may be applicable to the transactions contemplated hereby and by the Collateral Agreements.

10.15 Publicity

No public release or announcement concerning the transactions contemplated by this Agreement and/or the Collateral Agreements shall be issued by any party (or any of its Affiliates) without the prior written consent of the other parties, except as such release or announcement may be required by Law or the rules or regulations of any securities exchange or other Governmental Body, in which case the party required to make the release or announcement shall allow the other parties reasonable time to comment on such release or announcement in advance of such issuance. Buyers and Sellers to discuss further.


[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, each party has caused this Agreement to be duly executed on its behalf by its duly authorized officers as of the date first written above.


BROADWING COMMUNICATIONS SERVICES INC.

By: 
Name: Kevin W. Mooney
Title: Chief Executive Officer

BROADWING COMMUNICATIONS SERVICES OF VIRGINIA INC.

By: 
Name: Kevin W. Mooney
Title: Chief Executive Officer

BROADWING COMMUNICATIONS REAL ESTATE SERVICES LLC

By: 
Name: Thomas L. Schilling
Title: Manager


BROADWING SERVICES LLC

By: 
Name: Kevin W. Mooney
Title: Chief Executive Officer


IXC BUSINESS SERVICES, LLC

By: 
Name: Thomas L. Schilling
Title: Manager


BROADWING TELECOMMUNICATIONS INC.

By: 
Name: Kevin W. Mooney
Title: Chief Executive Officer

IXC INTERNET SERVICES, INC.


By: 
Name: Kevin W. Mooney
Title: Chief Executive Officer

BROADWING LOGISTICS LLC

By: 
Name: Kevin W. Mooney
Title: Chief Executive Officer

MSM ASSOCIATES, LIMITED PARTNERSHIP

By: MUTUAL SIGNAL CORPORATION OF
MICHIGAN, its General Partner

By: 
Name: Kevin W. Mooney
Title: Chief Executive Officer

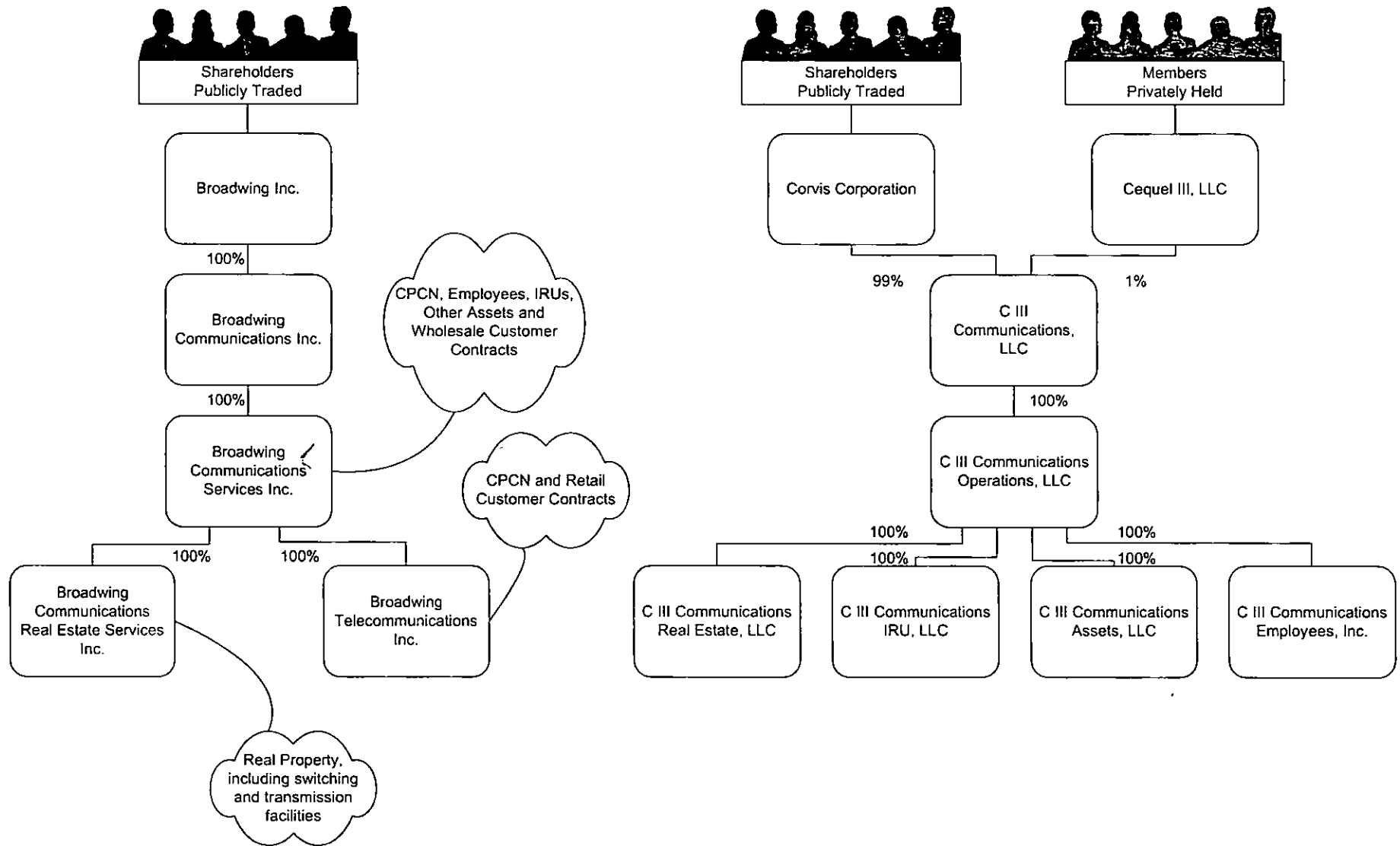
C III COMMUNICATIONS, LLC

By: Martin Kerckhoff
Name: Martin Kerckhoff
Title: Authorized Director

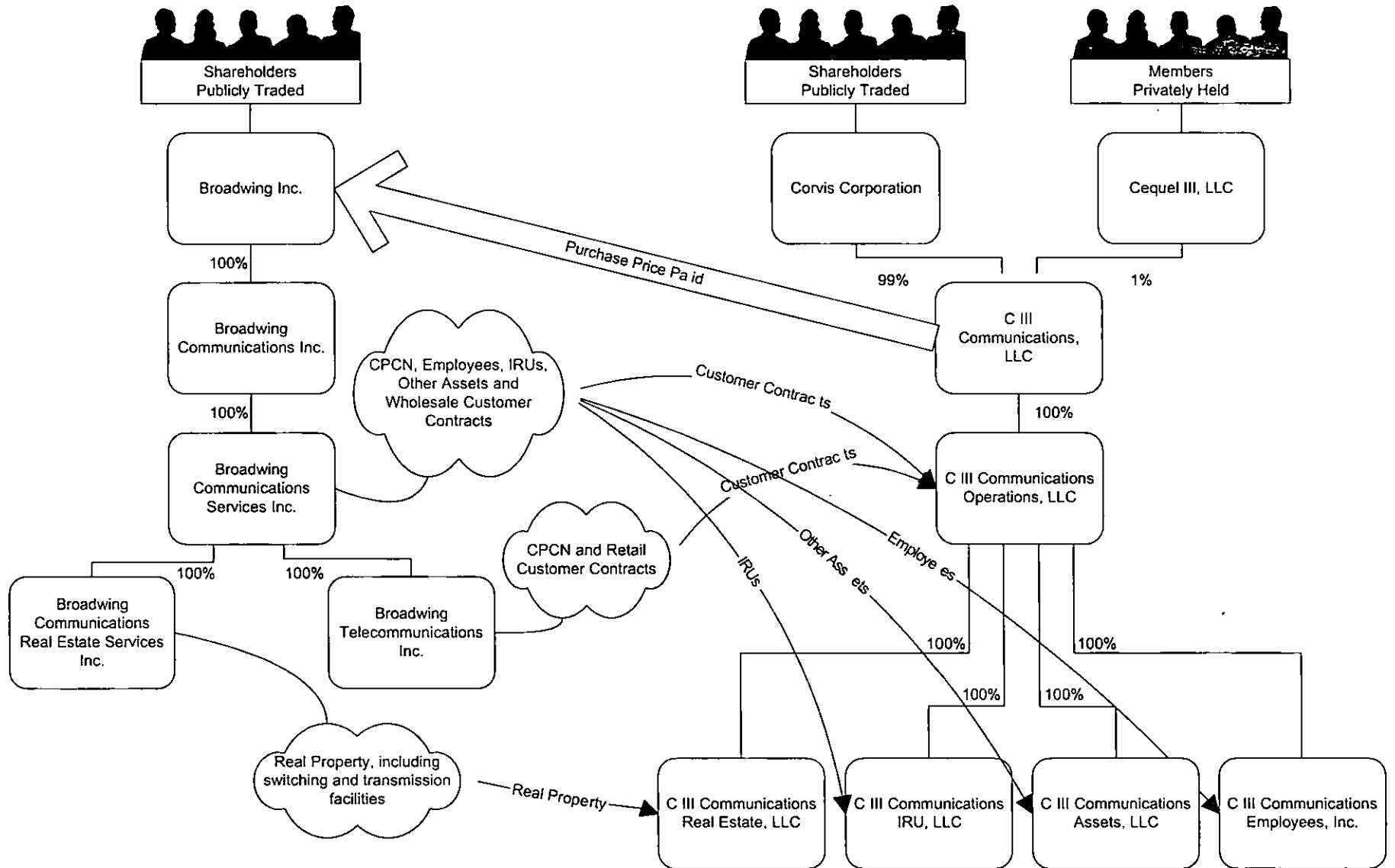
C III COMMUNICATIONS OPERATIONS, LLC

By: Martin Kerckhoff
Name: Martin Kerckhoff
Title: Authorized Director

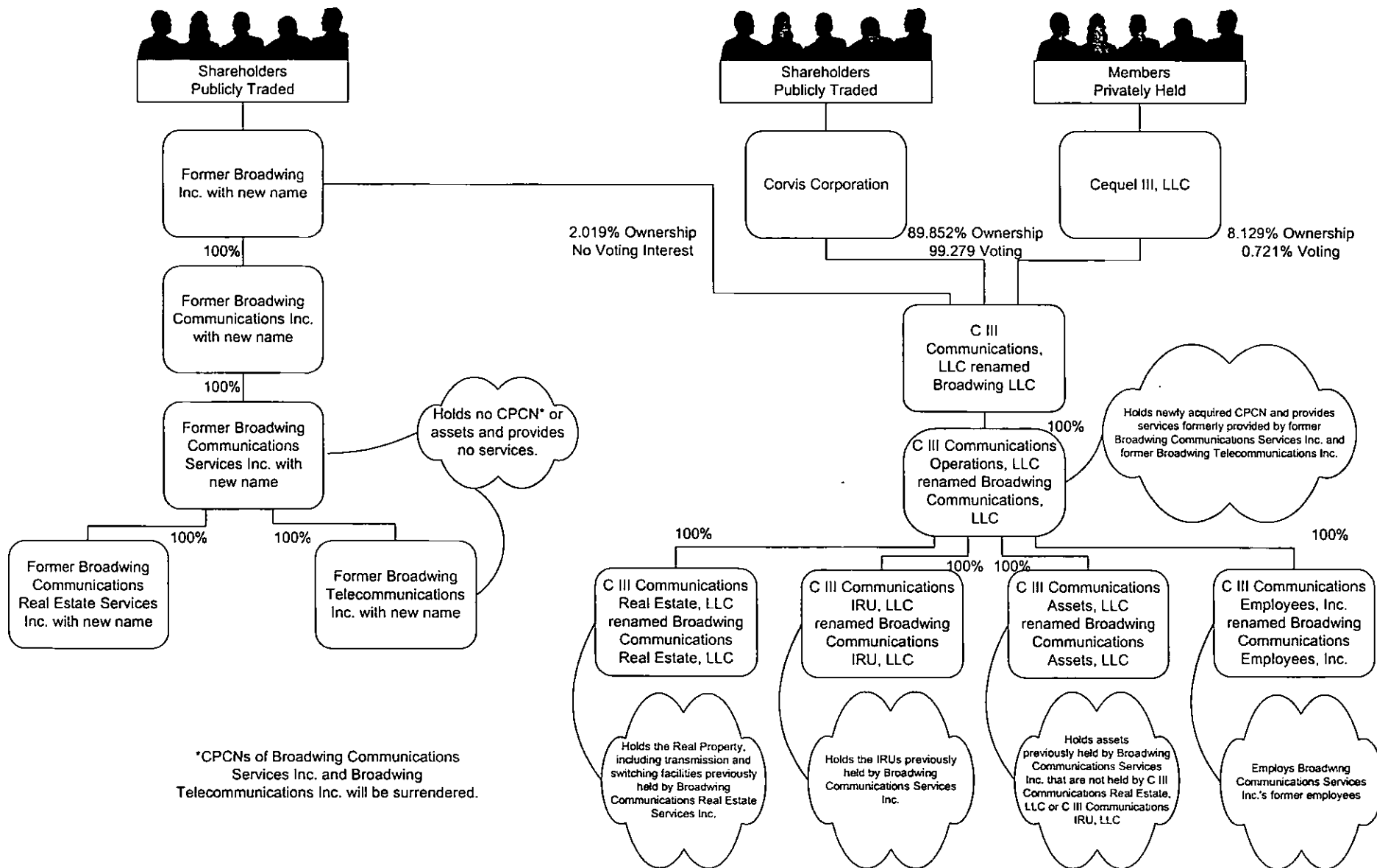
Current Structure



Proposed Transaction



Proposed Final Structure



C III's Officers and Directors

David R. Huber - Director and Chairman of the Board
Corvis Corporation
7015 Albert Einstein Drive
Columbia, MD 21046
Tel: (443) 259-4000
Fax: (443) 259-4444

Lynn D. Anderson - Director and Vice President
Corvis Corporation
7015 Albert Einstein Drive
Columbia, MD 21046
Tel: (443) 259-4000
Fax: (443) 259-4444

Kim Larsen - Director and Secretary
Corvis Corporation
7015 Albert Einstein Drive
Columbia, MD 21046
Tel: (443) 259-4000
Fax: (443) 259-4444

John L. Spitos - Director
OCG Ventures
9212 Berger Road
Columbia, MD 21046
Tel: (443) 259-0010
Fax: (410) 309-4326

Jerald L. Kent - Director and President
Cequel III, LLC
12444 Powerscourt Drive
St. Louis, MO 63131
Tel: (314) 965-2020
Fax: (314) 965-0500

Martin D. Kerckhoff - Director and Vice President
Cequel III, LLC
12444 Powerscourt Drive
St. Louis, MO 63131
Tel: (314) 965-2020
Fax: (314) 965-0500

C III's Current and Proposed Ownership Structure

Current Ownership

Corvis Corporation	99 Class A Units (Voting)
Cequel III, LLC	1 Class A Unit (Voting)

Proposed Ownership

Corvis Corporation	12,018,567 Class A Units (Voting)
Cequel III, LLC	87,300 Class A Units (Voting) and 1,000,000 Class C Units (Non-voting)
Broadwing, Inc.	270,000 Class B Units (Non-voting)

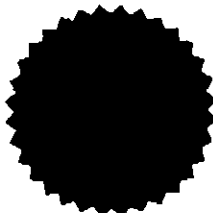
Delaware

PAGE 1

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "C III COMMUNICATIONS OPERATIONS, LLC" IS DULY FORMED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE SEVENTH DAY OF MARCH, A.D. 2003.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL TAXES HAVE NOT BEEN ASSESSED TO DATE.



Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

3627662 8300

AUTHENTICATION: 2295856

030153650

DATE: 03-07-03

CERTIFICATE OF FORMATION
of
C III Communications Operations, LLC

This Certificate of Formation is being duly executed and filed by the undersigned authorized person to form a limited liability company under the Delaware Limited Liability Company Act (the "Act"). It is hereby certified as follows:

FIRST. The name of the limited liability company (the "Company") is: C III Communications Operations, LLC.

SECOND. The address of the registered office of the Company in the State of Delaware is: c/o Corporation Service Company, 2711 Centerville Road, Suite 400, City of Wilmington, County of New Castle, State of Delaware 19808. The name of the registered agent of the Company at such address is: Corporation Service Company.

THIRD. The purpose of the Company is to engage in any lawful act or activity for which a limited liability company may be organized under the Act.

FOURTH. In furtherance and not in limitation of the powers conferred by the Act, the Company shall be governed by a limited liability company agreement.

FIFTH. The Company shall to the fullest extent permitted by the provisions of Section 18-108 of the Act, as the same may be amended and supplemented, indemnify any and all persons whom it shall have the power to indemnify under said Section 18-108 from and against any and all matters, and the indemnification provided for herein shall not be deemed exclusive of any other right to which any person may be entitled under the Company's limited liability company agreement, or otherwise.

IN WITNESS WHEREOF, the undersigned authorized person has executed this Certificate of Formation as of February 20, 2003.

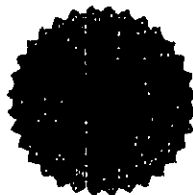
/s/ Joshua P. Kleiman
Joshua P. Kleiman
Authorized Person

Delaware

PAGE 1

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF FORMATION OF "C III COMMUNICATIONS OPERATIONS, LLC", FILED IN THIS OFFICE ON THE TWENTIETH DAY OF FEBRUARY, A.D. 2003, AT 5 O'CLOCK P.M.



Harriet Smith Windsor
Harriet Smith Windsor, Secretary of State

3627662 8100

030111245

AUTHENTICATION: 2268611

DATE: 02-21-03

PENNSYLVANIA DEPARTMENT OF STATE
CORPORATION BUREAU

Application for Registration - Foreign

(15 Pa.C.S.)

Entity Number

- Registered Limited Liability General Partnership (§ 8211)
 Registered Limited Liability Limited Partnership (§ 8211)
 Limited Partnership (§ 8582)
 Limited Liability Company (§ 8981)

Name

Address

City

State

Zip Code

Document will be returned to the
name and address you enter to
the left.



Fee: \$180

Filed in the Department of State on _____

Secretary of the Commonwealth

In compliance with the requirements of the applicable provisions (relating to registration), the undersigned, desiring to register to do business in this Commonwealth, hereby states that:

1. The name to be registered is:

C III Communications Operations, LLC

2. (If the name set forth in paragraph 1 is not available for use in this Commonwealth, complete the following):

The name under which the limited liability company/limited liability partnership/limited partnership proposes to register and do business in this Commonwealth is:

3. The name of the jurisdiction under the laws of which it was organized and the date of its formation:

Jurisdiction: Delaware Date of Formation: 02/20/2003

4. The (a) address of its initial registered office in this Commonwealth or (b) name of its commercial registered office provider and the county of venue is:

(a) Number and street City State Zip County

(b) Name of Commercial Registered Office Provider County
C T Corporation System

5. Check and complete one of the following:

___ The address of the office required to be maintained by it in the jurisdiction of its organization by the laws of that jurisdiction is:

Number and street City State Zip

X It is not required by the laws of its jurisdiction of organization to maintain an office therein and the address of its principal office is:

701 Pennsylvania Avenue, NW, Suite 900, Attn: Robert E. Stup, Jr., Washington, DC 20004

Number and street City State Zip

6. For Restricted Professional Limited Liability Company Only. Strike out if inapplicable: The company is a restricted professional company organized to render the following professional service(s):

N/A

Limited Liability Partnership and Limited Partnership: Complete paragraphs 7 and 8

7. The name and business address of each general partner.

Name Business Address

8. The address of the office at which is kept a list of the names and addresses of the limited partners and their capital contribution is:

Number and street City State Zip County

The registered partnership hereby undertakes to keep those records until its registration to do business in the Commonwealth is canceled or withdrawn.

IN TESTIMONY WHEREOF, the undersigned has caused this Application for Registration to be signed by a duly authorized officer/member or manager thereof this

12 day of March, 2003

C III Communications Operations, LLC

Name of Partnership/Company

Signature

Lynn D Anderson, Vice President

Title

Docketing Statement DSCB:15-134A (Rev 2001)
Departments of State and Revenue

One (1) copy required

BUREAU USE ONLY:	
Dept. of State Entity #	_____
Dept. of Rev. Box #	_____
Filing Period	Date 3 4 5 _____
SIC/NAICS	Report Code _____

Check proper box:

Pennsylvania Entities

<input type="checkbox"/>	business stock
<input type="checkbox"/>	business non-stock
<input type="checkbox"/>	professional
<input type="checkbox"/>	nonprofit stock
<input type="checkbox"/>	nonprofit non-stock
<input type="checkbox"/>	statutory close
<input type="checkbox"/>	management
<input type="checkbox"/>	cooperative
<input type="checkbox"/>	insurance
<input type="checkbox"/>	limited liability company
<input type="checkbox"/>	restricted professional
<input type="checkbox"/>	limited liability company
<input type="checkbox"/>	business trust

Foreign Entities

State/Country DE Date 02/20/2003

<input type="checkbox"/>	business
<input type="checkbox"/>	nonprofit
<input checked="" type="checkbox"/>	limited liability company
<input type="checkbox"/>	restricted professional
<input type="checkbox"/>	limited liability company
<input type="checkbox"/>	business trust

Other

<input type="checkbox"/>	domestication
<input type="checkbox"/>	division
<input type="checkbox"/>	consolidation

1. Entity Name: <u>C III Communications Operations, LLC</u>

2. Individual name and mailing address responsible for initial tax reports: <u>Robert E. Stup, Jr., 701 Pennsylvania Avenue, NW, Suite 900, Washington, DC, 20004</u>				
Name	Number and street	City	State	Zip

3. Description of business activity: <u>The purpose of the company is to engage in any lawful act or activity.</u>

4. Specified effective date, if any: _____ month/day/year hour, if any

5. EIN (Employee Identification Number), if any: <u>75-3105020</u>

6. Fiscal Year End: <u>12/31</u>

7. Fictitious Name (only if foreign corporation is transacting business in PA under a fictitious name): _____

PA008 - 1/24/02 C T Filing Manager Online

C III Ops' Officers and Directors

As a single member limited liability company, C III Ops is managed by its sole member, C III Communications, LLC and does not have directors.

Jerald L. Kent - President
Cequel III, LLC
12444 Powerscourt Drive
St. Louis, MO 63131
Tel: (314) 965-2020
Fax: (314) 965-0500

Lynn D. Anderson - Vice President
Corvis Corporation
7015 Albert Einstein Drive
Columbia, MD 21046
Tel: (443) 259-4000
Fax: (443) 259-4444

Martin D. Kerckhoff - Vice President
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Tel: (314) 965-2020
Fax: (314) 965-0500

Kim Larsen - Secretary
Corvis Corporation
7015 Albert Einstein Drive
Columbia, MD 21046
Tel: (443) 259-4000
Fax: (443) 259-4444

Broadwing Communications Services Inc.

INCOME STATEMENT
9 Months Ending September 30, 2002
Unaudited

Net Revenues	\$ 352,307,717
Operating Expenses:	
Cost of Services	274,643,334
Operations and Administration	97,174,065
Depreciation and Amortization	138,529,372
Other Operating Expenses	20,961,434
Operating Loss	<u>(179,000,488)</u>
Interest Expense	(124,674,592)
Equity Interest	(13,240,901)
Other, Net	<u>(470,651)</u>
Loss Before Income Taxes, Minority Interest and Change in Accounting Principle	<u>(317,386,632)</u>
Benefit for Income Taxes	141,385,945
Minority Interest	245,700
Change in Accounting Principle	<u>(1,649,861,655)</u>
Net Loss	<u>(\$1,825,616,642)</u>

Broadwing Communications Services Inc.

BALANCE SHEET

September 30, 2002

Unaudited

ASSETS

Current Assets	
Cash And Cash Equivalents	\$ 12,992,120
Accounts Receivable	105,774,181
I/C Receivables From Affiliates	(1,880,761,057)
Prepaid Assets	7,524,840
Deferred Taxes & Other Current Assets	14,811,284
Total Current Assets	<u>(1,739,658,632)</u>
Fixed Assets, Net	813,163,663
Other Non-Current Assets	798,707,456
Investment In Subsidiaries	(577,454,091)
Total Assets	<u>(705,241,604)</u>

LIABILITIES AND STOCKHOLDERS EQUITY

Current Liabilities	
Accounts Payable	108,391,754
Deferred Revenue	30,337,108
Taxes Payable	98,238,623
Current Portion Of Long Term Debt	2,113,609
Other Current Liabilities	(263,038,356)
Total Current Liabilities	<u>(23,957,262)</u>
Non-Current Liabilities	
Total Long Term Debt Less Current Portion	1,074,228
Deferred Tax Liability	326,324,410
Total Other Liabilities	356,127,940
Minority Interest	(523,133)
Total Non-Current Liabilities	<u>683,003,445</u>
Total Liabilities	<u>659,046,183</u>
Stockholders Equity	
Total Retained Earnings	(3,632,058,370)
Additional Paid In Capital	2,267,770,583
Total Stockholders Equity	<u>(1,364,287,787)</u>
Total Liabilities And Stockholders Equity	<u>(\$705,241,604)</u>

Broadwing Telecommunications Inc.

INCOME STATEMENT
9 Months Ending September 30, 2002
Unaudited

Net Revenues	\$204,453,503
Operating Expenses:	
Cost of Services	126,208,678
Operations and Administration	107,770,788
Depreciation and Amortization	<u>3,255,290</u>
Operating Loss	(32,781,253)
Interest Expense	(4,709,431)
Other, Net	<u>(175,499)</u>
Loss Before Income Taxes & Change in Accounting Principal	(37,666,183)
Benefit for Income Taxes	13,277,465
Change in Accounting Principal	<u>(357,053,444)</u>
Net Loss	<u>(\$381,442,162)</u>

Broadwing Telecommunications Inc.

BALANCE SHEET

September 30, 2002

Unaudited

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ -
Accounts Receivable	7,178,668
Prepaid Assets	2,050,576
Deferred Taxes	2,624,591
Other Assets	2,572,512
Total Current Assets	<u>15,426,347</u>
Fixed Assets, Net	7,597,972
Net Intangible Assets	145,031
Other Non-Current Assets	99,001,799
Total Assets	<u>122,171,149</u>

LIABILITIES AND STOCKHOLDERS EQUITY

Current Liabilities	
Accounts Payable	4,775,663
Accrued Liabilities	355,003,216
Taxes Payable	8,744,641
Other Accrued Liabilities	1,385,852
Total Current Liabilities	<u>369,909,372</u>
Non-Current Liabilities	
Deferred Tax Liability	3,389,297
Other Long Term Liabilities	755,848
Total Non-Current Liabilities	<u>4,145,145</u>
Total Liabilities	<u>374,054,517</u>
Stockholders Equity	
Total Retained Earnings	(708,706,095)
Additional Paid In Capital	456,822,727
Total Stockholders Equity	<u>(251,883,368)</u>
Total Liabilities And Stockholders Equity	<u>\$122,171,149</u>

Broadwing Communications Services Inc.

INCOME STATEMENT
12 Months Ending December 31, 2001
Unaudited

Net Revenues	\$ 617,242,503
Operating Expenses:	
Cost of Services	467,098,508
Operations and Administration	132,767,681
Depreciation and Amortization	264,265,142
Other Operating Expenses	<u>212,305,187</u>
Operating Loss	(459,194,015)
Interest Expense	(111,794,342)
Equity Interest	2,985,494
Other, Net	<u>3,829,467</u>
Loss Before Income Taxes and Minority Interest	(564,173,396)
Benefit for Income Taxes	213,057,553
Minority Interest	<u>192,124</u>
Net Loss	<u>(\$350,923,719)</u>

Broadwing Communications Services Inc.

BALANCE SHEET

December 31, 2001

Unaudited

ASSETS

Current Assets	
Cash And Cash Equivalents	\$ 11,961,100
Accounts Receivable	69,872,252
I/C Receivables From Affiliates	(1,506,181,154)
Prepaid Assets	8,966,310
Deferred Taxes	8,043,714
Total Current Assets	<u>(1,407,337,778)</u>
Fixed Assets, Net	933,867,725
Other Non-Current Assets	2,348,247,327
Investment In Subsidiaries	(440,070,430)
Total Assets	<u>1,434,706,844</u>

LIABILITIES AND STOCKHOLDERS EQUITY

Current Liabilities	
Accounts Payable	172,003,740
Deferred Revenue	39,937,742
Taxes Payable	(7,324,388)
Current Portion Of Long Term Debt	2,887,592
Other Current Liabilities	(78,400,415)
Total Current Liabilities	<u>129,104,271</u>
Non-Current Liabilities	
Total Long Term Debt Less Current Portion	44,646,155
Deferred Tax Liability	290,499,169
Total Other Liabilities	425,384,851
Minority Interest	(277,432)
Total Non-Current Liabilities	<u>760,252,743</u>
Total Liabilities	<u>889,357,014</u>
Stockholders Equity	
Total Retained Earnings	(1,670,735,545)
Additional Paid In Capital	2,216,085,376
Total Stockholders Equity	<u>545,349,831</u>
Total Liabilities And Stockholders Equity	<u>\$1,434,706,845</u>

Broadwing Telecommunications Inc.

INCOME STATEMENT
12 Months Ending December 31, 2001
Unaudited

Net Revenues	\$ 246,772,451
Operating Expenses:	
Cost of Services	154,965,477
Operations and Administration	156,540,464
Depreciation and Amortization	24,319,967
Operating Loss	<u>(89,053,457)</u>
Interest Expense	(14,476,105)
Other, Net	<u>(1,857,993)</u>
Loss Before Income Taxes	<u>(105,387,555)</u>
Benefit for Income Taxes	<u>32,956,974</u>
Net Loss	<u>(\$ 72,430,581)</u>

Broadwing Telecommunications Inc.

BALANCE SHEET

December 31, 2001

Unaudited

ASSETS

Current Assets	
Cash And Cash Equivalents	\$ 47,322
Accounts Receivable	(60,862,453)
Prepaid Assets	1,814,189
Deferred Taxes	3,162,796
Other Assets	(12,355,382)
Total Current Assets	<u>(68,193,528)</u>
Fixed Assets, Net	11,645,403
Net Intangible Assets	359,131,210
Other Non-Current Assets	80,917,949
Total Assets	<u>383,501,034</u>

LIABILITIES AND STOCKHOLDERS EQUITY

Current Liabilities	
Accounts Payable	3,181,269
Accrued Liabilities	246,857,682
Taxes Payable	803,940
Other Accrued Liabilities	400,953
Total Current Liabilities	<u>251,243,844</u>
Non-Current Liabilities	
Deferred Tax Liability	2,324,534
Other Long Term Liabilities	744,859
Total Non-Current Liabilities	<u>3,069,393</u>
Total Liabilities	<u>254,313,237</u>
Stockholders Equity	
Total Retained Earnings	(327,634,930)
Additional Paid In Capital	456,822,727
Total Stockholders Equity	<u>129,187,797</u>
Total Liabilities And Stockholders Equity	<u>\$ 383,501,034</u>

EXHIBIT I
IS BEING FILED
UNDER PROTECTIVE SEAL

FORM 10-Q

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

**[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 28, 2002

**[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 0-12751

Corvis Corporation

(Exact name of registrant as specified in its charter)

Delaware

52-2041343

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

7015 Albert Einstein Drive, Columbia, Maryland 21046-9400

(Address of principal executive offices) (Zip Code)

(443) 259-4000

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X

No

Number of shares of Common Stock, \$0.01 par value, outstanding at October 26, 2002:
412,290,812

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PART I - Financial Information

Item 1. Financial Statements.

**CORVIS CORPORATION AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)**

	<u>December 29, 2001</u>	<u>September 28, 2002</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents.....	\$ 638,872	\$ 510,729
Short-term investments.....	21,907	38,014
Trade accounts receivable.....	33,676	6,021
Inventory, net.....	96,426	74,472
Other current assets.....	17,486	12,544
Total current assets.....	<u>808,367</u>	<u>641,780</u>
Restricted cash, long-term.....	2,417	2,396
Property and equipment, net.....	134,393	104,852
Goodwill and other intangible assets, net.....	21,429	58,593
Other long-term assets, net.....	12,219	2,811
Total assets.....	<u>\$ 978,825</u>	<u>\$ 810,432</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Notes payable, current portion.....	\$ 126	\$ 105
Capital lease obligations, current portion.....	6,796	3,866
Accounts payable.....	14,488	16,000
Accrued expenses and other liabilities.....	36,402	41,629
Provision for restructuring and other charges.....	24,050	19,696
Total current liabilities.....	<u>81,862</u>	<u>81,296</u>
Noncurrent liabilities:		
Notes payable, net of current portion.....	2,959	2,587
Capital lease obligations, net of current portion.....	1,743	167
Deferred lease liability and other.....	3,408	2,871
Total liabilities.....	<u>89,972</u>	<u>86,921</u>
Commitments and contingencies		
Stockholders' equity:		
Common stock—\$0.01 par value; 1,900,000,000 shares authorized; 362,687,909 shares issued and outstanding as of December 29, 2001; 412,288,312 shares issued and outstanding as of September 28, 2002.....	3,621	4,117
Additional paid-in capital.....	2,648,955	2,798,275
Shareholder notes receivable.....	-	(32)
Accumulated other comprehensive loss:		
Foreign currency translation adjustment.....	(10,796)	(8,377)
Accumulated deficit.....	(1,752,927)	(2,070,472)
Total stockholders' equity.....	<u>888,853</u>	<u>723,511</u>
Total liabilities and stockholders' equity.....	<u>\$ 978,825</u>	<u>\$ 810,432</u>

See accompanying notes to unaudited condensed consolidated financial statements.

CORVIS CORPORATION AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 29, 2001	September 28, 2002	September 29, 2001	September 28, 2002
Revenue	\$ 24,157	\$ 1,353	\$ 173,203	\$ 13,092
Costs of Revenue:				
Product sales	15,554	757	108,999	9,478
Inventory write-downs and other charges.....	--	24,278	99,166	30,324
Gross profit (loss).....	8,603	(23,682)	(34,962)	(26,710)
Operating expenses:				
Research and development, exclusive of equity-based expense.....	34,827	32,980	117,751	95,123
Sales and marketing, exclusive of equity- based expense.....	12,672	10,954	43,185	36,147
General and administrative, exclusive of equity-based expense.....	7,652	7,231	27,163	24,407
Equity-based expense:				
Research and development	10,940	7,152	36,368	22,209
Sales and marketing	8,265	2,954	15,560	9,092
General and administrative.....	8,997	7,601	27,346	23,383
Amortization of intangible assets.....	12,014	5,658	113,890	12,833
Purchased research and development.....	--	--	--	34,580
Restructuring, impairment and other charges.....	131	31,313	606,866	35,664
Total operating expenses	95,498	105,843	988,129	293,438
Operating loss	(86,895)	(129,525)	(1,023,091)	(320,148)
Interest income and other, net	6,269	2,127	19,804	2,603
Net loss	<u>\$ (80,626)</u>	<u>\$ (127,398)</u>	<u>\$ (1,003,287)</u>	<u>\$ (317,545)</u>
Other comprehensive income (loss) — foreign currency translation adjustment.....	11,949	(128)	(68,726)	2,419
Comprehensive loss	<u>\$ (68,677)</u>	<u>\$ (127,756)</u>	<u>\$ (1,072,013)</u>	<u>\$ (315,126)</u>
Basic and diluted net loss per common share.....	<u>\$ (0.23)</u>	<u>\$ (0.31)</u>	<u>\$ (2.87)</u>	<u>\$ (0.82)</u>
Weighted average number of common shares outstanding	352,335	410,323	349,490	385,643

See accompanying notes to unaudited condensed consolidated financial statements.

CORVIS CORPORATION AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Nine Months Ended	
	September 29, 2001	September 28, 2002
Cash flows from operating activities:		
Net loss	\$ (1,003,287)	\$ (317,545)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization.....	148,245	38,807
Equity-based expense	79,274	54,684
Purchased research and development.....	--	34,580
Restructuring, impairment and other charges.....	672,162	48,716
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable.....	(41,020)	27,655
Decrease (increase) in inventory, net.....	(30,756)	686
Decrease (increase) in other assets.....	(4,940)	10,191
Increase (decrease) in accounts payable and accrued expenses.....	(20,603)	4,918
Net cash used in operating activities	<u>(200,925)</u>	<u>(97,308)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(93,634)	(15,150)
Cash acquired in business combination.....	--	6,013
Purchases and sales of short-term investments, net.....	--	(16,107)
Decrease (increase) in deposits and other non-current assets.....	(15,150)	21
Net cash used in investing activities.....	<u>(108,784)</u>	<u>(25,223)</u>
Cash flows from financing activities:		
Payments on note payable and capital leases	(3,609)	(4,899)
Proceeds from the issuance of stock.....	5,420	941
Net cash provided by (used in) financing activities.....	1,811	(3,958)
Effect of exchange rate changes on cash and cash equivalents.....	(1,884)	(1,654)
Net decrease in cash and cash equivalents	<u>(309,782)</u>	<u>(128,143)</u>
Cash and cash equivalents—beginning.....	1,024,758	638,872
Cash and cash equivalents—ending.....	<u>\$ 714,976</u>	<u>\$ 510,729</u>
Supplemental disclosure of cash flow information:		
Interest paid.....	\$ 2,866	\$ 754
Supplemental disclosure of noncash activities:		
Obligations under capital lease.....	\$ 3,299	\$ --
Purchase business combinations consideration paid with common stock.....	--	91,818

See accompanying notes to unaudited condensed consolidated financial statements.

CORVIS CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(Amounts in thousands, except per share data)

(1) Summary of Significant Accounting Policies and Practices

(a) Basis of Presentation

The unaudited condensed consolidated financial statements included herein for Corvis Corporation and subsidiaries (the "Company") have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, the condensed consolidated financial statements included in this report reflect all normal recurring adjustments which the Company considers necessary for the fair presentation of the results of operations for the interim periods. Certain information and footnote disclosures normally included in the annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. However, the Company believes that the disclosures are adequate to understand the information presented. The operating results for interim periods are not necessarily indicative of the operating results for the entire year.

These financial statements should be read in conjunction with the Company's December 29, 2001 audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K filed on March 21, 2002.

(b) Revenue and Costs of Revenue

Revenue from product sales is recognized upon execution of a contract and the completion of all delivery obligations provided that there are no uncertainties regarding customer acceptance and collectibility is deemed probable. If uncertainties exist, revenue is recognized when such uncertainties are resolved.

Revenue from installation services is recognized as the services are performed unless the terms of the supply contract combine product acceptance with installation, in which case revenues for installation services are recognized when the terms of acceptance are satisfied and installation is completed. Revenues from installation service fixed price contracts are recognized on the percentage-of-completion method, measured by the percentage of costs incurred to date compared to estimated total costs for each contract. Amounts received in excess of revenue recognized are included as deferred revenue in the accompanying condensed consolidated balance sheets. Revenue from annual maintenance agreements is recognized on a straight-line basis over the service period.

Costs of revenue include the costs of manufacturing the Company's products and other costs associated with warranty and other contractual obligations, inventory obsolescence costs and overhead related to the Company's manufacturing, engineering, finishing and installation. Warranty reserves are determined based upon actual warranty cost experience, estimates of component failure rates and management's industry experience.

CORVIS CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED
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(Amounts in thousands, except per share data)

(c) *Uses of Estimates*

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Inventory

Inventories are comprised of the following:

	December 29, 2001	September 28, 2002
Raw materials.....	\$ 197,549	\$ 197,931
Work-in-process.....	17,037	5,913
Finished goods.....	52,268	40,063
Less: reserve for excess inventory and obsolescence.....	(170,428)	(169,435)
Inventory, net.....	\$ 96,426	\$ 74,472

(3) Inventory Write-downs, Restructuring and Other Charges

During 2001 and 2002, unfavorable economic conditions resulted in reduced capital expenditures by telecommunications service providers causing a decline in the demand for the Company's products. In response to these conditions, in the second, third and fourth quarters of 2001, the Company implemented restructuring plans designed to decrease the Company's operating expenses and to align resources for long-term growth opportunities. These plans included the closure of the Company's Canadian operations. Additionally, the Company evaluated the recoverability of the carrying value of its inventory and long-lived assets in light of the economic environment, the delay of customer network build-outs and projected sales. As a result, the Company recorded charges of approximately \$1.0 billion in the year ended December 29, 2001. These charges were comprised of \$216.5 million in cost of revenue charges associated with inventory write downs; \$77.7 million associated with consolidation of excess facilities, write-downs of idle equipment and workforce reductions; \$711.5 million associated with the write-down of goodwill generated in the acquisition of Algety Telecom S.A.; and \$12.3 million associated with permanent impairment charges on strategic equity investments carried at cost.

During the nine months ended September 28, 2002, the Company continued to develop and implement restructuring plans designed to further align resources for long-term growth opportunities.

CORVIS CORPORATION AND SUBSIDIARIES
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Restructuring efforts included the completion of a multi-year manufacturing outsourcing agreement with Celestica, a world leader in electronics manufacturing services, in an affected to improve overall manufacturing flexibility and reduce costs. Under the agreement, the Company will transition all of its manufacturing capabilities to Celestica with the exception of final assembly, system integration and testing capabilities. The full transition of affected manufacturing capabilities is expected to be complete in the second quarter of 2003.

In September 2002, the Company completed plans for the reorganization of its French subsidiary, Corvis Algety. The reorganization will result in the elimination of jobs as well as the consolidation of facilities and equipment. These actions will result in staff reductions totaling approximately 165 employees or 80 percent of the local workforce over the next six months.

In light of these activities as well as the continued contraction within the telecommunications sector, the Company continued to evaluate the carrying value of its inventory and other assets. These events and analysis have resulted in the following inventory write-downs, restructuring, impairment and other special charges:

CORVIS CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED
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(Amounts in thousands, except per share data)

	Cost of Revenue	Restructuring and Other Charges				Interest Income and Other	Total
	Special Charges, Inventory Write- downs, Contract Losses and Purchase Commitments	Workforce Reduction	Facility Consolidation <small>(In thousands)</small>	Asset Impairments	Total Restructuring and Other Charges	Impairment of Investments	
Restructuring liability as of December 29, 2001	\$15,313	\$1,146	\$7,591	—	\$8,737	—	\$24,050
Quarter ended March 30, 2002:				—			
Restructuring and other charges	4,307	2,599	—	—	2,599	—	6,906
Non-cash charges	(4,307)	(775)	—	—	(775)	—	(5,082)
Cash payments.....	(5,002)	(2,034)	(151)	—	(2,185)	—	(7,187)
Quarter ended June 29, 2002:							
Restructuring and other charges.....	6,895	4,232	500	—	4,732	4,771	16,398
Non-cash charges	(6,895)	(1,847)	—	—	(1,847)	(4,771)	(13,513)
Cash payments.....	(2,396)	(1,394)	(176)	—	(1,570)	—	(3,966)
Accretion of interest	—	—	127	—	127	—	127
Adjustments of prior estimates.....	(5,155)	—	(2,980)	—	(2,980)	—	(8,135)
Quarter ended September 28, 2002:							
Restructuring and other charges.....	24,278	12,516	—	18,832	31,348	—	55,626
Non-cash charges	(23,841)	—	—	(18,832)	(18,832)	—	(42,673)
Cash payments.....	(908)	(1,576)	(388)	—	(1,964)	—	(2,872)
Accretion of interest	—	—	(81)	—	(81)	—	(81)
Effect of international exchange rates	132	—	—	—	—	—	132
Adjustments of prior estimates.....	—	—	(34)	—	(34)	—	(34)
Restructuring liability as of September 28, 2002....	<u>\$2,421</u>	<u>\$12,867</u>	<u>\$4,408</u>	<u>—</u>	<u>\$17,275</u>	<u>—</u>	<u>\$19,696</u>

(4) Basic and Diluted Net Loss Per Share

Basic and diluted net loss per share are computed as follows (in thousands, except per share data):

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED
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(Amounts in thousands, except per share data)

	Three Months Ended	
	September 29, 2001	September 28, 2002
Net loss	\$ (80,626)	\$ (127,398)
Basic and diluted weighted average common shares	352,335	410,323
Basic and diluted net loss per common share.....	\$ (0.23)	\$ (0.31)

	Nine Months Ended	
	September 29, 2001	September 28, 2002
Net loss	\$ (1,003,287)	\$ (317,545)
Basic and diluted weighted average common shares	349,490	385,643
Basic and diluted net loss per common share.....	\$ (2.87)	\$ (0.82)

Options and warrants outstanding as of September 28, 2002 to purchase 52.3 million and 7.6 million shares of common stock, respectively, and 1.1 million unvested shares acquired through the exercise of options were not included in the computation of diluted loss per share for the three and nine months period ended September 28, 2002 as their inclusion would be anti-dilutive.

Options and warrants outstanding as of September 29, 2001 to purchase 59.2 million and 7.6 million shares of common stock, respectively, and 6.4 million unvested shares acquired through the exercise of options were not included in the computation of diluted loss per share for the three and nine months ended September 29, 2001 as their inclusion would be anti-dilutive.

(5) Dorsal Acquisition

On May 16, 2002, the Company completed its acquisition of Dorsal Networks, Inc., a privately held provider of next-generation transoceanic and regional undersea optical network solutions for 41.8 million shares of common stock valued at approximately \$91.8 million. The acquisition was accounted for under the "purchase" method of accounting. Under the purchase method, the purchase price of Dorsal was allocated to identifiable assets and liabilities acquired from Dorsal, with the excess being treated as goodwill.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition which is based on an independent valuation.

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(Amounts in thousands, except per share data)

Current assets.....	\$ 6,632
Property and equipment.....	5,506
Other assets.....	577
Patents.....	30,799
In-process research and development.....	34,580
Goodwill.....	19,089
Total assets acquired.....	<u>97,183</u>
Current liabilities.....	<u>(5,365)</u>
Total liabilities assumed.....	<u>(5,365)</u>
Net assets acquired.....	<u>\$ 91,818</u>

Acquired patents will be amortized over an estimated life of five years. Goodwill will have an indefinite life, but will be subject to periodic impairment tests. In process research and development was expensed during the nine months ended September 28, 2002. Dr. David R. Huber, the Company's Chairman and Chief Executive Officer, owned, directly or indirectly, approximately 31 percent of the outstanding stock of Dorsal.

The following unaudited pro forma data summarizes the results of operations for the period indicated as if the Dorsal acquisition had been completed as of the beginning of each period presented. The unaudited pro forma data gives effect to actual operating results prior to the acquisition, adjusted to include the pro forma effect of amortization of intangibles. These pro forma amounts do not purport to be indicative of the results that would have actually been obtained if the acquisition occurred as of the beginning of the periods presented or that may be obtained in the future.

	<u>Three Months Ended</u>	
	<u>September 29, 2001</u>	<u>September 28, 2002</u>
Revenues.....	\$ 24,157	\$ 1,353
Net Loss.....	(99,443)	(127,398)
Basic and diluted net loss per share.....	\$ (0.28)	\$ (0.31)

	<u>Nine Months Ended</u>	
	<u>September 29, 2001</u>	<u>September 28, 2002</u>
Revenues.....	\$ 173,203	\$ 13,092
Net Loss.....	(1,059,294)	(329,111)
Basic and diluted net loss per share.....	\$ (3.03)	\$ (0.85)

CORVIS CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED
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(Amounts in thousands, except per share data)

(6) Legal Matters

In July 2000, Ciena Corporation ("Ciena") informed the Company of its belief that there is significant correspondence between products that the Company offers and several U.S. patents held by Ciena relating to optical networking systems and related dense wavelength division multiplexing communications systems technologies. On July 19, 2000, Ciena filed a lawsuit in the United States District Court for the District of Delaware alleging that the Company is willfully infringing three of Ciena's patents. Ciena is seeking injunctive relief, monetary damages including treble damages, as well as costs of the lawsuit, including attorneys' fees. On September 8, 2000, the Company filed an answer to the complaint, as well as counter-claims alleging, among other things, invalidity and/or unenforceability of the three patents in question. On March 5, 2001, a motion was granted, allowing Ciena to amend its complaint to include allegations that the Company is willfully infringing two additional patents. Although a trial date has not been set, we believe that a trial will commence in the first quarter of 2003. Based on the status of the litigation, the Company cannot reasonably predict the likelihood of any potential outcome.

Between May 7, 2001 and June 15, 2001, nine class action lawsuits were filed in the United States District Court for the Southern District of New York relating to the Company's IPO on behalf of all persons who purchased Company stock between July 28, 2000 and the filing of the complaints. Each of the complaints names as defendants: the Company, its directors and officers who signed the registration statement in connection with the Company's IPO, and certain of the underwriters that participated in the Company's IPO. Our directors and officers have since been dismissed from the case, without prejudice. The complaints allege that the registration statement and prospectus relating to the Company's IPO contained material misrepresentations and/or omissions in that those documents did not disclose (1) that certain of the underwriters had solicited and received undisclosed fees and commissions and other economic benefits from some investors in connection with the distribution of the Company's common stock in the IPO and (2) that certain of the underwriters had entered into arrangements with some investors that were designed to distort and/or inflate the market price for the Company's common stock in the aftermarket following the IPO. The complaints ask the court to award to members of the class the right to rescind their purchases of Corvis common stock (or to be awarded rescissory damages if the class member has sold its Corvis stock) and prejudgment and post-judgment interest, reasonable attorneys' and experts witness' fees and other costs.

By order dated October 12, 2001, the court appointed an executive committee of six plaintiffs' law firms to coordinate their claims and function as lead counsel. Lead plaintiffs have been appointed in almost all of the IPO allocation actions including the Corvis action. On October 17, 2001, a group of underwriter defendants moved for the judge's recusal. The judge denied that application. On December 13, 2001, the moving underwriter defendants filed a petition for writ of mandamus seeking the disqualification of the judge in the United States Court of Appeals for the Second Circuit. On April 1, 2002, the Second Circuit denied the moving underwriter defendants' application for a writ of mandamus seeking the judge's recusal from this

CORVIS CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED
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action. On April 19, 2002, plaintiffs filed amended complaints in each of the IPO allocation actions, including the Corvis action. On May 23, 2002, a conference was held at which the court set a briefing schedule for the filing of motions to dismiss the amended complaints. On July 1, 2002, the underwriter defendants filed their motion to dismiss the amended complaints. On July 15, 2002, the issuer defendants filed their motion to dismiss the amended complaints. The briefing on the motions to dismiss has recently been completed, and the judge heard oral arguments on the motions on November 1, 2002. No discovery has occurred.

It is the position of Company management that, at this time, it is not possible to estimate the amount of a probable loss, if any, that might result from this matter. Accordingly, no provision for this matter has been made in the Company's consolidated financial statements.

(7) Concentrations

The Company has relied on four customers for all of its revenue: Wiltel Communications Group, Inc. (formally Williams Communications, LLC), Broadwing Communications Services, Inc., Telefonica de Espana S.A.U. and France Télécom. The Company expects that a significant portion of its future revenue will continue to be generated by a limited number of customers. The loss of any one of these customers or any substantial reduction in orders by any one of these customers could materially adversely affect the Company's financial condition or operating results.

(8) Recent Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 143 (SFAS 143), "Accounting for Asset Retirement Obligations," in August 2001. SFAS 143 requires companies to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred, and capitalize the cost by increasing the carrying amount of the related long-lived asset. The Company is required to adopt SFAS 143 on January 1, 2003. The adoption of this standard will not have a material effect on the company's results of operations.

The FASB issued SFAS 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections" in April 2002. SFAS 145 clarifies guidance related to the reporting of gains and losses from extinguishment of debt and resolves inconsistencies related to the required accounting treatment of certain lease modifications. The provisions of this statement relating to the extinguishment of debt are effective for financial statements issued for fiscal years beginning after May 15, 2002. The provisions of this statement relating to lease modifications are effective for transactions occurring after May 15, 2002. The Company does not believe this standard will have a material impact on its results of operations.

CORVIS CORPORATION AND SUBSIDIARIES
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(Amounts in thousands, except per share data)

The FASB issued SFAS 146, "Accounting for Costs Associated with Exit or Disposal Activities" in June 2002. SFAS 146 nullifies previous guidance on this issue and requires a liability for a cost associated with an exit or disposal activity to be recognized and measured at its fair value in the period in which the liability is incurred. The Company is required to adopt the provisions of this statement for exit or disposal activities initiated after December 31, 2002. The Company is assessing the impact that the adoption of this standard will have on the Company's results of operations.

In July 2001, the FASB issued SFAS No. 141, "Business Combinations", and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 addresses the accounting for acquisitions of businesses and is effective for acquisitions occurring on or after July 1, 2001. SFAS No. 142 addresses the method of identifying and measuring goodwill and other intangible assets acquired in a business combination, eliminates further amortization of goodwill, provides for classification of workforce intangibles as goodwill and requires periodic evaluations of impairment of goodwill balances. SFAS No. 141 and 142 are effective January 1, 2002, except for acquisitions occurring on or after July 1, 2001, for which the provisions of SFAS No. 141 and 142 are applicable. Accordingly, through December 29, 2001, the Company continued to amortize goodwill.

Had the amortization provisions of SFAS No. 142 been applied as of January 1, 2001, for all of the Company's acquisitions, the Company's income (loss) and earnings (loss) per share would have been as follows:

	Three Months Ended	
	September 29, 2001	September 28, 2002
Net loss, as reported	\$ (80,626)	\$ (127,398)
Goodwill amortization.....	8,982	—
Workforce in place amortization	110	—
Net loss, as adjusted	<u>\$ 71,534</u>	<u>\$ 127,398</u>
Basic and diluted per share data:		
Net loss per common share, as reported.....	\$ (0.23)	\$ (0.31)
Goodwill and workforce in place amortization per common share.....	0.03	—
Net loss per common share, as adjusted.....	<u>\$ (0.20)</u>	<u>\$ (0.31)</u>
	Nine Months Ended	
	September 29, 2001	September 28, 2002
Net loss, as reported	\$ (1,003,287)	\$ (317,545)
Goodwill amortization.....	104,790	—
Workforce in place amortization	334	—
Net loss, as adjusted	<u>\$ (898,163)</u>	<u>\$ (317,545)</u>

CORVIS CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED
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(Amounts in thousands, except per share data)

	Nine Months Ended	
	September 29, 2001	September 28, 2002
Basic and diluted per share data:		
Net loss per common share, as reported.....	\$ (2.87)	\$ (0.82)
Goodwill and workforce in place amortization per common share.....	0.30	—
Net loss per common share, as adjusted.....	\$ (2.57)	\$ (0.82)

As of January 1, 2002, the Company reclassified approximately \$0.7 million of intangible assets associated with an acquired employee workforce from intangible assets to goodwill, which in accordance with SFAS No. 142, are no longer separately identifiable from goodwill. As of September 28, 2002, the Company had approximately \$87.9 million of intangible assets (\$38.6 million net of accumulated amortization) related to patents and intellectual property, which are being amortized straight-line over a period of three years. The Company incurred amortization expense of \$12.8 million during the nine months ended September 28, 2002 and anticipates amortization expense to be the following for the next five years:

Estimated Amortization Expense:	
For the year ended 12/28/02:	\$18,492
For the year ended 12/27/03:	\$17,771
For the year ended 12/25/04:	\$10,966
For the year ended 12/24/05:	\$ 4,141
For the year ended 12/23/06:	\$ -

In August 2001, the Financial Accounting Standard Board issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". This statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This statement supersedes FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of", and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations, Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions", for the disposal of segments of a business (as previously defined in that opinion). The adoption of SFAS No. 144 did not have any effect on the Company's results of operations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis along with our unaudited condensed consolidated financial statements and the notes to those statements included elsewhere in this report and in conjunction with our Form 10-K for the year ended December 29, 2001 filed on March 21, 2002 with the Securities and Exchange Commission.

Overview

We design, manufacture and sell high performance all-optical and electrical/optical terrestrial and undersea communications systems that we believe accelerate carrier revenue opportunities and lower the overall cost of network ownership for carriers. Our optical products have enabled a fundamental shift in network design and efficiency by allowing for the transmission, switching and management of communications traffic entirely in the optical domain. By deploying our products, carriers eliminate the need for expensive and bandwidth limiting electrical regeneration and switching equipment, significantly reducing costs, increasing network capacity and allowing them to provide new services more quickly and efficiently. Our products also open new market opportunities for carriers by enabling a flexible, in-service migration path from existing point-to-point and ring electrical/optical networks to all-optical mesh networks.

Customers

We currently have six customers, including Broadwing Communications Services, Inc., Witel Communications Group, Inc. (formally Williams Communications, LLC), Qwest Communications Corporation, Telefonica de Espana S.A.U., France Telecom and the U.S. Federal Government.

Broadwing has agreed to purchase at least \$200 million of our products and services as part of a multi-year purchase agreement. Since successfully completing field trials in July 2000, Broadwing has deployed a wide range of our optically optimized networking products, including the all-optical switch, to create a national all-optical network that has been in service for over a year. Sales to Broadwing continue as part of network expansions and maintenance. Cumulative sales to Broadwing through September 28, 2002 totaled \$191.6 million.

In 2001, Witel accepted a field trial system and agreed to purchase up to \$300 million of our products and services as part of a multi-year purchase agreement. Firm commitments totaling approximately \$85.0 million must be purchased prior to December 31, 2003. Witel has deployed our switching and transport equipment to create a national all-optical network, which is currently in service carrying commercial traffic. Cumulative sales to Witel through September 28, 2002 total \$77.5 million.

On April 22, 2002, we reached an agreement with Qwest Communications Corporation modifying the terms of our previous purchase agreement. Under the terms of the new agreement, Qwest agreed to purchase up to \$150 million of our products and services over a multi-year period. Firm commitments totaling \$7.0 million must be purchased in 2002 and \$5.0 million must be purchased in 2003 subject to certain acceptance criteria. In addition, we have

agreed with Qwest to enter into two field trials of Corvis ON transport and switching equipment as well as our Corvis Optical Convergence Switch (OCS). The field trials began in the third quarter of 2002.

During the first quarter of 2002, we completed the first sales of our XF repeaterless link product to Telefonica de Espana, which was deployed between the island of Mallorca and Telefonica's backbone network in Spain. In April 2002, we sold a XF repeaterless link to France Telecom to upgrade its link between the European mainland and the island of Corsica. The relationships with Telefonica and France Telecom are in early stages and the agreements do not include significant purchase commitment levels, however, we hope to develop these arrangements into long-term business relationships.

In the third quarter of 2002, we created a wholly owned subsidiary, Corvis Government Solutions, Inc. (CGSI), to provide optical networking solutions and services to the Federal marketplace. During the third quarter, CGSI secured its first contract and purchase order from the U.S. Federal Government.

We have also entered into lab trials and discussions regarding laboratory and field trials with other carriers for our ON, OCS and transoceanic subsea products. Upon successful completion of these field trials, we hope to enter into agreements for commercial deployment with new customers.

Starting in 2001 and continuing in 2002, conditions within the general economy and the telecommunications sector have resulted in reduced capital expenditures by carriers and a reduced demand for telecommunications networking systems. As a response to these conditions, we implemented restructuring plans designed to decrease our business expenses and to align resources for long-term growth opportunities. Additionally, we evaluated the carrying value of our inventory and long-term assets. As a result of these steps, we recorded charges totaling approximately \$1.0 billion in the second, third and fourth quarters of 2001. These charges were comprised of \$216.5 million in cost of revenue charges associated with inventory write-downs and losses on open purchase commitment cancellations; \$24.5 million associated with workforce reductions; \$53.2 million associated with consolidation of excess facilities and write-downs of idle equipment; \$711.5 million associated with the write-down of goodwill; and \$12.3 million associated with permanent impairment charges on strategic equity investments.

During the nine months ended September 28, 2002, we continued to develop and implement additional restructuring plans designed to further align resources for long-term growth opportunities.

Restructuring efforts included the execution of a multi-year manufacturing outsourcing agreement with Celestica, a world leader in electronics manufacturing services in an effort to improve overall manufacturing flexibility and reduce costs. Under the agreement, we will transition all of our manufacturing capabilities to Celestica with the exception of final assembly, system integration and test capabilities. The full transition of affected manufacturing capabilities is expected to be complete in the second quarter of 2003.

In September 2002, we completed plans for the reorganization of our French subsidiary, Corvis Algety. The reorganization will result in the elimination of jobs as well as the consolidation of facilities and equipment. These actions will result in total staff reductions of approximately 165 employees or 80 percent of the local workforce over the next six months.

In light of these activities as well as continued contraction within the telecommunications sector, we continued to evaluate the carrying value of our inventory and other assets. These events and analysis have resulted in the following inventory write-downs, restructuring, impairment and other special charges:

	Cost of Revenue	Restructuring and Other Charges			Total Restructuring and Other Charges	Interest Income and Other	Total
		Special Charges, Inventory Write-downs, Contract Losses and Purchase Commitments	Workforce Reduction	Facility Consolidation (In thousands)		Asset Impairments	
Restructuring liability as of December 29, 2001	\$15,313	\$1,146	\$7,591	—	\$8,737	—	\$24,050
Quarter ended March 30, 2002:							
Restructuring and other charges	4,307	2,599	—	—	2,599	—	6,906
Non-cash charges	(4,307)	(775)	—	—	(775)	—	(5,082)
Cash payments.....	(5,002)	(2,034)	(151)	—	(2,185)	—	(7,187)
Quarter ended June 29, 2002:							
Restructuring and other charges.....	6,895	4,232	500	—	4,732	4,771	16,398
Non-cash charges	(6,895)	(1,847)	—	—	(1,847)	(4,771)	(13,513)
Cash payments.....	(2,396)	(1,394)	(176)	—	(1,570)	—	(3,966)
Accretion of interest.....	—	—	127	—	127	—	127
Adjustments of prior estimates.....	(5,155)	—	(2,980)	—	(2,980)	—	(8,135)
Quarter ended September 28, 2002:							
Restructuring and other charges.....	24,278	12,516	—	18,832	31,348	—	55,626
Non-cash charges	(23,841)	—	—	(18,832)	(18,832)	—	(42,673)
Cash payments.....	(908)	(1,576)	(388)	—	(1,964)	—	(2,872)
Accretion of interest.....	—	—	(81)	—	(81)	—	(81)
Effect of international exchange rates	132	—	—	—	—	—	132
Adjustments of prior estimates.....	—	—	(34)	—	(34)	—	(34)
Restructuring liability as of September 28, 2002....	\$2,421	\$12,867	\$4,408	—	\$17,275	—	\$19,696

We continue to monitor our financial position and will make strategic decisions as necessary to position us for long-term success, which may result in additional restructuring charges. These initiatives could lead to further reductions in our facility and fixed asset needs, resulting in associated asset impairment and write-down charges.

Critical Accounting Policies and Estimates

We have identified the following critical accounting policies that affect the more significant judgments and estimates used in the preparation of our consolidated financial statements. The preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and judgments that affect our reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to asset impairment, revenue recognition, product warranty liabilities, allowance for doubtful accounts, and contingencies and litigation. We stated these accounting policies in the notes to our 2001 annual consolidated financial statements and at relevant sections in this discussion and analysis. These estimates are based on the information that is currently available to us and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could vary from those estimates under different assumptions or conditions.

We believe that the following critical accounting policies affect the more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue. Revenue from product sales is recognized upon execution of a contract and the completion of all delivery obligations provided that there are no uncertainties regarding customer acceptance and collectibility is deemed probable. If uncertainties exist, revenue is recognized when such uncertainties are resolved. Customer contracts generally include extensive lab and field trial testing and some include other acceptance criteria.

Our products can be installed by our customers, third party service providers or by us. Revenue from installation services is recognized as the services are performed unless the terms of the supply contract combine product acceptance with installation, in which case revenues for installation services are recognized when the terms of acceptance are satisfied and installation is completed. To the extent customer contracts include both product sales and installation services, revenues are recognized based on their respective fair values. Revenues from installation service fixed price contracts are recognized on the percentage-of-completion method, measured by the percentage of costs incurred to date compared to estimated total costs for each installation contract. Amounts received in excess of revenue recognized are included as deferred revenue in our condensed consolidated balance sheet. Revenue from annual maintenance agreements is recognized on a straight-line basis over the service period.

Costs of Revenue. Costs of revenue include the costs of manufacturing our products and other costs associated with warranty and other contractual obligations, inventory obsolescence costs and overhead related to our manufacturing, engineering, finishing and installation operations. Warranty reserves are determined based upon actual warranty cost experience, estimates of component failure rates and management's industry experience. Inventory

obsolescence costs are estimated using certain assumptions, including projected sales and sales mix. Actual results may differ from those estimates. We continually monitor component failures, technical changes, and levels of on-hand inventory and adjust our estimates accordingly. If, however, actual results vary significantly from our estimates, we will adjust the assumptions utilized in our methodologies and reduce or provide for additional accruals as appropriate.

Allowance for Bad Debt. To date, we have relied on four customers for all of our revenues. We expect that a significant portion of our future revenue will continue to be generated by a limited number of customers. We monitor the financial conditions of these customers closely and have concluded that no allowance for bad debt was appropriate as of September 28, 2002.

Restructuring and Other Charges. Reflecting continued unfavorable economic conditions and continued lack of expected customer wins and product sales, our Board of Directors approved plans for the reduction of operations including the consolidation of facilities, reduction of employees and the outsourcing of a majority of our manufacturing capabilities. In addition, we evaluated the recoverability of the carrying value of our inventory and long-lived assets. As a result, we recorded charges associated with estimated excess inventory and open purchase commitments based on projected sales volumes, sales mix and estimated selling prices. Facility consolidation costs are based on assumed exit costs and timetables. Asset impairment charges are based on estimated salvage values and recoverability estimates. Goodwill impairment charges are based on estimated discounted future cash flows. If actual results differ significantly from our estimates and assumptions, we will adjust our reserves and allowances accordingly.

Goodwill and Other Intangible Assets. We have recorded goodwill and intangibles resulting from our acquisitions. Through December 29, 2001, goodwill and intangibles have been amortized on a straight-line basis over their respective lives of between 3 and 5 years. Upon the adoption of SFAS No. 142 on December 30, 2001, we ceased amortizing goodwill and will perform an annual impairment analysis to assess the recoverability of the goodwill, in accordance with the provisions of SFAS No. 142. Our annual impairment analysis will take place in the fourth quarter. If we are required to record an impairment charge in the future, it would have an adverse impact on our results of operations.

Litigation. In July 2000, Ciena Corporation ("Ciena") informed us of its belief that there is significant correspondence between products that we offer and several U.S. patents held by Ciena relating to optical networking systems and related dense wavelength division multiplexing communications systems technologies. On July 19, 2000, Ciena filed a lawsuit in the United States District Court for the District of Delaware alleging that we are willfully infringing three of Ciena's patents. Ciena is seeking injunctive relief, monetary damages including treble damages, as well as costs of the lawsuit, including attorneys' fees. On September 8, 2000, we filed an answer to the complaint, as well as counter-claims alleging, among other things, invalidity and/or unenforceability of the three patents in question. On March 5, 2001, a motion was granted, allowing Ciena to amend its complaint to include allegations that we are willfully infringing two additional patents. Although a trial date has not been set, we believe that a trial will commence in the first quarter of 2003. Based on the status of the litigation, we cannot reasonably predict the likelihood of any potential outcome.

Between May 7, 2001 and June 15, 2001, nine class action lawsuits were filed in the United States District Court for the Southern District of New York relating to our initial public offering on behalf of all persons who purchased our stock between July 28, 2000 and the filing of the complaints. Each of the complaints names as defendants: Corvis, our directors and officers who signed the registration statement in connection with our initial public offering, and certain of the underwriters that participated in our initial public offering. The complaints allege that the registration statement and prospectus relating to our initial public offering contained material misrepresentations and/or omissions in that those documents did not disclose (1) that certain of the underwriters had solicited and received undisclosed fees and commissions and other economic benefits from some investors in connection with the distribution of our common stock in the initial public offering and (2) that certain of the underwriters had entered into arrangements with some investors that were designed to distort and/or inflate the market price for our common stock in the aftermarket following the initial public offering. The complaints ask the court to award to members of the class the right to rescind their purchases of Corvis common stock (or to be awarded rescissory damages if the class member has sold its Corvis stock) and prejudgment and post-judgment interest, reasonable attorneys' and experts witness' fees and other costs.

By order October 12, 2001, the court appointed an executive committee of six plaintiffs' law firms to coordinate their claims and function as lead counsel. Lead plaintiffs have been appointed in almost all of the IPO allocation actions, including the Corvis action. On October 17, 2001, a group of underwriter defendants moved for the judge's recusal. The judge denied that application. On December 13, 2001, the moving underwriter defendants filed a petition for writ of mandamus seeking the disqualification of the judge in the United States Court of Appeals for the Second Circuit. On April 1, 2002, the Second Circuit denied the moving underwriter defendants' application for a writ of mandamus seeking the judge's recusal from this action. On April 19, 2002, plaintiffs filed amended complaints in each of the IPO allocation actions, including the Corvis action. On May 23, 2002, a conference was held at which the court set a briefing schedule for the filing of motions to dismiss the amended complaints. On July 1, 2002, the underwriter defendants filed their motion to dismiss the amended complaints. On July 15, 2002, the issuer defendants filed their motion to dismiss the amended complaints. The briefing on the motions to dismiss has recently been completed, and the judge heard oral arguments on the motions on November 1, 2002. No discovery has occurred.

Based on the status of the litigation, we cannot reasonably predict the likelihood of any potential outcome. We continue to monitor the status of the litigation, however we can give no assurances that an unfavorable outcome will not result in future charges.

Results of Operations

Three months ended September 28, 2002 compared to three months ended September 29, 2001

Revenue. Revenue decreased to \$1.35 million for the three months ended September 28, 2002 from \$24.2 million for the three months ended September 29, 2001. This decrease in revenue is primarily due to a reduction in capital spending by telecommunications carriers resulting in a decline in demand for telecommunications equipment, including our products. Revenue for the three months ended September 28, 2002 was attributable to two customers.

Service revenues, including maintenance, training and support totaled approximately \$0.9 million.

Gross Profit (loss). Costs of revenue consists of component costs, direct compensation costs, warranty and other contractual obligations, inventory obsolescence costs and overhead related to our manufacturing and engineering, finishing and installation operations. In addition, cost of revenue includes charges associated with our restructuring plans and excess inventories.

Gross profit (loss) decreased to \$(23.7) million for the three months ended September 28, 2002 from \$8.6 million for the three months ended September 29, 2001. Negative gross margins are attributable to inventory write-downs of \$24.3 million recorded in the three months ended September 28, 2002. Excluding inventory write-downs and other charges, gross profit and gross margin were \$0.6 million and 44% for the three months ended September 28, 2002 and \$8.6 million and 36% for the three months ended September 29, 2001. The increase in gross margin is primarily due to an increase in the relative proportion of service revenue compared to product revenues as well as the recognition of certain product revenues which had been deferred pending final acceptance. We expect that gross margin, excluding inventory write-downs and other charges, will decrease in the coming quarters as a result of an increase in the relative proportion of product revenues.

Research and Development, Excluding Equity-Based Expense. Research and development expense, excluding equity-based expense consists primarily of salaries and related personnel costs, test and prototype expenses related to the design of our hardware and software products, laboratory costs and facilities costs. All costs related to product development, both hardware and software, are recorded as expenses in the period in which they are incurred. Due to the timing and nature of the expenses associated with research and development, significant quarterly fluctuations may result. We believe that research and development is critical to achieving current and future strategic product objectives.

Research and development expenses, excluding equity-based expense decreased to \$33.0 million for the three months ended September 28, 2002 from \$34.8 million for the three months ended September 29, 2001. The decrease in expenses was primarily due to lower prototype and lab materials expense, offset in part by higher labor costs associated with the Dorsal acquisition.

Sales and Marketing, Excluding Equity-Based Expense. Sales and marketing expense, excluding equity-based expense, consists primarily of salaries and related personnel costs, laboratory trial systems provided to customers, trade shows, other marketing programs and travel expenses.

Sales and marketing expense, excluding equity-based expense, decreased to \$11.0 million for the three months ended September 28, 2002 from \$12.7 million for the three months ended September 29, 2001. The decrease in expenses was primarily attributable to the effects of cost saving initiatives including staff reductions and the curtailment of certain discretionary spending.

General and Administrative, Excluding Equity-Based Expense. General and administrative expense, excluding equity-based expense, consists primarily of salaries and related personnel costs, information systems support, recruitment expenses and facility demands

associated with establishing the proper infrastructure to support our organization. This infrastructure consists of executive, financial, legal, information systems and other administrative responsibilities.

General and administrative expenses, excluding equity-based expense, decreased to \$7.2 million for the three months ended September 28, 2002 from \$7.7 million for the three months ended September 29, 2001. The decrease in expenses was primarily attributable to staff reductions and professional service fees.

Equity-based Expense. Equity-based expense consists primarily of charges associated with employee options granted at below fair market value prior to our initial public offering.

Equity-based expense related to research and development, sales and marketing and general and administrative functions for the three months ended September 28, 2002 decreased to \$17.7 million from \$28.2 million for the three months ended September 29, 2001. The decrease in equity-based expense resulted from a decrease in employee headcount.

Amortization of Intangible Assets. Amortization of intangible assets relates to the amortization of certain intangible assets with finite lives. As a result of the issuance of SFAS No. 142, we no longer record amortization of goodwill, rather goodwill will be tested at least annually for impairment. There may be more volatility in reported income (loss) than previous standards because impairment losses are likely to occur irregularly and in varying amounts.

Amortization of intangible assets expenses decreased to \$5.7 million for the three months ended September 28, 2002 from \$12.0 million for the three months ended September 29, 2001. The decrease was primarily attributable to the discontinuation of amortization of goodwill resulting from the acquisition of Algety Telecom S.A. that was being amortized over five years.

Interest Income, Net. Interest income, net of interest expense, decreased to \$2.1 million for the three months ended September 28, 2002 from \$6.3 million of net interest income for the three months ended September 29, 2001. The decrease was primarily attributed to lower average invested cash balances and lower average returns on investments.

Nine months ended September 28, 2002 compared to nine months ended September 29, 2001

Revenue. Revenue decreased to \$13.1 million for the nine months ended September 28, 2002 from \$173.2 million for the nine months ended September 29, 2001. This decrease in revenue is due to a reduction in capital spending by telecommunications carriers resulting in a sharp decline in demand for telecommunications equipment, including for our products. Revenue for the nine months ended September 28, 2002 was attributable to four customers. Service revenues, including maintenance, training and support totaled \$4.3 million.

Gross Profit (loss). Costs of revenue consists of component costs, direct compensation costs, warranty and other contractual obligations, inventory obsolescence costs and overhead related to our manufacturing and engineering, finishing and installation operations. In addition, cost of revenue includes charges associated with our restructuring plans and excess inventories.

Gross loss decreased to \$(26.7) million for the nine months ended September 28, 2002 from \$(35.0) million for the nine months ended September 29, 2001. Negative gross margins are primarily attributable to inventory write-downs of \$30.3 million in the nine months ended September 28, 2002 and \$99.2 million recorded in the nine months ended September 29, 2001. Excluding inventory write-downs and other charges, gross profit and gross margin were \$3.7 million or 28% in the nine months ended September 28, 2002 and \$64.2 million or 37% in the nine months ended September 29, 2001. Due to current competitive and economic pressures, we expect that gross margin, excluding inventory write-downs and other charges, may continue to decrease in the coming quarters.

Research and Development, Excluding Equity-Based Expense. Research and development expense, excluding equity-based expense, consists primarily of salaries and related personnel costs, test and prototype expenses related to the design of our hardware and software products, laboratory costs and facilities costs. All costs related to product development, both hardware and software, are recorded as expenses in the period in which they are incurred. Due to the timing and nature of the expenses associated with research and development, significant quarterly fluctuations may result. We believe that research and development is critical to achieving current and future strategic product objectives.

Research and development expenses, excluding equity-based expense, decreased to \$95.1 million for the nine months ended September 28, 2002 from \$117.8 million for the nine months ended September 29, 2001. The decrease in expenses was primarily attributable to the reduction in prototype and lab material expenses.

Sales and Marketing, Excluding Equity-Based Expense. Sales and marketing expense, excluding equity-based expense, consists primarily of salaries and related personnel costs, laboratory trial systems provided to customers, trade shows, other marketing programs and travel expenses.

Sales and marketing expense, excluding equity-based expense, decreased to \$36.1 million for the nine months ended September 28, 2002 from \$43.2 million for the nine months ended September 29, 2001. The decrease in expenses was primarily attributable to the effects of staff reductions and decreases in professional service fees and transportation expenses.

General and Administrative, Excluding Equity-Based Expense. General and administrative expense, excluding equity-based expense consists primarily of salaries and related personnel costs, information systems support, recruitment expenses and facility demands associated with establishing the proper infrastructure to support our organization. This infrastructure consists of executive, financial, legal, information systems and other administrative responsibilities.

General and administrative expenses, excluding equity-based expense, decreased to \$24.4 million for the nine months ended September 28, 2002 from \$27.2 million for the nine months ended September 29, 2001. The decrease in expenses was primarily attributable to the effects of cost saving initiatives including staff reductions, facility consolidations and the curtailment of certain discretionary spending, offset, in part, by increases in professional service fees.

Equity-based Expense. Equity-based expense consists primarily of charges associated with employee options granted at below fair market value prior to our initial public offering.

Equity-based expense related to research and development, sales and marketing and general and administrative functions for the nine months ended September 28, 2002 decreased to \$54.7 million from \$79.3 million for the nine months ended September 29, 2001. The decrease in equity-based expense resulted from decreases in employee headcount.

Amortization of Intangible Assets. Amortization of intangible assets relates to the amortization of certain intangible assets with finite lives. As a result of the issuance of SFAS No. 142, we no longer record amortization of goodwill on a straight-line basis, rather goodwill will be tested at least annually for impairment. There may be more volatility in reported income (loss) than previous standards because impairment losses are likely to occur irregularly and in varying amounts.

Amortization of intangible assets expenses decreased to \$12.8 million for the nine months ended September 28, 2002 from \$113.9 million for the nine months ended September 29, 2001. The decrease was primarily attributable to the discontinuation of amortization of goodwill resulting from the acquisition of Algety Telecom S.A. that was being amortized over five years.

Interest Income, Net. Interest income, net of interest expense, decreased to \$2.6 million for the nine months ended September 28, 2002 from \$19.8 million of net interest income for the nine months ended September 29, 2001. The decrease was primarily attributable to lower average invested cash balances, lower average returns on investments and the write down of certain strategic investments.

Liquidity and Capital Resources

Since inception through September 28, 2002 we have financed our operations, capital expenditures and working capital primarily through public and private sales of our capital stock, borrowings under credit and lease facilities and cash generated from product sales. At September 28, 2002, our cash and cash equivalents and short-term investments totaled \$548.8 million.

Net cash used in operating activities was \$97.3 million for the nine months ended September 28, 2002 and \$200.9 million for the nine months ended September 29, 2001. Cash used in operating activities for the nine months ended September 28, 2002 was primarily attributable to a net loss of \$317.5 million, offset in part by non-cash charges including depreciation and amortization of \$38.8 million, equity-based expense of \$54.7 million and purchased research and development expense of \$34.6 million associated with our acquisition of Dorsal Networks in May 2002 and certain non-cash restructuring charges of \$48.7 million. Cash flows from operating activities were further offset by changes in operating assets and liabilities of \$43.7 million, principally a change in accounts receivable of \$27.7 million.

Net cash used in investing activities was \$25.2 million for the nine months ended September 28, 2002 and \$108.8 million for the nine months ended September 29, 2001. The decrease in net cash used in investing activities for the nine months ended September 28, 2002

was primarily attributable to reductions in capital expenditures offset in part with cash acquired through our purchase of Dorsal Networks.

Net cash used in financing activities for the nine months ended September 28, 2002 was \$4.0 million, primarily attributable to the repayment of principal on notes and capital leases. Net cash provided by financing activities for the nine months ended September 29, 2001 was \$1.8 million, primarily attributable to proceeds from the exercise of warrants and employee stock options off-set in part by proceeds from the issuance of common stock.

As of September 28, 2002 long-term restricted cash totaled \$2.4 million associated with outstanding irrevocable letters of credit relating to lease obligations for various manufacturing and office facilities and other business arrangements. These letters of credit are collateralized by funds in our operating account. Various portions of the letters of credit expire at the end of each respective lease term or agreement term.

On October 24, 2002, we announced that our Board of Directors has authorized a share repurchase program under which we can acquire up to \$25 million of our common stock in the open market. The purchases will be executed at times and prices considered appropriate by us during the next two years. The share repurchase program may be implemented at such future date as we may determine and may be suspended at any time and from time-to-time without prior notice. The repurchase program will be funded using our existing cash balances and the repurchases shares may be used for corporate purposes in compliance with applicable law.

Due to current economic conditions, we have and may be required to sell our product to future customers at lower margins or be required to provide customers with financing which could result in reduced gross margins, extended payment terms or delayed revenue recognition, all of which could have a negative impact on our liquidity, capital resources and results of operations.

Our liquidity will also be dependent on our ability to manufacture and sell our products. Changes in the timing and extent of the sale of our products will affect our liquidity, capital resources and results of operations. We currently have a limited number of customers that could provide substantially all of our revenues for the near future and these customers are operating in a troubled economic environment. The loss of any of these customers, any substantial reduction in current or anticipated orders or an inability to attract new customers, could materially adversely affect our liquidity and results of operations. We plan to diversify our customer base by seeking new customers both domestically and internationally.

If we experience delays or disruptions in manufacturing output or we are unable to successfully manufacture our products and to develop alternative manufacturing sources in a timely manner, our sales, financial position and results of operations would be adversely affected.

We believe that our current cash and cash equivalents, short-term investments and cash generated from product sales will satisfy our expected working capital, capital expenditure and investment requirements through at least the next twelve months.

If cash on hand and cash generated from operations is insufficient to satisfy our liquidity requirements, we may seek to sell additional equity or debt securities. To the extent that we raise additional capital through the sale of equity or debt securities, the issuance of such securities could result in dilution to our existing shareholders. If additional funds are raised through the issuance of debt securities, the terms of such debt could impose additional restrictions on our operations. Additional capital, if required, may not be available on acceptable terms, or at all. If we are unable to obtain additional financing, we may be required to reduce the scope of our planned product development and sales and marketing efforts, which could harm our business, financial condition and operating results. Increasingly, as a result of the financial demands of major network deployments, carriers are looking to their suppliers for financing assistance. From time to time, we have and may continue to provide or commit to extend credit or credit support to our customers as we consider appropriate in the course of our business.

Dorsal Networks

On May 16, 2002, we completed our acquisition of Dorsal Networks, Inc., a privately held provider of next-generation transoceanic and regional undersea optical network solutions for 41.8 million shares of common stock valued at approximately \$91.8 million. The acquisition was accounted for under the "purchase" method of accounting. Under the purchase method, the purchase price of Dorsal was allocated to identifiable assets and liabilities acquired from Dorsal, with the excess being treated as goodwill. The acquisition resulted in an in-process research and development charge of approximately \$34.6 million as well as the recognition of certain intangible assets of \$30.2 million, which will be amortized over an estimated life of five years. In addition, the acquisition will result in goodwill of approximately \$19.1 million, which will have an indefinite life, but will be subject to periodic impairment tests. Dr. David R. Huber, our Chairman and Chief Executive Officer, owned, directly or indirectly, approximately 31 percent of the outstanding stock of Dorsal.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The following discussion about our market risk disclosures involves forward-looking statements. Actual results could differ materially from those projected in forward-looking statements. We maintain instruments subject to interest rate and foreign currency exchange rate risk. We categorize all of our market risk sensitive instruments as non-trading or other instruments.

Interest Rate Sensitivity

We maintain a portfolio of cash equivalents and short-term investments in a variety of securities including: commercial paper, certificates of deposit, money market funds and government and non-government debt securities. Substantially all amounts are in money market funds as well as high grade, short-term commercial paper and certificates of deposit, the value of which is generally not subject to interest rate changes. We believe that a 10% increase or decline in interest rates would not be material to our investment income or cash flows. Our long-term debt obligations bear fixed interest rates. As such, we have minimal cash flow exposure due to general interest rate changes associated with our long-term debt obligations.

Foreign Rate Sensitivity

We primarily operate in the United States; however, we have expanded operations to include research and development and sales offices in various European countries. As a result, we may have sales in foreign currencies exposing us to foreign currency rate fluctuations. For the nine months ended September 28, 2002, we recorded limited sales in a foreign currency. We are exposed to the impact of foreign currency changes, associated with the Euro, for financial instruments held by our European subsidiaries. These instruments are limited to cash and cash equivalents and trade receivables. It is the policy of management to fund foreign operations on a monthly basis, thus minimizing average cash and overnight investments in the Euro. At September 28, 2002, our European subsidiaries maintained cash and cash equivalents and trade accounts receivable of approximately (Euro) 6.2 million. We believe that a 10% increase or decline in the Euro exchange ratio would not be material to cash and cash equivalent balances, interest income, or cash flows from consolidated operations.

Item 4. Controls and Procedures

Pursuant to Section 302 of the Sarbanes-Oxley Act and Rule 13a-14 of the Securities Exchange Act of 1933 ("Exchange Act") promulgated thereunder, our chief executive officer and chief financial officer have evaluated the effectiveness of our disclosure controls and procedures as of a date within 90 days prior to the date of the filing of this report (the "Evaluation Date") with the Securities and Exchange Commission. Based on such evaluation, our chief executive officer and chief financial officer have concluded that our disclosure controls and procedures were effective as of the Evaluation Date to ensure that information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. In addition, a Disclosure Committee has been established consisting of key legal, financial and business unit leaders to review the Company's public filings and to insure accurate and timely disclosure of required information.

Except for the establishment of a Disclosure Committee, there have been no significant changes in the internal controls or in other factors that could significantly affect our internal controls subsequent to the date of their most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

By letter dated July 10, 2000, Ciena Corporation ("Ciena") informed us of its belief that there is significant correspondence between products that we offer and several U.S. patents held by Ciena relating to optical networking systems and related dense wavelength division multiplexing communications systems technologies. On July 19, 2000, Ciena filed a lawsuit in the United States District Court for the District of Delaware alleging that we are willfully infringing three of Ciena's patents. Ciena is seeking injunctive relief, monetary damages including treble damages, as well as costs of the lawsuit, including attorneys' fees. On September 8, 2000, we filed an answer to the complaint, as well as counter-claims alleging, among other things, invalidity and/or unenforceability of the three patents in question. On March 5, 2001, a motion was granted, allowing Ciena to amend its complaint to include allegations that we are willfully infringing two additional patents. Although a trial date has not been set, we believe that a trial will commence in the first quarter of 2003.

We have designed our products in an effort to respect the intellectual property rights of others. We intend to defend ourselves vigorously against these claims and we believe that we will prevail in this litigation. However, there can be no assurance that we will be successful in the defense of the litigation, and an adverse determination in the litigation could result from a finding of infringement of only one claim of a single patent. We may consider settlement due to the costs and uncertainties associated with litigation in general, and patent infringement litigation in particular, and due to the fact that an adverse determination in the litigation could preclude us from producing some of our products until we were able to implement a non-infringing alternative design to any portion of our products to which such a determination applied. Even if we consider settlement, there can be no assurance that we will be able to reach a settlement with Ciena. An adverse determination in, or settlement of, the Ciena litigation could involve the payment of significant amounts by us, or could include terms in addition to payments, such as a redesign of some of our products, which could have a material adverse effect on our business, financial condition and results of operations.

We believe that defense of the lawsuit may be costly and may divert the time and attention of some members of our management. Further, Ciena and other competitors may use the existence of the Ciena lawsuit to raise questions in customers' and potential customers' minds as to our ability to manufacture and deliver our products. There can be no assurance that questions raised by Ciena and others will not disrupt our existing and prospective customer relationships.

Between May 7, 2001 and June 15, 2001, nine class action lawsuits were filed in the United States District Court for the Southern District of New York relating to our initial public offering on behalf of all persons who purchased our stock between July 28, 2000 and the filing of the complaints. Each of the complaints names as defendants: Corvis, our directors and officers who signed the registration statement in connection with our initial public offering, and certain of the underwriters that participated in our initial public offering. Our directors and officers have since been dismissed from the case, without prejudice. The complaints allege that the registration statement and prospectus relating to our initial public offering contained material

misrepresentations and/or omissions in that those documents did not disclose (1) that certain of the underwriters had solicited and received undisclosed fees and commissions and other economic benefits from some investors in connection with the distribution of our common stock in the initial public offering and (2) that certain of the underwriters had entered into arrangements with some investors that were designed to distort and/or inflate the market price for our common stock in the aftermarket following the initial public offering. The complaints ask the court to award to members of the class the right to rescind their purchases of Corvis common stock (or to be awarded rescissory damages if the class member has sold its Corvis stock) and prejudgment and post-judgment interest, reasonable attorneys' and experts witness' fees and other costs.

By order dated October 12, 2001, the court appointed an executive committee of six plaintiffs' law firms to coordinate their claims and function as lead counsel. Lead plaintiffs have been appointed in almost all of the IPO allocation actions, including the Corvis action. On October 17, 2001, a group of underwriter defendants moved for Judge Scheindlin's recusal. Judge Scheindlin denied that application. On December 13, 2001, the moving underwriter defendants filed a petition for writ of mandamus seeking the disqualification of Judge Scheindlin in the United States Court of Appeals for the Second Circuit. On April 1, 2002, the Second Circuit denied the moving underwriter defendants' application for a writ of mandamus seeking Judge Scheindlin's recusal from this action. On April 19, 2002, plaintiffs filed amended complaints in each of the actions, including the Corvis action. On May 23, 2002, a conference was held at which the court set a briefing schedule for the filing of motions to dismiss the amended complaints. On July 1, 2002, the underwriter defendants filed their motion to dismiss the amended complaints. On July 15, 2002, the issuer defendants filed their motion to dismiss the amended complaints. The briefing on the motions to dismiss has recently been completed, and the judge heard oral arguments on the motions on November 1, 2002. No discovery has occurred. We intend to vigorously defend ourselves.

Item 2. Changes in Securities and Use of Proceeds

- (a) None.
- (b) None.
- (c) None.
- (d) Not applicable.

Item 3. Defaults upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

- (a) None.
- (b) None.

(c) None.

(d) None.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Certification under Section 906 of the Sarbanes-Oxley Act of 2002.

(b) On August 13, 2002, we filed a Current Report on Form 8-K dated August 13, 2002 containing the certification required by Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CORVIS CORPORATION

Date: November 12, 2002

/s/ Lynn D. Anderson
Lynn D. Anderson
Senior Vice President, Chief Financial Officer and
Treasurer

Date: November 12, 2002

/s/ Timothy C. Dec
Timothy C. Dec
Vice President and Chief Accounting Officer

CERTIFICATE

I, David R. Huber, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Corvis Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent

evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 12, 2002

/s/ David R. Huber
Name: David R. Huber
Title: Chairman and
Chief Executive Officer

CERTIFICATE

I, Lynn D. Anderson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Corvis Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees *who have a significant role in the registrant's internal controls*; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent

evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 12, 2002

/s/ Lynn D. Anderson
Name: Lynn D. Anderson
Title: Senior Vice President,
Chief Financial Officer and
Treasurer

EXHIBIT INDEX

**Exhibit
No.**

Description

99.1

Certificate of the Chief Executive Officer and the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The following individuals are currently employed by Broadwing and will be transferring to C III Ops upon the closing of the proposed transaction. Detailed resumes for each are attached hereto.

Mike Jones is Chief Technical Officer of Broadwing Communications. Mr. Jones, a 25-year veteran of the telecommunications industry, is responsible for all elements of network delivery for Broadwing, including planning, engineering, construction, access and operations for products and services. Mr. Jones joined the company in 1997 as Vice President of Facilities and Construction, and later served as Vice President of Network Construction. In these roles, he oversaw the implementation of Broadwing's nationwide, industry-leading fiber optic network. Prior to joining Broadwing, Mr. Jones served as Vice President of Network Business Development at Diamondback International Inc., a Texas provider of professional services for the telecommunications industry. In this capacity, he provided business development and consulting services to numerous companies, including Nortel and LCI. Jones also held a number of management and senior technical positions at MCI and GTE in network implementation, contract development, strategic network planning, program management, and major systems development.

David Torline, Chief Information Officer is responsible for the company's overall IT strategy and direction, which includes selecting, engineering and implementing key technologies and systems to support and drive the business. He also is responsible for maintaining and enhancing legacy systems and developing and managing strategic supplier relationships in the IT area. During his 33-year career at Broadwing and Cincinnati Bell, Mr. Torline has served in a variety of managerial and executive roles. As Vice President of Information Technology for Cincinnati Bell, he was responsible for the strategic direction of Cincinnati Bell's systems and for the development and implementation of the many business critical platforms that the company has utilized to deliver the outstanding customer service for which it has received international recognition. From October, 1992 through December, 1994, Mr. Torline also served as President of Cincinnati Bell Supply, a Broadwing subsidiary involved in desktop computer services and secondary telecommunications markets.

David A. King, Vice President, Voice Operations, brings over eighteen years of service in the telecommunications business to his current role as Vice President of Voice Operations for Broadwing Communications. Mr. King leads Broadwing's long distance voice services where he has been responsible for reorganizing the company's voice operations into a single business unit. While at Broadwing, Mr. King executed a successful 120-day profitability initiative that reduced voice cost of service by one-third, improved gross margin threefold, and improved service quality. Prior to his work at Broadwing, Mr. King was the Managing Partner of KEE Wireless, LLC., a provider of high-speed wireless internet access. In this role, Mr. King was responsible for designing and deploying the wireless network infrastructure and maintaining the day-to-day network infrastructure and operations for the business. Previously, Mr. King was Vice President of Engineering, Implementation and Operations at Cbeyond Communications, LLC and Vice President of Network and Technology for SteadFast.net, Inc. Mr. King began his telecommunications career with South Central Bell in 1986. Until 1996, King held positions of increasing responsibility in the switched services and network operations organizations of South Central Bell, Southern Bell, and BellSouth Telecommunications and also held positions in BellSouth's consumer marketing, product commercialization, and corporate strategy organizations.

Ed DeLong is the Vice President of Cost of Service for Broadwing Communications. In this position, Mr. DeLong is responsible for network planning, engineering, circuit design and implementation of Broadwing's 18,500-mile nationwide, next-generation all-optical network and all access services. Mr. DeLong is also responsible for planning Broadwing's nationwide ATM/frame relay network, and award-winning IP network. In this capacity, he has led optimization initiatives that have resulted in a 90% reduction in capital spending, and a 25% reduction in line costs, representing annual savings of over \$400 million. Mr. DeLong has twenty years telecommunications experience in both the wired and wireless industries. Previously, he was the Vice President of Network Operations for Broadwing, Vice President and General Manager for Verizon Wireless, and the Vice President of Latin American Wireless Operations for Bell Atlantic International.

Christopher Rothlis, Vice President, Operations, is responsible for operating, maintaining and monitoring Broadwing's national networks and Internet hosting data centers. This includes field operations and internal operations for voice, data and IP networks. Mr. Rothlis, who has more than 21 years of experience in the telecommunications industry, joined Broadwing in 1998 as director of Technology Planning. He later served as vice president of New Product Development, and as vice president of Access Planning, where he helped develop the company's network strategy for local access. Most recently, Mr. Rothlis served as vice president of Network Engineering. Prior to Broadwing, Mr. Rothlis spent four years with the U.S. Air Force and 14 years at MCI. When he left MCI, he was senior manager of Systems Engineering, where he successfully managed many of the company's Intelligent Network capital programs and authored three Internet-related U.S. patents (pending).

Michael R. Jones

Chief Technology Officer

Summary

Results-driven executive with proven track record and strong background in general management, network engineering and deployment. Over 27 years of progressive industry management experience. Recognized leader in effective deployment of new technology platforms. Collaborative, team-oriented executive with great strengths in organizational development and achievement. Superior skills in negotiation, closing and implementation of major strategic agreements.

Experience

1997 - Current Broadwing Inc. Austin, Texas

Chief Technology Officer

- Planned and implemented premier North American "Next Generation" fiber optic network interconnecting more than 150 cities.
- Responsible for all aspects of the Broadwing network service platform, including Planning, Engineering, Access, Construction and Operations.
- Directed development and deployment of Broadwing data and voice product platforms. Broadwing received Interop's Infrastructure Award for Most Innovative Backbone Service Provider for it's All Optical network deployment in 2001.
- Improved on-net transport and switching costs by more than an order of magnitude during the period of employment.
- Reduced off-net Cost of Service across all product lines by more than 20%.
- Managed business restructuring of the Network Services function in 2001; costs were reduced by 40% and operational effectiveness was improved.
- Broadwing network received J.D. Powers awards for quality and customer satisfaction in 2001 and 2002.
- Managed capital deployment of approximately \$2B through implementation cycle of network; annual expense budget of \$96M.
- Reduced capital expense in 2002 to below target of \$100M while increasing effective deployment of network capabilities.
- Other positions held include Senior Vice President, Network Engineering, and Vice President, Network Construction.

1995-1997 Diamondback Engineering Dallas, Texas

Senior Vice President, Business Development

- Founding partner in network strategic services and consulting company.
- Strategic network design resulting in significant cost structure improvement for LCI, Qwest, MCI, Verizon and other carriers.
- Successfully negotiated business agreements for clients with aggregate value in excess of \$500M

1983-1995 MCI Telecommunications Washington, D.C.

Senior Manager, Network Development and Contracts

- Managed design and ROW development for company's network implementation phase..
- Developed and implemented rights of way contracts, network agreements, and other occupancy agreements with aggregate value in excess of \$1B.
- Responsible for MCI's 5-year network strategic plan development and execution.
- Other positions held at MCI included:
 - Senior Manager, Network Facilities Implementation
 - Senior Manager, Rights of Way Management
 - Senior Manager, Network Systems Development
 - Chief of Staff, Product Program Management and Network Engineering

1978-1983 GTE Telenet Vienna, Virginia

Manager, Network Systems Development

- Development packet-switched network management platform.
- Development switch implementation software tools suite.
- Development, Systems Programming, Core Switch Management platform.

1975-1978 SAIC Vienna, Virginia

Senior Programmer/Analyst

- Development packet-switched network protocols and software tools.
- Development space-flight telemetry monitoring and analysis tools.

1972-1975 United States Army

- Honorably discharged with the rank of Sergeant.

Education

1985 George Mason University Fairfax, Virginia

- B.S. Computer Science
- Substantial graduate study in Computer Science and Mathematics.

Interests

Scuba, boating, fishing, music, conservation, reading, mathematics.

David A. Torline
Chief Information Officer

Summary

Senior executive with extensive information technology, telecommunications and general management experience. Successful leader and team builder in fast-paced, changing environments, dealing with state-of-the-art technology and services. Developed and implemented successful organizations that implemented innovative technology and business solutions in both local and national telecommunications companies. Key business partner to other business units in building and expanding companies to deliver bottom line results.

Professional Experience

Broadwing Inc.

November 1999 – March 2003

Chief Information Officer

Senior executive for \$2.1 billion national communications carrier. Overall responsibility for all areas of IT in the company. Set the overall IT direction and architecture for all entities in the company. Also served as CIO of Broadwing Communications, the national network subsidiary effective January 2000. Developed and implemented business systems infrastructure in rapidly growing national network company that previously had limited systems and automation, improving overall work process flow and service delivery processes. Directly responsible for organization of 425 full time equivalent information technology professionals involved in activities ranging from IT architecture, through analysis and design, implementation and operations. Managed expense budgets of over \$30 million and capital budgets of over \$40 million. Also responsible on an indirect reporting basis for the local exchange IT function with over 200 FTE's.

Cincinnati Bell Telephone Company

January 1995 – November 1999

Vice President - Information Technology

Responsible for leading and supporting the company in the use of progressive information technologies and systems. Provided critical support to other company business units to define and select appropriate IT solutions for critical business needs. Directed main functional areas of

IT Planning/Architecture, Enterprise Computing Services and Network Operations, Systems Operations and Administration, Systems Development and Voice & Data Communications. Total staff of approximately 235 FTE's, including contractor personnel involved with outsourced functions. Direct responsibility for a total annual operating budget in excess of \$32 million. Senior information systems executive within the company, reporting to the President of the company.

Responsible for directing a large number of IT initiatives resulting from a re-engineering of the company that were required to achieve forecasted productivity improvements throughout the company. These initiatives were a key to the successful downsizing of the company to meet competitive pressures.

Responsibilities also include final approval of vendor contracts, including both affiliated and non-affiliated entities.

Cincinnati Bell Supply Co.

October 1992 - December 1994

President

Chief executive officer of independent subsidiary of Cincinnati Bell operating in the desktop computer services and secondary telecommunications markets. Successfully managed a P/L of \$20 million revenue while resolving significant inventory problems, eliminating potential \$8 million corporate liability. Refocused company on core, strategic competencies and returned company to the position of being a positive contributor to CBI bottom line. Developed and maintained a strong team environment during a downsizing and restructuring process. Supervised a staff of approximately 50 persons responsible for all functional areas of the business. Successfully returned company to positive cash flow results, positioning the company for future sale.

Cincinnati Bell Inc.

October 1989 - October 1992

Director - Corporate Analysis & Development

Responsible for a wide variety of business development and opportunity evaluation activities. Project leader for major acquisition projects for holding company subsidiaries and for divestiture of selected operations. Projects included both domestic and international acquisitions and divestitures ranging from \$5 million to \$45 million in total deal value. Responsibilities included

serving as team leader in information/data collection, valuation, due diligence and development of letters of intent and acquisition/divestiture contracts. Supported and participated in deal negotiations with senior executives and counsel. Reported to various senior managers as required on a project-by-project basis. Successfully worked in a team environment with business unit management, investment bankers, external and internal accounting and finance personnel, and legal counsel.

September 1988 - October 1989

Manager - Corporate Development & Analysis

Responsibilities included the review and evaluation of a wide variety of business opportunities involving various subsidiaries of CBI. Opportunities involved joint ventures, mergers, acquisitions and divestitures. Duties included screening potential opportunities, assisting subsidiaries in developing growth/divestiture strategies, evaluating proposed business plans, and serving as project leader in valuations, negotiations and subsequent execution of agreements.

Cincinnati Bell Telephone Company,

1987 - August 1988

Purchasing Manager - Administration & Planning Department
Support Services Division

Managed corporate purchasing group, reporting on a skip-level basis to the Vice President - Support Services. Expanded role of purchasing within the organization and developed processes and functions necessary to handle such expansion. Level of purchases increased from an estimated \$20 million to \$60 million on an annual basis. Met or exceeded all objectives including contract purchase levels, purchasing economies and minority supplier purchases.

1984 - 1986

Staff Manager - Administration & Planning Department
Office Systems Planning & Support

Formed Office Systems group to assess emerging microcomputer technology and develop corporate plans relating to its use and implementation. Responsible for implementation of corporate wide program. Staffed organization and assumed responsibility for corporate voice and data communications, and coordination function related to all external data processing work requests. Supervised an organization of 15 persons, working in both technical and administrative functions.

1983 - 1984

Staff Manager - Operations Staff Department

Operations Planning District

Expansion and continuation of previous assignment. Developed financial model used in evaluating and supporting major corporate contract negotiations related to AT&T divestiture and was lead project on initial affiliate/subsidiary contract. Indirect supervision of associates on a project basis.

1978 - 1982

Staff Specialist - Operations Staff Department
Operations Planning District

Assessed and evaluated major mechanization projects involving the operating departments of the company. Project proposals originated from internal sources and AT&T general departments. Provided recommendations to upper level management team for the purpose of allocating resources and selecting projects for implementation.

1972 - 1978

Systems Analyst - Data Systems Division

Designed, developed and implemented computer based applications systems. Experience primarily in IBM system mainframe operations using COBOL programming language. This division was later made a separate subsidiary - Cincinnati Bell Information Systems, which was eventually spun off as a separate company - Convergys.

1969 - 1972

Management Trainee/Corporate Education Program

Assistant supervisory role in Accounting department within the Data Processing Division. Primarily involved with customer billing and data center operations.

Education

Masters of Business Administration
University of Cincinnati, 1977

Bachelors of Business Administration
University of Cincinnati, 1972

Professional Associations

Cincinnati CIO Roundtable
1997 to present

Selected Additional Training/Seminars

Duke Advanced Management Program
Duke University, Fuqua School of Business Executive Education
October 1997

IBM Executive Education Seminar
IBM Executive Center, 1995

Merger Week Seminar
J. L. Kellogg Graduate School of Management
Northwestern University, 1988

Community Activities

Board Member of Pro Seniors, Inc., a non-profit social service agency providing legal assistance and long-term care advocacy for senior citizens, 1995 to present

Member of the Greenhills-Forest Park Kiwanis, 1992 to present

DAVID A. KING
Vice President, Voice Operations

**SUMMARY
QUALIFICATIONS**

- An experienced professional with broad exposure to all aspects of the telecommunications business including Strategy, Finance, Marketing and Network in both the startup and incumbent telecom environment.
- Executed a successful 120-day turnaround of a large Long Distance provider's voice operations.
- Primary focus revolves around the commercialization of emerging technologies for both high speed data and cutting-edge voice networks. Recent commercialization activities include:
 - Successfully designed, implemented, and took to market a high speed Wireless ISP using *Wireless LAN (802.11b) technology*.
 - Successfully deployed and stabilized the latest emerging packet voice technologies for a Voice over IP (VoIP) CLEC.

**PROFESSIONAL
SUMMARY**

BROADWING COMMUNICATIONS, Austin, TX

Vice President – Voice Operations

August 2002 –present

Direct the end-to-end operations of Broadwing's long distance voice services including: cost management, route purchasing and vendor negotiations, traffic engineering, network planning, 24x7 surveillance, Tier 2 and 3 technical support and the installation of customer services.

Significant accomplishments include:

- Reorganized voice operations from several disparate groups into a single business unit responsible for 48% of the division's cash revenue and approximately half of the monthly cost of providing service.
- Successfully executed a major 120-day cost initiative reducing cost of service by one-third, improving Gross Margin threefold, and increasing service quality as evidenced by improved call completion ratios and reduced customer trouble rates

KEE WIRELESS, LLC., Atlanta, GA

Managing Partner

August 2001 – January 2003

Launched a Wireless ISP providing high-speed Internet Access in public access areas using Wireless LAN (aka WLAN or 802.11b) technology. Carried the concept from initial business case to full deployment and subsequent operation in the marina environment under the product name of Aqua Access. The business was sold in January 2003.

CBEYOND COMMUNICATIONS, LLC., Atlanta, GA

Vice President – Engineering, Implementation, & Operations

October 2000 – June 2001

Directed all network aspects - from design to daily operation - of a Voice over IP (VoIP) network infrastructure for this multi-city CLEC. Major accomplishments included:

- Steering the organization through the initial deployment of the first fully functional Class 5, IP Softswitch in the industry
- Spearheading a major stability effort to improve switch performance and reliability by leading a team of engineers and the vendor to resolution of over 150 trouble cases. Moved from daily outages in March 2001 to 100% uptime in of May 2001.
- Guiding the organization in the development of process and procedure for voice and data service delivery to the customer base, as well as piloting the necessary methods and ongoing procedures to monitor, augment, and optimize network capacity.

STEADFAST.NET, INC., Atlanta, GA

Vice President – Network and Technology

January 1999 – June 2000

Oversaw all aspects of the architecture, engineering, deployment, and operation of the Integrated Communications Provider (ICP) model for this out-of-region CLEC subsidiary of BellSouth

Corporation. Successfully guided the company from concept through the rapid deployment and subsequent operation of an end-to-end network infrastructure which provided a consumer oriented, bundled product combining Local and Long Distance telephony services, Digital Subscriber Line (DSL) high-speed data access, and a cutting edge broadband ISP service.

BELLSOUTH CORPORATION, Atlanta, GA

Director – Strategic Management Unit

April 1998 – December 1998

Led strategic consulting projects to define, resolve, and present to key company leadership resolution of crucial business issues facing BellSouth. Representative projects included:

- Project Fixit - performed the first analysis of ROA by wire center to identify underperforming Central Offices. Resulted in a refocusing of a significant portion of BellSouth Telecommunication's marketing effort yielding a \$53M revenue increase in 1999.
- Consumer Contribution – Ascertained gross margin by class of residential customer to derive the primary drivers of profitability. Resulted in significant changes to the way new service is positioned across all BellSouth Call Centers and to modifications to the existing approaches for marketing enhanced services in rural areas.

BELLSOUTH TELECOMMUNICATIONS, INC., Atlanta, GA

Financial Manager - Intelligent Services Division

March 1997 – April 1998

Controller for BellSouth's two largest enhanced networks with a combined \$151M budget which generated over \$685M in revenue in 1997 representing a 94% year over year growth. Responsibilities included oversight of business cases for all new products and initiatives, tracking and analysis of the division's financial performance, and development of BellSouth's Advanced Intelligent Network, Messaging, and Local Number Portability business plans.

Business Manager – Voice Messaging

April 1996 - March 1997

Directed all Business Management functions of BellSouth's Messaging Integrated Business Unit. Responsibilities included coordination of budgets, development and implementation of performance control mechanisms, and network infrastructure evolution planning. Results included a four-fold improvement in customer service and a 21% revenue increase.

Special Projects

October 1994 - April 1996

Played a troubleshooter role on multifunctional SWAT teams for special projects including:

- MemoryCall Performance Improvement - Recommendations led to a 25% reduction in customer trouble reports across the BellSouth region
- BellSouth Resale Strategy – Member of the core consulting team in developing BellSouth's resale strategy to address the Telecommunications Reform Act of 1996.

Specialist - Operations Planner

April 1993 – October 1994

Project management for a variety of modernization efforts for BellSouth's nine state public Packet data network. Results include a 10% reduction in infrastructure capitalization levels and a 100% increase in network reliability.

Associate Manager - Packet Data Test Network

April 1990 - April 1993

Managed teams of engineers responsible for the development of new data services as well as Tier Two technical support of existing data services.

Supervisor

January 1986 - April 1990

Responsible for maintaining circuit switched telephone service in Memphis, TN as well as the installation of all West Tennessee special services circuits.

EDUCATION

EMORY UNIVERSITY, Atlanta, GA

MASTERS OF BUSINESS ADMINISTRATION,

May 1997

UNIVERSITY OF MEMPHIS, Memphis, TN

BACHELOR OF SCIENCE - ELECTRONIC ENGINEERING TECHNOLOGY,

December 1985

Edgar S. DeLong, Jr.
Vice President, Cost of Service

Summary of Qualifications

Senior management executive with twenty years telecommunications experience (AT&T, Bell Atlantic, PrimeCo, Broadwing). Energetic, highly dedicated professional with an outstanding performance history. Results oriented, with a bias toward action. Strong leadership and coaching skills, supported by excellent oral and written communications skills.

Professional Experience

Executive Management
August 2002 – Present

Broadwing Communications

Vice President – Cost of Service

Responsible for network planning, engineering, circuit design, and implementation of Broadwing's 18,500 mile nationwide optical and data network and all access services. Led optimization initiatives that have resulted in a 90% reduction in capital spending and a 25% reduction in line costs, representing annual savings of over \$400 million.

Executive Management
September 2000 – July 2002

Vice President – Network Planning and Implementation

Responsible for strategic planning, network architecture, routing, and capacity planning for Broadwing's national telecommunications network, including 18,500 mile all-optical fiber backbone, 13 circuit switched tandem switches, 48 ATM/frame relay switches, 11 managed hosting internet data centers, and award-winning tier one internet backbone. Implemented world's first all-optical core network, installing the most optical capacity of any telecommunications carrier worldwide.

Executive Management
January 1999 – August 2000

Vice President – Network Operations

Responsible for monitoring, surveillance, and trouble management of Broadwing's national network. Improved mean time to repair for high priority trouble tickets by over 300% to less than two hours, and increased network availability to over 99.99% by relentlessly focusing on network performance, reliability and customer service excellence. Developed Broadwing's state of the art Enterprise Maintenance Center, providing dedicated trouble management and technical support to national accounts including Perot Systems, Bank of America, and Oracle.

Executive Management
September 1997 - November 1998

PrimeCo Personal Communications

Vice President and General Manager - South Central Texas

P&L responsibility for PrimeCo's Austin, San Antonio, Corpus Christi, and Lower Rio Grand Valley markets. Responsibilities include sales, marketing, network expansion and performance, finance, public relations, and human resources. Increased subscribers 365% in first 12 months, making South Central Texas PrimeCo's most highly penetrated market. Won President's Sales Award for highest sales to plan for 3 consecutive quarters. Increased monthly revenue from \$1.2 million to \$3 million, and profitability by 320%. Successfully converted entire network infrastructure from Motorola to Lucent in less than 6 months, improving dropped calls from 2.7% to 1.6% - all with virtually no network outages or customer disruption. Market scored higher than company norm on all questions in annual employee satisfaction survey.

Executive Management
September 1996 – August 1997

Vice President and General Manager - Illinois

P&L responsibility for PrimeCo's Illinois market. Launched Chicago with 249 base stations covering a population of over 8 million - the largest CDMA deployment in the world. Recruited and managed an organization of 280 employees. Led development of all sales channels - 12 company owned retail stores, 550 indirect retail points of presence, and 10 business to business account executives resulting in 25% of PrimeCo's total sales, nearly twice that of PrimeCo's next largest markets, Houston and South Florida.

Executive Management
September 1994 – August 1996

Bell Atlantic International Wireless

Vice President - Latin America Operations

Responsible for wireless operations in Latin America, particularly Bell Atlantic's \$1.04 billion investment in Iusacell, Mexico's second largest telecommunications company. Member, Iusacell Board of Directors, ensuring maximum effectiveness among the Bell Atlantic members of Iusacell's Board. Directed all knowledge transfer initiatives among the domestic staff and expatriates. Highest priority tasks included development of the corporate business plan, an incentive based compensation system, and an overall regulatory strategy designed to secure approval to provide long distance and radiotelephony services, and eliminate discrimination and cross subsidies by Telmex. Developed strategy for several cellular initiatives, including pricing, distribution, roaming, customer care, collections, and network performance.

Technical Management
November 1990 - August 1994

Bell Atlantic Mobile

Director - Network Planning

Responsible for strategic network infrastructure planning throughout Bell Atlantic Mobile. Provided strategic network direction and goals to all Regional Network Directors, and developed corporate Construction Program (\$300 million capital, \$200 million expense), allocating resources across all operating regions. Provided support and direction to wireless R&D, PCS planning and business development. Directed overall switch and facilities planning, including AIN, network optimization, and interconnection. Negotiated master agreements with major equipment suppliers (AT&T, Motorola). Directed overall radio systems planning, including digital radio and microcell deployment strategy. Directed corporate network financial management, regulatory engineering, and real estate administration. Directed the integration of Metro Mobile network engineering and operations functions.

Marketing
August 1987 - October 1990

Bell Atlantic Network Services

Product Manager - Information Services

Responsible for design, development, and implementation of Bell Atlantic's online information gateway service, Intelligate. Included hardware and software operations planning, network and system design, user interface design and maintenance, sales support, pricing, and contract negotiation.

Technical Planning
December 1985 - July 1987

Bell Telephone Company of Pennsylvania

Staff Manager - New Services Planning

Responsible for technical planning of new services, including the Enhanced 9-1-1 System, and the Directory Assistance Audio Response System.

Operations
June 1984 - November 1985

Bell Telephone Company of Pennsylvania

Supervisor - Operations Test Center

Responsible for mechanized trouble testing, and the scheduling and dispatch of installation and repair forces.

Project Management
December 1982 - May 1984

Bell Telephone Company of Pennsylvania

Assistant Manager - Carrier Access Billing System

Responsible for project management of the conversion to the Carrier Access Billing System at divestiture.

July 1982 - November 1982

Bell Telephone Company of Pennsylvania

Management Development Program

Education

1978 - 1982

Lehigh University

Bethlehem, PA

Formal education in engineering, with Bachelor of Science degree in Industrial Engineering awarded in 1982. Graduated with highest honors. President, Institute of Industrial Engineers, Treasurer, Kappa Sigma Fraternity, and member, Tau Beta Pi National Engineering Honor Society.

Personal

Born June 9, 1960. Married, two children. Interests include golf, swimming, and boating.

Board of Directors, Any Baby Can Child and Family Resource Center, since June, 1999.

Christopher S. Rothlis
Vice President, Network Operations

Summary

A proven track record of success spanning 23 years in the field of Telecommunications. A thorough understanding of how to profitably operate a long-haul telecommunications company. Demonstrated executive-level leadership in guiding an organization through the selection, operation, and decommissioning of telecommunications technology and assets.

Work Experience

Broadwing Communications Austin, TX	Vice President, Network Operations Vice President, Engineering Vice President, Local Access Director, Technology Planning	Mar 98 – Present
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- Reduced SG&A spending from a planned \$100M to \$60M over a two year period while not adversely affecting customer service.
- Created an Internal Technical Assistance Center (ITAC) organization to reduce reliance on more costly vendor hardware and software support.
- Operate the industries most cost efficient Network Operations organization (219 people maintaining 18,500 route miles)
- Created the organization structure and processes necessary to evaluate and select technologies to meet the needs of the business. Oversaw the deployment of over \$300M in equipment and assets.
- Managed the implementation of the industry's only all-optical network.
- Negotiated and/or renegotiated vendor contracts to ensure Broadwing received the best possible value.
- Created a "Local Access" organization to address Broadwing's disproportionate cost-of-service and improved connectivity for more rapid service turn-up. Reduced COS by \$5M per month in three months.

MCI Telecommunications	Technician – Sr. Manager	Sep 83 – Mar 98
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- Held increasing levels of responsibility from entry-level field technician through Acting Director, Intelligent Network Infrastructure Development.
- Successfully managed several areas of the business including Network Operations, Engineering, Program Management, Systems Engineering (software development), Financial Management.

United States Air Force	Staff Sergeant	Oct 79 – Aug 83
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Attended technical training schools in electronics and telecommunications. Worked in fixed facility and mobile communications in support of the Air Force mission. Promoted early on two separate occasions in recognition of job knowledge. Received the Air Force Commendation Medal and was honorably discharged.

Education

Bachelor of Science Business Administration, Summa Cum Laude (3.97 GPA), Regis University, Denver, Colorado, August, 1998

David R. Huber, Ph.D., is the founder of Corvis. He has served as a Director and Chairman of our Board, President and Chief Executive Officer since June 1997. Dr. Huber has 20 years of experience in the development of optical communications systems. From 1992 through April 1997, Dr. Huber served first as Chief Technology Officer and later as Chief Scientist of Ciena Corporation, a company he founded in 1992. From 1989 through 1992, Dr. Huber managed the Lightwave Research and Development Program for General Instrument Corporation. Prior to 1989, Dr. Huber held positions in optical communications development at Rockwell International Corporation, Optelecom, Inc. and ITT Industries, Inc., formerly International Telephone & Telegraph Corporation. Dr. Huber holds 41 U.S. patents in optics technology and has numerous additional patents pending. He earned a Ph.D. in electrical engineering from Brigham Young University and a B.S. in physics from Eastern Oregon State University.

Lynn D. Anderson has been Senior Vice President, Chief Financial Officer and Treasurer of Corvis since January 2002. From May 2001 to December 2002, Mr. Anderson served as Chief Financial Officer of Optical Capital Group, LLC, a specialized technology investment firm focused on optical equipment related communications technology. From December 2000 to April 2001, Mr. Anderson was self-employed providing financial and strategic consulting services to companies in the technology, media and energy sectors. From February 2000 to November 2000, Mr. Anderson served as Chief Operating Officer and Chief Financial Officer of Zillacast, an Internet broadcasting company. From 1981 to 2000, Mr. Anderson held several financial positions with various divisions of General Electric Company, and later, as Chief Financial Officer of GE Capital Technology Management Services. Mr. Anderson earned his B.A. from Kansas State University and his M.B.A. from the University of Texas.

Jerry Kent is Chief Executive Officer of AAT Communications, the sixth largest independent provider of antenna sites and site management services to the wireless communications industry. A 20-year veteran of the cable television industry, he began his career as an officer of Cencom Cable Associates, Inc., co-founded Charter Communications in 1993 and Cequel III in 2002. Cequel III was established to acquire and manage growth-oriented companies in the Telecommunications and Cable industry. Prior to founding Cequel, he was President and CEO of Charter Communications, Inc. Microsoft co-founder Paul Allen acquired Charter in 1998, and combined it with another investment, Marcus Cable, in early 1999, under the Charter Communications name. Mr. Kent was named President and CEO of this merged entity, which subsequently grew to some 7 million customers as the nation's fourth largest cable company. During his tenure, Charter went public in what was then the third largest IPO in U.S. history, became the largest issuer of high-yield bonds in the world and consistently led the industry in superior operating results. Mr. Kent received his MBA degree from Washington University. A native of St. Louis, Mr. Kent is active in that community.

Martin D. Kerckhoff is Executive Vice President and General Counsel of Cequel III, a broadband telecommunications management company founded in 2002. Prior to joining Cequel III, he was appointed by SBC Communications ("SBC") to serve as Group Executive Corporate Development and Initial Public Offering for Telkom SA Ltd ("Telkom"). Mr. Kerckhoff worked at Telkom, which is the national telephone company of the Republic of South Africa, for the previous five years. In that role, he was responsible for Telkom's Mergers and Acquisitions, Business Development, and Subsidiaries Groups and had primary responsibility for achieving Telkom's Initial Public Offering. He also served as Chairman of Telkom Directory Services, the national white and yellow pages directory company, and as Director and Chairman of the Corporate Development Committee of Vodacom Pty Ltd, which is South Africa's largest cellular carrier. Before being appointed to Telkom, Mr. Kerckhoff was Senior Counsel with SBC's International Mergers and Acquisitions Legal Group. In that capacity he successfully negotiated SBC's investment in Telkom, as well as investments by SBC in VTR Inversiones (Chile), Mobile Telephone Networks (South Africa), Telnic (Mexico), and the purchase of two cable/telephony networks in the United Kingdom. He also assisted SBC restructure its investment in CGETBL (France) and represented SBC in its privatization bid for Peru's National Telephone Company. Mr. Kerckhoff received his LLM (Private International Law) from McGeorge School of Law, his JD from St. Louis University and his BA (Political Science) and BS (Psychology) degrees from Tulane University. He holds licenses to practice law in numerous states and federal courts.

The following individuals are currently employed by Broadwing and will be transferring to C III Ops upon the closing of the proposed transaction. Detailed resumes for each are attached hereto.

Robert (Bob) Shingler is President of Broadwing Communications, the company's national broadband voice, data and IP operations. He is responsible for sales activities, customer care and service, network engineering and operations, and other staff functions. Mr. Shingler joined Broadwing Communications in April, 2002 as President of Voice Services. Prior to joining Broadwing, Mr. Shingler spent more than twenty years at BellSouth Corp. and its subsidiaries in a variety of leadership positions. He also served in executive positions in two technology start-up companies, and served as Executive Vice President and Deputy CEO at Sonofon A/S, a cellular telephone provider based in Copenhagen, Denmark.

Matthew W. Booher is Senior Vice President of Finance and an officer of Broadwing Inc. He is responsible for all financial aspects of Broadwing Communications, including business development, planning, budgeting, reporting, accounting, collections, and internal auditing. Prior to his current position, Mr. Booher served as Chief Financial Officer of the financial services division of Norrell Corporation located in Atlanta, Georgia. Mr. Booher also served as executive director of business markets at MCI, where over a ten-year career he held a number of key finance positions, including Managing Director and Chief Financial Officer of Prepaid Markets, and Director of Business Analysis/Planning for MCI's business markets division.

Richard Putt is President, National Accounts for Broadwing Communications. Mr. Putt first joined Broadwing as the President of Business Markets in January, 2000 and helped engineer a dramatic and successful turnaround in the business unit, focusing on the large business and National Account segment. In June 2001, Mr. Putt was named President of National Accounts, as this division became the strategic focus of Broadwing. A 23-year veteran in the telecommunications industry, Mr. Putt has worked in virtually every segment of the industry and held various sales management and executive posts. He has successfully managed and developed multi-million dollar organizations, as well as built dynamic entrepreneurial businesses. Prior to joining Broadwing, Mr. Putt held various positions at MCI, including Vice President of General Business, Vice President of Global Accounts and Vice President of Carrier Sales. As Vice President of Global Accounts, Mr. Putt completed the first Managed International Network for MCI, and was responsible for growing the business from \$30 million to over \$200 million in billing.

Richard Calder is President, Business Enterprises for Broadwing Communications. As the President of Business Enterprises at Broadwing Communications, Mr. Calder leads Carrier Accounts, Large Accounts, and General Business Markets, comprising over \$500 million in annual revenues. Mr. Calder drives overall strategic and tactical direction and P&L responsibility for these business units and leads Marketing as well as all direct customer-facing field operations, including the Enterprise Management Center for trouble resolution. A veteran of the telecommunications industry, Mr. Calder brings more than 18 years of experience to his position at Broadwing. At Winstar Communications he served in multiple senior management positions, most recently as President of the Winstar South Division where he was responsible for revenue and profit growth, and previously as Executive Vice President and Chief Marketing Officer. Prior to joining Winstar, Mr. Calder co-founded GO Communications, a wireless communications company, held various marketing and business development positions at MCI, and several engineering and marketing positions at Tellabs.

Gordon P. (Chuck) Williams, Jr. is Vice President, Associate General Counsel and Assistant Secretary of Broadwing Communications. He is an AV rated lawyer and has represented telecommunications companies, both in private practice and in-house, for more than twenty years. He currently is responsible for all legal support for Broadwing Communications. Prior to Broadwing, Mr. Williams was with MCI where he served as counsel to its local service subsidiary, MCI Metro, from its inception and oversaw its nationwide state certification process. Mr. Williams has served on numerous national level committees and panels and was chairman on several. He chaired the committee representing virtually the entire telecommunications industry to develop a municipal right of way policy that is still in use today.

Lisa A. Brown, Vice President, Customer Operations, brings more than twelve years of telecommunications experience to her dual roles as Vice President of General Business Markets and Vice President of Enterprise Management Services for Broadwing Communications. In her position, she is responsible for managing a monthly P&L in excess of \$13 million supporting over 150,000 customers in the consumer, small business and mid market account sectors. Ms. Brown also manages Broadwing's Enterprise Management Center responsible for trouble repair supporting all Broadwing distribution channels and customers. Ms. Brown joined IXC in the merger with Network Long Distance in 1997, where she was Vice President of Network Administration for Network Long Distance. At Network Long Distance, she led network design and engineering, provisioning and cost of service management. In her long tenure with Broadwing, Ms. Brown has served in a variety of executive roles from Vice President of Sales Operations to Vice President, Provisioning.

Melinda K. Figeley, Vice President, Human Resources, joined Broadwing Communications as Vice President of Human Resources in October, 2000. Ms. Figeley has over eighteen years of varied human resources management experience, including twelve years at the senior management and executive levels. She began her career with General Motors in 1985, where she supported an employee base of 8,000 union-represented employees. Ms. Figeley has also held a variety of management and leadership roles with MCI Consumer Markets, Healthcare International, and Columbia/HCA. From 1993-98, she served as Director of Administration (Finance, Accounting and Human Resources) with the Texas Surplus Lines Insurance Department in Austin, Texas. Ms. Figeley has been a Consultant to several organizations in the Austin and Houston areas, in industries such as high technology, healthcare, staffing and government, and she has been an Instructor for seven years in the University of Texas' human resources certification program. She earned designation as a certified senior professional in human resources (SPHR) in 1995.

Karen Hanson, National Director, Regulatory Affairs, joined Broadwing as a Regulatory Analyst in 1998, when Network Long Distance was acquired. She was promoted to Director, Regulatory Affairs in November 2002. Ms. Hanson is in charge of all state and federal regulatory compliance issues. Ms. Hanson has eight years of experience in regulatory compliance in the telecommunications industry. Prior to becoming Regulatory Manager of Network Long Distance in 1995, Ms. Hanson, co-owned and operated a successful business for sixteen years.

ROBERT D. SHINGLER
President, Broadwing Communications

COMMUNICATIONS INDUSTRY EXECUTIVE

Technology, Software & Services Spanning Telecommunications, Wireless, Internet, Cable TV & Publishing

Recognized for expertise in quickly summing up a business – its strategy, model, financials, technology, market and competition – then outlining the right methods and tools to accelerate top and bottom-line success. Entrepreneur inside start-up, early-stage, transitional, rapid-growth and global enterprises. Successfully navigated large corporations, Boards of Directors and shareholders to create confidence in a vision, strategy or business plan that extends beyond the “norm.”

MBA with 15+ years of P&L and investment/M&A experience. Excellent global business acumen with four years of experience in a foreign company and active involvement in investments/partnerships across Asia, Europe and South America. Well-rounded blend of operating, financial and marketing skills. Innate ability to see the potential and get the most out of staff, stirring their creativity and innovation to go beyond the obvious to create “win win” results.

PROFESSIONAL EXPERIENCE

ALBION CONNECT, INC., Atlanta, GA 2000 to 2001
Emerging Software Provider of Operating & Support Systems; Spin-off of Albion International, a Global Systems Integrator.

Chairman & Chief Executive Officer

Retained by the original owners to raise capital and restructure a \$30 million fledgling technology company hit hard by downturn of the investment market. Provide strategic direction, financing and management oversight to 35 employees in software development, maintenance, sales and customer support.

Business Transition & Investment Funding

- Revamped the product strategy, business case and the management team, positioning Albion as an attractive candidate to secure \$10-\$15 million Series B funding. Led presentations and received interest from six well-known VC firms.
- Raised \$1 million bridge loan, initiated actions to conserve cash flow and placed company in a holding pattern.
- Continued development and maintenance of core product and existing customers despite cutting overhead by 60%+.

STEADFAST.NET, Austin, Texas 1998 to 2000
Start-Up Provider of High Speed Internet Services using Digital Subscriber Line (DSL) Technology; BellSouth VC investment.

President – SteadFast.net Inc. (1999 to 2000)

Senior Director – BellSouth Emerging Business Group (1998 to 1999)

Challenged to develop new business to be funded from BellSouth’s VC investment program that would allow BellSouth to expand outside of its regional territory. Leveraged business model designed in Europe to build a business case to launch a new Internet/voice venture, SteadFast.net. Established a CLEC with high-speed backbone and voice network, Internet Portal and broadband ISP. Hired a team of 100 for network and systems design and operations, customer service, sales, support, installation and maintenance. Created a national infrastructure for low cost on-line provisioning, billing, customer service and network operations.

Venture Funding & Start-Up

- Won \$8 million in seed capital to fund a beta test. In six months, created and launched a complete business and technology platform that became an immediate competitor to SWBT, Time Warner and well-established ISPs.
- Led presentations to BellSouth’s Executive Management to secure second round funding to expand into 30 states.
- Negotiated the sale of the business to a New York-based CLEC after a shift of BellSouth’s vision and strategy. Facilitated the shut-down of the business after transaction failed to close due to softening capital markets.

Operating & Technology Infrastructure

- Lowered customer acquisition and support costs by 35% compared to competitors by deploying true online marketing, provisioning, billing, payment, customer service and account management tools.
- Deployed support systems infrastructure in 90 days by using off the shelf software. Contracted third party systems integrator to deliver under performance agreement. Total technology investments were under \$4 million.
- Gained immediate customer satisfaction and loyalty by streamlining the installation process. Completed more installations in six weeks than BellSouth accomplished in six months of trials and two months of operation.

Market Penetration & Competitive Positioning

- Capitalized on the emergence of Internet direct marketing (websites, user groups, bulletin boards) to drive market awareness and customer acquisition through online platforms. Demonstrated the success of "viral marketing".
- Combined DSL, local and long distance services into a single line, bundled service, creating a competitive advantage.
- Structured strategic alliances with Akamai, CNN, music and video on demand services to create a value-added component to experience the Internet, not just a fast connection to get to the Internet.

SONOFON A/S, Copenhagen, Denmark

1994 to 1998

*\$4 billion full-service telecommunications company and minority investment of BellSouth Corporation.***Executive Vice President & Deputy CEO (1996 to 1998)****Member, Board of Directors (1994 to 1996)**

Appointed to the Board to oversee BellSouth's 29% investment. Became actively involved in the business during a major turnaround that would facilitate Sonofon's transition from a GSM mobile communications operator to full-service telecommunications provider. Facilitated a complete reorganization of the business. Relocated corporate HQ, hired senior staff, and recruited a talented marketing team that would accelerate growth and move the business toward profitability.

Played a key role in negotiating a buyout of two investors to gain a 46.5% interest with 50/50 operating control. Promoted to Deputy CEO and as the only American in a 1000+ employee organization. Outlined the strategy, business model and operational requirements to start-up new lines of business and integrate them into the existing organization. Held full P&L responsibility for staffing, business development, regulatory, systems development, marketing, customer service and service delivery. Jointly responsible with CEO for overall company results and Board relations.

Turnaround & Rapid Growth of Foreign Investments

- Led Sonofon through an aggressive turnaround and first year of profitable operation since its inception. Delivered consolidated net income of \$34 million in 1997 compared to \$40 million loss in 1996.
- Realigned the business around the rapid development of new technology. Introduced new products that pushed Sonofon's market value from \$500 million to \$4 billion in four years.
- Led negotiation of \$100 million buyout of minority partners increasing BellSouth's ownership to 46.5%.

Market Penetration & Competitive Positioning

- Increased cumulative market share from 18% to 38%, gaining more customers in 18 months than in prior three years. Achieved the highest cellular penetration in the world by 1997. Increased customer base by another 30% in 1998.
- Restructured international long distance agreements, cutting cost of service 50% for \$18+ million in savings in 1997.
- Led successful lobby, accelerating deregulation and competition against the Tele Denmark monopoly.

New Products & Service Offerings

- Leveraged customer loyalty and deregulation to offer International Long Distance and Wireless Local Loop products.
- Outlined business model allowing Sonofon to deploy a fixed wireless technology when technology and radio spectrum in the region came up to speed. Sonofon launched significant market expansion in 2001 with original business model.
- Introduced new pricing and service programs that boosted volume by 9%, adding \$10 million in service revenues in 1995. Launched prepaid services in 1997, bringing total revenues to in excess of \$375 million.

BELLSOUTH EUROPE, Brussels, Belgium / BELLSOUTH INTERNATIONAL, Atlanta, GA

1993 to 1996

*\$3 billion newly-formed enterprise overseeing 12 partnerships in 10 countries with Europe accounting for 40%.***General Manager – BellSouth Denmark Inc. (1994 to 1996)****Director, Financial & Business Planning – BellSouth International (1993 to 1994)**

Recruited into the international organization as the ad hoc CFO and BellSouth's front-man representing their minority financial interests in 12 partnerships in 10 countries. Accepted an expatriate assignment with the Belgium business development office to provide operational support for start-ups in Denmark, France and Germany and others expected in Spain, Italy, France and the Netherlands. Worked with shareholders and company management to set direction and benchmarks for revenue, profit and operating performance using same models applied inside BellSouth Enterprises.

International Investments & Global Market Expansion

- Appointed to the Board of Directors for operations in New Zealand, Argentina and Venezuela.
- Served on planning committee for Danish GSM operation, and finance committee for German cellular operation.
- Rationalized investments in France by negotiating the sale of two shareholdings to position for expansion through a new joint venture.

BELLSOUTH ENTERPRISES / BELLSOUTH CORPORATION, Atlanta, GA 1983 to 1993
\$80 billion corporation with 44+ million customers in the US and 16 countries. Bellsouth Enterprises was a holding company for global subsidiaries in Cellular, Paging, Mobile Data, Long Distance, Advertising, Publishing and Cable TV.

Operations Manager, Financial & Business Planning (1990 to 1993)

Corporate Manager, Mergers & Acquisitions (1988 to 1990)

Investment Manager (1987 to 1988)

Staff Manager / Assistant Staff Manager, Earnings Analysis (1983 to 1987)

Charter employee in newly established BellSouth on fast-track promotion from Treasury to Investments and Mergers & Acquisitions. Following a reorganization and creation of BellSouth Enterprises, joined this group to analyze and support BellSouth's non-regulated ventures worldwide. Assessed revenue, profit and cash flow, benchmarked performance against the competition and adjusted budgets and projections based on industry, market, technology and regulatory trends.

Mergers, Acquisitions & Investments

- Bridged the gap between the corporation and entrepreneurial/emerging ventures to justify investments that would accelerate the top line without adversely affecting BellSouth's bottom-line. Led to:
 - Continued investments in cellular which fueled BellSouth's earnings growth from 1995 to 1999.
 - Exit from paging during industry consolidation, divesting assets for \$1 billion.
- Prepared business cases and due diligence. Advised Chairman/Vice Chairman on merits/value of acquisitions.
 - Assembled a \$500 million UK acquisition that would integrate telephony and cable services.
 - Led financial negotiations for acquisition of Irish CATV company and negotiated the purchase of shares in a national French cable operator.
 - Evaluated independent telephone, telecom equipment, systems integrator, software and printing companies. Recommended against acquisition based on valuation, earnings potential and/or strategic fit.
- Implemented an active trading program for BellSouth's \$1 billion fund of taxable and tax-free money market securities. Delivered a 22% return increase vs. 7% market improvement resulting in \$10 million added income.

Financial Analysis & Reporting

- Instituted a new approach for measuring subsidiary performance, focusing on fundamental analysis, strategic alternatives and future cash flow to maximize value. This approach replaced the previous system of accounting variance analysis and resulted in resource allocation to value creators for the company, such as continued cellular investment.
- Created an acquisition valuation model adopted by BellSouth's CFO and still used in Board of Director presentations.
- Designed a unique one-page summary of key operating indicators, comparing actual/forecast performance to budget.
- Created a standard platform for reporting on 10 distinctly different businesses that is still in place today.
- Provided cost of capital analysis and expert testimony in FCC Docket #84-800 gaining favorable access charges for BellSouth in interstate telephony.

EARLY EXPERIENCE – Student Engineer with South Central Bell Telephone while completing undergraduate degree. Gained experience in Data Center Operations, Billing, Collections and Customer Service with Southern Bell Telephone.

EDUCATION

MBA, Finance – Georgia State University, 1987

BS, Business / Computer Science – Vanderbilt University, 1980

Matthew W. Booher

PROFILE

Executive with proven record of success in general management, financial and operational management, investor relations and business development. Strong background in leadership of large organizations, improving business processes and operational efficiency, and in development and execution of business plans. Experienced in leading high-profile negotiations with customers, vendors and acquisition targets. Extensive background in management reporting, public accounting, process implementation and control, and a thorough knowledge of business information systems.

PROFESSIONAL EXPERIENCE

Broadwing, Inc / Broadwing Communications, Inc **2000 - Present**
Senior Vice President – Finance / Division CFO 2002 - Present

- Financial and operational responsibility for \$900M (annual revenue) division.
- Responsible for re-engineering and reorganizing the division and positioning the business for increased profitability.
- Assist in determining the strategic direction of division or instituting a disposition strategy.

Broadwing, Inc / Cincinnati Bell Telephone Co. 2000 - 2002

Vice President, Investor Relations

- Hired to define and implement professional level Investor Relations program.
- Member of the executive mgmt. team - participating in and influencing decisions and strategic plans.
- Responsible for quarterly earnings release calls, annual meetings and investor conferences and meetings.
- Initiated, developed and implemented corporate disclosure and Regulation FD policies.
- Cultivated and developed relationships with Wall Street research firms and buy-side firms.
- Responsible for targeting new owners and expanding institutional shareholder base.
- Increased IM+ share shareholders from 17 to 31 and sell-side coverage from 6 to 17 analysts.
- Responsible for planning, creative design, and publishing company's annual report (2000 & 2001).

Norrell Corporation, & Interim Services Corporation, Atlanta, Georgia **1998 – 2000**
CFO / Division Controller / Director of Finance & Administration

Norrell Financial Staffing / IMCOR / Norrell Information Services

- Responsible for finance, accounting, information systems and technology, and administrative functions for three Norrell business units totaling \$370M in annual revenue.
- Oversight and responsibility for business unit financial performance and strategic direction, marketplace / customer development and sales strategy.
- Reversed operating losses and negative cash flow within four months by restructuring operations, altering the company's sales model, and re-engineering its e-commerce strategy.

MCI Communications Corp. Atlanta, Georgia **1990 – 1998**
Director / Business Unit CFO, Prepaid Sales 1997 - 1998

MCI, Business Markets, Strategic Business Sales Unit

- Full P&L responsibility for \$200M+ division.
- Responsible for guiding division out of monthly loss position (-\$2M/mth) to profitability (+\$2.5M/mth) in 12 months and exceeded revenue plan by 12%.
- Responsible for functional areas of accounting, planning, business development, billing and invoicing, customer and internal reporting, financial operations, and administration.

Matthew W. Booher – resume (pg. 2)

MCI Communications Corp. Atlanta, Georgia (continued)

Director / Business Unit CFO / Asst. General Manager, 1995 – 1997
Digital Imaging Division, MCI - Business Markets, Atlanta, Georgia & Greensboro, NC

- Financial and operations responsibility for \$50M business unit of MCI, from acquisition through integration into MCI's core functional areas.
- Responsible for executive oversight during acquisition and initial start-up phases of business life cycle.
- Developed sales plans and operating plans for the unit.

Director, Business Analysis & Planning 1994 – 1995
MCI Business Markets Division

- Led finance organization of 40 professionals in the areas of business and financial planning, business analysis, and product pricing, for an \$ 9 billion unit of MCI Communications during a period of record revenue and earnings growth.
- During tenure Business Markets revenue grew more than three times the industry average from 1994-95, resulting in over \$2 billion in revenue growth, and growing earnings at more than 30% annually.
- Developed plans and budgets that achieved revenue growth while holding SG&A expenses constant and reduced capital expenses related to product development by 10% per year.
- Initiated revenue/pricing enhancements delivering more than \$200M in contribution over two years.

Sr. Manager, Planning and Financial Analysis 1992 – 1994
MCI Business Markets Division

- Successfully integrated the planning organizations of five pre-existing business units into single Business Markets Planning organization.
- Developed financial planning process that was driven by specific operational performance plans, including sales productivity, product profitability, pricing and promotion plans.
- Developed customer level profitability system that provided revenue performance and profitability information by product.

Manager / Senior Financial Analyst, Business Development 1990 – 1992
MCI, Business Markets and Southern Division

- Held various positions of increasing responsibility from Sr. Analyst to Manager, in the areas of corporate development and finance.
- Negotiated special customer contracts for long-distance and data services.

McDonnell Douglas Corporation, St. Louis, Missouri 1988 – 1990
Senior Financial Analyst, Program Budgets

- Preparation and presentation of various financial data for senior management.
- Monthly revenue and P&L presentation to senior divisional executives.

Michigan State University, East Lansing, Michigan 1986 – 1988
Graduate Research Assistant, Finance Department

- Directed financial research study for the State of Michigan.
- Authored and published research results.

EDUCATION

Masters of Business Administration / Finance 1987
Michigan State University – East Lansing, Michigan

Bachelor of Science – Business Administration / Economics & Finance 1985
Southern Illinois University - Edwardsville, Illinois

Executive courses and seminars 1992 – present
Darden Graduate School / University of Virginia – Charlottesville, Virginia

Richard E. Putt
President, National Accounts

Professional Biography:

Broadwing Communications - January 2000 to present

- President of National Accounts
- President of Business Markets

espire Communications - December 1997 to January 2000

- Executive Vice President, Sales and Marketing

MCI Telecommunications - January 1987 to January 2000

- Vice President of State Government and University Markets
- Vice President of Carrier Sales and Support
- Vice President of Global Accounts
- Vice President of General Business
- Director of National Accounts
- Director of General Business
- Director of Alternate Channels

Norstan/Electronic Engineering Company - November 1979 to January 1987

- National Account Sales Manager

RICHARD D. CALDER, JR.

President, Business Enterprises

Experience

2001-present

BROADWING COMMUNICATIONS

RESTON, VA

President, Business Enterprises

- Led the business units for Carrier Accounts, Large Accounts, and General Business Markets, and drive a P&L with \$500 million in annual revenues.
- Drive overall strategic and tactical direction for the Business Units, Marketing, and all direct customer operations, including the Enterprise Management Center for trouble resolution.

President, Business Markets

- Led the Business Markets business unit, and drove a P&L with \$150 million in annual revenue. Exceeded all P&L metrics for the 2002 plan and grew revenue by 50%.
- Executed strategic plan to drive up-market to larger enterprise accounts, to provide General Manager authority to field leaders, and to increase productivity resulting in a 150% improvement in field sales results.

1996-2001

WINSTAR COMMUNICATIONS

WASHINGTON, DC

President, South Division

- Led the South Division business unit, and drove a P&L with \$50 million in annual revenue. Exceeded all P&L and network deployment goals.
- Drove overall branch operations for sales and marketing, network operations, network deployment, and finance.

Executive Vice President, Chief Marketing Officer

- Established Winstar as a nationwide leader in broadband services, including high speed internet and data, web hosting, phone services, and e.commerce.
- Recruited and led a 100+ employee marketing organization for brand marketing, product marketing, market management, and training.

Senior Vice President / Vice President, Marketing

- Launched broadband services in top 60 US markets. Drove support for a nationwide field sales and service organization.
- Established and led the customer service team and 7x24 call centers. Developed and led the carrier sales channel.

1994-1996

GO COMMUNICATIONS

ALEXANDRIA, VA

Vice President, Corporate Development and co-founder of this wireless communications company and bidder in the FCC auction for "C-Block" PCS licenses.

- Closed \$150 million in equity financing and raised \$700 million in senior debt financing.
- Negotiated and closed strategic financing and operating agreements with ALLTEL, Century Telephone, Fidelity Capital, Mitsubishi, and Nissho Iwai.

1990-1994

MCI COMMUNICATIONS

WASHINGTON, DC

Director, Wireless Communications

- Led wireless business development and negotiated agreements with over 200 companies to join a national PCS consortium.
- Developed the wireless business plan and established business partner relationships with senior executives in the communications, cable, and publishing industries.

Senior Manager/Manager, Marketing

- Led marketing efforts for the 800 product line with over \$1 billion in annual revenues; Launched initiatives for 800 number portability and increased 800 revenues by over 30%.
- Created and launched an enhanced voice services product line and managed the acquisition of a leading voice services provider.

RICHARD D. CALDER, JR.

President, Business Enterprises

1985-1988 **TELLABS, INC.** **LISLE, IL**

Senior Product Manager/Product Manager, Marketing

- Managed multiple product lines for this telecommunications manufacturer.
- Successfully launched the company's first network management product platform.

Staff Engineer

- Developed five microchips in new design group, and achieved first time success on each project.

Education

1988-1990 **HARVARD BUSINESS SCHOOL** **BOSTON, MA**

Awarded Master in Business Administration, general management curriculum.
Summer Associate, 1989, Booz, Allen & Hamilton Consulting Group, New York, NY.

1981-1985 **YALE UNIVERSITY** **NEW HAVEN, CT**

Awarded Bachelor of Science Degree, *cum laude*, in Electrical Engineering.
Selected to Tau Beta Pi, National Engineering Honor Society.
Earned four varsity letters as first diver on Division I Swimming & Diving team.

Personal

Lived and traveled throughout Europe and the Middle East.

GORDON P. WILLIAMS, JR.

EXPERIENCE:

1997 – Present: Broadwing Communications Inc.(fka IXC Communications, Inc.), Austin, Texas

(1999 – present): Vice President, Associate General Counsel and Assistant Secretary. AV rated and responsible for developing team to provide all legal support for nationwide communications division of telecommunications company deploying a nationwide fiber optic system and with annual revenues in excess of \$1 billion including complex transactions, major contract disputes, litigation, sales, vendor contracts, corporate matters, HR, IP, bankruptcy and work-outs, SEC, legal approval for marketing materials and press releases and back-up for General Counsel. Participate as member of senior management team.

(1997 – 1998): Assistant General Counsel and Director of Network Business Development. Developed and negotiated fiber purchase, sale and swap agreements. Developed forms and legal support for fiber transactions and right-of-way development. Developed complex transaction agreements. Chaired Industry Right-of-Way Group Policy Committee, representing the big three interexchange carriers and the ILECs, that developed and published a nationwide Right of Way Policy Paper that is still in use.

1988 – 1997: MCI Communications Corporation, Richardson, Texas

(1996-1997): Associate Counsel, Law and Public Policy. Responsible for legal and policy support for all matters involving public rights of way and development of first-rate legal team for municipal franchise and state legislative matters. Assumed lead for development and implementation of nationwide municipal franchise policy and strategies. Initiated legislative reform effort. Lead successful industry coalitions at both municipal and state legislative levels. Panelist at several industry and legal conferences. Named to industry Municipal Barriers Working Group. Special briefings presented to executive management, FCC and selected regulatory officials. Co-Chair American Bar Association State and Local Government Law Section Cable and Telecommunications Committee

(1990-1995): Senior Attorney, Office of The General Counsel. Primary Counsel to Texas-based MCI subsidiary, MCImetro Access Transmission Services, Inc. Responsible for ensuring that all of MCImetro's legal support needs were met. Main responsibility was to establish commercial contract forms and policies, perfect rights to communications facilities located in public rights-of-way, coordinate regulatory support, and oversee regulatory filings for MCImetro's nationwide local service initiative.

(1988-1990): Attorney, Office of The General Counsel. Handled complex municipal and utility right-of-way and franchise matters; zoning and land use; commercial contracts and disputes.

1986-1988: Lawyers Title Insurance Corporation, Richmond, Virginia

Senior Attorney (Corporate Officer), Managed claims handling by ten in-house attorneys. Directly handled major claims litigation matters in fifteen states including several major metropolitan areas (New York, Chicago, Boston and Philadelphia). Reorganized the claims organization in the Chicago Multi-States Office. Successfully established third party lead in a major (\$178 million) title

GORDON P. WILLIAMS, JR.

Page Two

reinsurance case. Designed, wrote and implemented a national claims litigation budget program and database.

1982 – 1986: Conner, Hooker, Hydrick, Williams, and Wright, Richmond, Virginia

(1984– 1986): Partner - General litigation practice with emphasis on zoning and land use, real estate, small corporate representation, lease and acquisition agreements. Virginia Regional Zoning Counsel to MCI Communications Corporation.

(1982-1984): Attorney - Developed general litigation and land use practice.

BAR ADMISSION:

Virginia State Bar 1982

EDUCATION:

J.D. - T.C. Williams School of Law, University of Richmond, 1982.

Honors:

Carrico Moot Court Competition Winner - 1980

Barnett Moot Court Competition Winning Team - 1980

Barnett Scholarship for Excellence in Legal Writing - 1980

National Moot Court Team - 1981

Certified for Third Year Practice by the Virginia State Bar.

Internship, Henrico County Circuit Court - 1981

Internship, Henrico County Commonwealth's Attorney's Office. Prosecuted several hundred minor criminal and traffic cases and several appeals to Court of Record, all as first chair - 1981.

B.A. – Psychology, University of Richmond, Richmond, Virginia, 1979.

PUBLICATIONS:

Gordon P. Williams, Jr. *Municipal Regulation of Telecommunications and the Telecommunications Act of 1996 II*, The Urban Law Journal, Fall 1997

Gordon P. Williams, Jr. *Municipal Regulation of Telecommunications: the Telecommunications Act of 1996 and the Facets of the Paradigm*, The Urban Law Journal, Fall 1996

Tomas F. Geselbracht and Gordon P. Williams, Jr. *Information Superhighway Is Beset by Local Fees*, The National Law Journal, March 13 1995

ORGANIZATIONS:

Texas General Counsel Group

Texas General Counsel Forum

American Bar Association, Co-Chair Cable and Telecommunications Subcommittee, State and Local Government Law Section, 1996 - 1999.

American Corporate Counsel Association

American Society of Corporate Secretaries

MILITARY:

Major, Army Corps of Engineers United States Army Reserve. (Retired)

LISA M. BROWN
Vice President of General Business Markets and
Enterprise Management Services

EXECUTIVE SUMMARY

Passionate leader with a wide range of professional experience from P&L, operations, sales and marketing brings a proven track record of building value through strong teams with a high energy style and commitment to get the job done.

PROFESSIONAL EXPERIENCE

BROADWING COMMUNICATIONS, INC – Austin Texas, 7/91 to Present

Vice President General Business Markets & Enterprise Management Services - Austin, Texas 11/02 to Present

General Business Markets:

- Responsible for P&L Management of this BU with monthly revenues of \$13 MM per month supporting 150,000 consumer and business accounts spending under \$10K per month and our strategic intra-company distribution channel.
- Established centralized sales & support team to service mid market accounts.
- Reorganized Alternate Channel Program to bring profitability to this distribution segment.
- Managed Customer Support Functions of Ordering, Service Delivery, Bill Activation, Customer Care & Collections. Staff includes 50 seat customer care center plus 35 positions for sales, marketing & account management support.
- Responsible for sales & marketing, generate new sales of \$100K per month.

Enterprise Management Services:

- Converged traditional care center & NOC creating an innovative 'Tech to Tech' customer repair center with project management layer for high value customers.
- Manage this 80 person center that provides central support for 4 business units and serves customers buying simple & complex data solutions and dedicated voice services
- Cut MTTR & MTTC in half in first 60 days, improved quality of customer interaction and increased customer satisfaction
- Implemented Quality Program to improve call handling, process & procedure and tools.

Vice President Consumer and Small Business Markets & Customer Operations -Austin, Texas 4/02 to 11/02

Consumer & Small Business Markets:

- Managed \$6MM per month P&L for BU of 130,000 customers in the consumer & small business accounts spending under \$2K.
- Achieved 99% of revenue EBIDTA plan for 2002 contributing \$81MM in Net Revenue & \$29MM in EBIDTA.
- Developed & implemented marketing programs to support the segment.
- Converted 50-seat customer service center into a sales & service center focused on retention, achieved a 47% customer 'save' retention rate for '02
- Reduced customer churn significantly by resolving host of operational & billing issues

- Redesigned external web site to support this distribution segment.

Lisa M. Brown - page 2

Customer Operations:

- Responsible for managing central support teams of Provisioning, Billing & Customer Care serving 5 business units.
- Provisioning ~ Managed 120 person Provisioning Team delivering average of \$2.5 million per month in new customer installs, managing backlog of 2,000+ orders valued at over \$6 million. Delivered 85% on time, carried less than 10% of backlog in past due status.
- Customer Care – Managed 130 Customer Care seats in 3 centers (2 internal, 1 specialty outsource). Improved service level, answer rate and rep quality ratings. Rebuilt IVRs to gain efficiency, instituted quality standards including call standards, training program, monitoring, feedback and rep scorecards.
- Billing – Managed Billing Operations team of 55 people responsible for producing monthly billing in excess of \$120 million in 6 billing environments. Billed 99% on time consistently. Also managed disputes & resolution process.

Vice President Sales Operations – Austin, Texas 12/00 to 4/02

- General Business Manager for the President of Business Enterprises Group responsible for planning & financial management of 5 business unit P&Ls generating \$900 Million in annual revenue.
- Created & Implemented Central Sales Operations Support team providing support for 3 business units in the areas of Technical Sales Support & Business Operations.
 - Technical Sales Support provided - 2nd Level Technical Sales Engineering, Complex Bid / RFP Support team, 'Help Sell' a central call center for product & systems
 - Business Operations provided - Sales Administration, Compensation Plan Development & Administration, Executive Reporting

Vice President Provisioning – Austin, Texas 10/99 to 12/00

- Reduced service delivery intervals from 90+ days to average of 29 while more than doubling throughput.
- Eliminated backlog of 1,500+ past due orders (70%+) in 3 month period, while implementing new work process, team structure, support teams, tools, etc.
- Implemented a unique concept in work environment that promoted teamwork, ownership & accountability and alignment with customer sets and distribution channels.
- Rebuilt management team as well as staff, recruiting 70+ team members to replace contract staffers.
- Established Broadwing as industry leader in the area of service delivery.

Vice President Customer Enabling Services, IXC Communications – Newport News, VA 2/99 to 10/99 (acquired by Broadwing)

- Created, implemented, and managed IXC's 'Customer Enabling Services' organization, a sales support team supporting all channels of distribution for Training, Technical Sales Engineering and Media & Web Support.
- Responsible for taking new products to market – developing and delivering training from sales skills to product and technical training. Creating web & media based tools, product repositories and web-based support for sales. Lastly, delivering technical support, network design, rfp support and sales call support to the distribution channels.
- Managed Professional Services practice selling technology consulting & training.

Vice President Network, Eclipse Communications an IXC Subsidiary – Newport News, VA 5/98 to 2/99

- Lead member of integration team managing corporate integration process; consolidating redundant systems, operating centers, vendor services, moving traffic and decommissioning facilities based telecommunications network.
- Designed and implemented Technical Consultant program to provide level 1 tech support to the retail sales organization.
- Represented retail division on multiple teams tasked with developing process required to support the launch of new products and services.

Vice President Network Administration, Network Long Distance – Newport News, VA 5/97 to 5/98 (acquired by IXC Communications)

- Managed facilities based telecommunications network with 2 DEX & 1 DMS switch.
- Managed line cost expenses in excess of \$70MM per year. Negotiated carrier and other vendor agreements. Managed vendor dispute process.
- Developed and implemented new product and service concepts specifically integrated dedicated services, Internet and enhanced travel products.
- Performed network design, engineering and routing administration functions.
- Developed and managed customer provisioning process.

Director Network Services, Eastern Telecom Int'l - Newport News, VA - 9/95 to 5/97 (acquired by Network Long Distance)

- Designed new product and service concepts. Negotiated private label vendor agreements, developed back office process to support new products - dedicated & dial Internet, broadcast fax, conference calling, and paging.
- Managed line costs, carrier and LEC relationships, negotiated vendor contracts.
- Managed Order Entry and Account Activations/LEC Services Departments.
- Member of due diligence team.
- Promoted from 'Manager Network Services' - 4/94 to 9/95.

National Sales Manager Operator Services, Eastern Telecom Int'l – Newport News, VA 4/92 to 4/94

- National Sales Manager for two of three corporate product lines.
- Managed, recruited and supported national force of agent representatives.
- Designed and implemented marketing programs to attract new opportunities.
- Promoted from 'Assistant Sales Manager' - 7/91 to 4/92.

HOSIERY CORPORATION OF AMERICA - Bensalem, PA 9/88 to 6/91

Product Manager, 10/89 to 6/91

- Promoted from 'Assistant to VP Marketing' - 4/89 to 10/89.
- Promoted from 'Executive Assistant to COO' - 9/88 to 4/89.

EDUCATION

Bachelor of Science Degree, Business Administration, Bloomsburg University 1988
Major – Finance, Minor – Economics

MELINDA K. FIGELEY, SPHR
Vice President, Human Resources

PROFESSIONAL SUMMARY

Seasoned Human Resources management professional with 18 years diverse experience. Skilled in providing an effective linkage between business objectives and human capital, and in driving the attainment of business goals through performance-based consultation. Varied industry experience, including telecommunications, services, manufacturing and healthcare, in organizations of 50 - 8,000 employees. Demonstrated expertise in employee and labor relations; leadership and organizational development; and union avoidance strategy.

PROFESSIONAL EXPERIENCE

Broadwing Communications, Austin, Texas
Vice President, Human Resources

10/00-Present

Reporting to Chief Legal Officer. Lead staff of 65 throughout U.S., including 8 Directors/Managers.

Coaching And Professional Development

- Provide performance-based coaching to all levels of management, including senior executives.
- Valued by senior executives as a confidential resource/coach on critical business issues involving a variety of tactical and strategic initiatives.
- Recognized as highly competent business partner and valued member of ten-member senior leadership team.

Leadership And Organizational Development

- Developed and implemented two-tier management and leadership development program.
- Conducted organization-wide cultural and leadership assessment as part of merger/acquisition strategy.

Recruitment/Staffing

- In first nine months, implemented strategic recruitment plan which reduced costs by \$4M/yr and reduced cost per hire to industry-low \$3100/hire.

Budget/Operations

- Managed budget of \$7M and human resources field operations in 36 states.

Labor/Employee Relations

- Reduced EEOC caseload by 75% in first year.
- Negotiated four (4) major employment claims in 2002, resulting in litigation/judgment savings of \$750k.

MCI Telecommunications, Austin/El Paso, Texas
Sr. Manager, Human Resources

02/98-03/00

Reported to National Director, HR. Lead staff of 12, including 3 Managers.

Leadership And Organizational Development

- Developed and implemented a variety of highly customized management and leadership development initiatives, resulting in reduced employee attrition, improved leadership effectiveness, and reduced legal/third-party claims.

Human Resources Management

- Provided leadership for all Human Resources generalist functions.
- Recognized as highly competent business partner and valued member of eight-member senior leadership team.
- Provided proactive consultation to peer groups and mid-level management on a broad variety of strategic and tactical human resources issues.

Surplus Lines Insurance of Texas, Austin, TX
Director, Administration (Finance/Accounting and HR)

10/93-02/98

Reported to General Manager/CEO. Lead staff of 25, including 3 Managers.

Melinda K. Figeley, Page 2

Healthcare International, Austin, TX 02/89-10/93
Director, Human Resources.
Reported to CEO. Lead staff of 11, including 2 Managers.

General Motors Corporation, Chevrolet Truck & Bus Group, Flint, MI 09/85-09/87
Human Resources Specialist
Reported to Director, Personnel.

ADDITIONAL TRAINING & ORGANIZATIONAL DEVELOPMENT

Lead Instructor, University of Texas 09/95-Present
Human Resources Certificate Program
Curriculum Development & Instruction

- Instruct human resources curriculum, providing continuing education to experienced HR professionals in functional areas required for national certification; consistently evaluated at 3.8 - 4.0 (4.0 scale).
- Design instructional materials and facilitate continuing education programs, including:
 - "Understanding Business Performance Metrics and Financials".
 - "Transformational HR Leadership".

Consultant and Guest Speaker

- Frequent consultant on initiatives such as leadership development, HR risk management, union avoidance strategies, and HR compliance issues.
- Frequent guest speaker on subjects such as Dimensions of Change in HR and Transformational Leadership.

EDUCATION

University of Michigan, Ann Arbor, MI
Bachelor of Arts, with honors
Academic Honors/Awards: Alpha Lambda Delta, Phi Eta Sigma

University of Texas, Austin, TX
Certificate in Human Resources Management

Human Resources Certification Institute, Arlington, VA
Certified Senior Professional in Human Resources (SPHR)

Continuing Development and Education:

Creating and Sustaining High-Performance Teams; Creating a High-Performance Culture; Emotional Intelligence at Work; Creating and Marketing an Employment Brand; The Mergers & Acquisitions School of Hard Knocks Executive Roundtable; Strategy Thinking in Revolutionary Times; Total Employee Involvement; Knowledge Management; Customer Service Management; TQM; Leadership Development Community five-part executive program (Authenticity, Accountability, Intentionality, Courage and Velocity); Hughes & Luce Annual Employment Law Briefing.

PROFESSIONAL AFFILIATIONS

- Society for Human Resources Management (SHRM).
- Austin Human Resources Management Association (AHRMA).
- Appointed to Bureau of National Affairs Personnel Policy Forum, Washington, DC, 1997-98.

Karen T. Hanson

=====*National Director – Regulatory Affairs*=====

Achievement-oriented professional with diversified experience in regulatory compliance, tariff management, mergers and acquisitions. Knowledge of telecommunications regulations and products. Excellent multi-tasking and organizational aptitudes with proven ability to analyze revenue by product and regulatory requirement to insure adequate, but not excessive payments of fees and assessments to FCC, State Utility Commissions and all other established funds and agencies. Effective communicator and problem-solver. Enjoy supporting the efforts of multiple departments regarding policies and procedures through research and interpretation of individual rules, ordinances and statutes by state and jurisdiction.

SKILLS SUMMARY

▪ Government Relations	Oral Presentation	Meet Deadlines
▪ Customer Relations	Creative	Report Preparation
▪ Administrative Skills	Collecting Data	Teams/Task forces
▪ Written Presentation	Analyzing Data	Directing/Managing

EXPERIENCE

BROADWING COMMUNICATIONS – Austin, Texas

National facilities based telecommunications carrier

National Director-Regulatory Affairs, January 1, 2003 to present

Responsibilities include the supervision, filing and maintenance of all state tariffs; compliance with all state and federal rules and regulations; providing staff support to various departments in researching and interpreting state and federal rules and regulations; managing various issues and negotiating settlements regarding disputed billings issued to and billed by present employer; contract reviews; responding to any orders or requests issued by state and federal regulatory agencies; tracking and resolving all state and federal agencies complaints; tracking revenue for the purpose of authorizing payments to state and federal high cost funds; calculating and filing of 499A and 499Q information with the FCC; filing of all state and federal annual reports result in payment of \$19 million in Regulatory assessments and fees.

Regulatory Compliance Specialist, _____ to December 2002

Managed reporting and payment of assessments to federal and state regulatory authorities. Coordinated relationship between company and customers relative to billing of state and federal assessments. Secured and maintained state, county and municipal licenses. Worked on four mergers. **Key accomplishments.**

- **Earned Broadwing Encore and Ovation award** for finding revenue opportunities enough to fund entire Regulatory Department budget for a full year. (\$1,000,000 +)
Presentation in Cancun, Mexico

Karen T. Hanson

Regulatory Analyst – IXC/Broadwing, Austin, TX - August 1998 to
Managed required Secretary of State filings of withdrawal, and/or merger, and annual regulatory report filings for seven merged entities in forty-eight contiguous states.

Key accomplishment.

- **Earned – I Am Exceptional Award** for \$189,000 in recovered revenue.
Presentation in Scottsdale, AZ

Regulatory Manager – Network Long Distance, Inc. – Baton Rouge, LA
September 1995 to August 1998

Managed Regulatory, Secretary of State and Sales Tax Reporting in forty-eight states.
Responded to FCC and State Utility Commission Customer Complaints.

Key accomplishment.

- **Upon merger with IXC Communications** I was asked to join the Regulatory Department of IXC in Austin.

Vice President & Corporate Secretary – Baton Rouge Business Systems, Inc.

Cash Register Dealer - Baton Rouge, LA – October 1980 to December 1995

Managed office duties including A/P, A/R, Collections, Payroll, taxes, and employee benefits. Handled employee relations, retail customer relations as well as company relations with vendors and product manufacturers. Mastered programming and operating techniques of various cash register systems and implemented these features to fit customer needs. Programmed and trained customer and employees.

Key accomplishment.

- **Invited by Sanyo Corporation as one of ten key dealers in the nation, to critique a prototype cash register system.**

COMPUTER SKILLS

- | | |
|-------------------|-----------------------|
| ▪ Microsoft Excel | Microsoft Outlook |
| ▪ Microsoft Word | Windows 2000/NT/98/95 |
| ▪ Lotus 1-2-3 | Word Perfect |

Pennsylvania Property

Address	City	County	Lessor/Grantor	Lessee/Grantee	Name/Use	Term	Renewals	Consent Required
16 Sentry Parkway West – 2 nd Floor	Blue Bell	Montgomery	Income and Growth Fund II, LP	Broadwing Communications Real Estate Services LLC.	Office Lease	11/1/00 - 10/31/05	One 5 year renewal option – written notice of renewal must be given 9 months prior to end of term	Yes
401 North Broad Street	Philadelphia	Philadelphia	Broad & Noble Associates, Inc. /Callowhill Mgmt	Broadwing Communications Real Estate Services LLC.	Commercial/Switch	02/22/95 – 02/28/09	4 th Amendment 0 Two five year renewals – 12 month notice prior to end of term	No
535 Smithfield Street	Pittsburgh	Allegheny	Oliver Building, L.P.	Broadwing Communications Real Estate Services LLC.	Telecommunications	02/01/98-01/31/08	No provision	No
30 Broad Street	Hilltop Township	Buck	Michael D. Hatter and Ida J. Hatter	Broadwing Communications Real Estate Services LLC.	Lattice Tower	9/10/85-9/5/95 renewed through 9/5/00	Option to renew for 2 terms of 5 years each; at least one has been exercised already	Requires prior consent
Broad Street	Hilltop Township	Buck	Stanley W. Cassel and Theresa Cassel	Broadwing Communications Real Estate Services LLC.	Lattice Tower	9/10/85-9/5/95 renewed through 9/5/00	Option to renew for 2 terms of 5 years each; at least one has been exercised already	Requires prior consent
Broad Street	Hilltop Township	Buck	Atlantic States Microwave Transmission Company	Broadwing Communications Real Estate Services LLC.		3/21/86	Option to renew for 2 terms of 5 years each; at least one has been exercised already	No assignment by Lessee; silent on assignment by Lessor
Bucktown, Chestnut Hill	Chester		South Coventry Township	Broadwing Communications Real Estate Services LLC.	Lattice Tower	01/01/85-06/30/95	Option to renew for 2 terms of 5 years each; at least one has been exercised already	Requires prior consent

Address	City	County	Lessor/Grantor	Lessee/Grantee	Name/Use	Term	Renewals	Consent Required
Bucktown, Chestnut Hill	Chester		IXC Carrier, Inc.	Broadwing Communications Real Estate Services LLC.	Lattice Tower	10/22/96- 06/30/05	Not applicable	No provision
757 Springdale Drive	Exton	Chester	BET Investments III, L.P.	Broadwing Communications Real Estate Services LLC.	Office Lease	2/21/01 - 2/20/06	One 5 year renewal option	No



Broadwing Telecommunications, Inc.
C III Communications Operations, LLC (soon to be Broadwing Communications, LLC)

Date

Dear Long Distance Service Customer:

We are pleased to inform you that C III Communications Operations, LLC ("C III") is acquiring all the assets of Broadwing Telecommunications Inc., your current long distance service provider. Please rest assured that the acquisition will not affect the quality of your service and you do not need to do anything to continue your service. As of [date], C III will become your long distance carrier and Broadwing Telecommunications will cease providing long distance services. After the transfer, services will continue to be provided and billed to you under the Broadwing name. In fact, after obtaining all of the necessary regulatory approvals, C III will change its name to Broadwing Communications, LLC (the "New Broadwing").

The New Broadwing will continue to be run in the same manner and there will be no significant change in the services you enjoy. All of your calls will continue to be carried on the Broadwing network -- *The World's First Beautiful NetworkSM*. As a customer of the New Broadwing, you will continue to receive all the features, current rates and terms and conditions of service that you enjoy today. Consistent with current regulatory requirements, you will receive written notice in accordance with applicable state and federal law prior to any future changes in your terms and conditions of service. We are committed to making this transition as seamless as possible. You should not notice any change except the new invoices may include a new mailing address for payments. All customer service numbers and personnel will remain the same.

If you are satisfied with your current service and would like to remain in the Broadwing network, simply do nothing. If you do not select a new long distance provider before [date], all customers receiving this notice will have their long distance service transferred to the New Broadwing regardless of whether the account has a preferred carrier freeze. To ensure that your preferred carrier freeze remains in effect after the transfer, we encourage you to contact your local carrier after [date] to arrange a new preferred carrier freeze.

All customer service questions, before and after the transfer, can still be directed to (800) 422-1199. If you have any questions about the transfer please do not hesitate to call us or visit our website at _____.

We appreciate your business and look forward to serving you in the years ahead.



FOR CUSTOMER SERVICE CALL 1-800-364-2828

Customer Name _____ Account Number _____ Group Number _____ Billing Period _____ Bill Date _____ Page 1 of 3

Broadwing can offer you a technically superior network for all your communication needs- internet, voice, data and beyond.

This nationwide network, built from the ground up, was engineered to support growing businesses, expansive technologies and provide one complete communications solution.

Please contact our Customer Care Department for more information on Broadwing's full line of products and services:
Phone (800) 364-2828

If you dispute any portion of this invoice, please call Customer Service at 1-800-422-1199 immediately. Invoices not disputed within 30 days may not be subject to dispute thereafter.

Account Summary	Amount	Total
PREVIOUS BALANCE		0.00
PAYMENTS RECEIVED		0.00
ADJUSTMENTS		

Balance Forward 30.52

Summary of New Charges		
NEW USAGE CHARGES		0.00
RECURRING CHARGES		0.00
NON-RECURRING CHARGES		
OTHER CHARGES AND CREDITS		
SERVICE CHARGES		0.
TAXES		0.

Total New Charges Due

Total Amount Due

Please detach and return bottom portion with payment- do not fold. THANK YOU!

ECI01A 09/03/02



1122 Capital of Texas Hwy S
Austin, TX 78746

Bill Close Date	Due
Account/Group #	Total Amount Due

To avoid a 1.5% late payment charge, payment must be received by Payment Due Date

PLEASE MAKE CHECK PAYABLE TO:



Broadwing Communications, LLC
P.O. Box 7015
Washington, DC 20500

30900400002803450200211260000046863



FOR CUSTOMER SERVICE CALL 1-800-364-2828

Customer Name Account Number Group Number Billing Period Bill Date Page
2 of 3

CURRENT ACCOUNT ACTIVITY

NON-RECURRING CHARGES:
FUSF RECOVERY BURCHARGE VOICE MRC

TOTAL NON-RECURRING CHARGES:
OTHER CHARGES AND CREDITS:

SURCHARGES:
COMMON CARRIER SUBSCRIPTION
TOTAL SURCHARGES:

TOTAL OTHER CHARGES AND CREDITS:

TAXES:
FEDERAL EXCISE TAX

TOTAL TAXES:

SERVICE CHARGE
TOTAL CURRENT CHARGES



FOR CUSTOMER SERVICE CALL 1-800-364-2828

Customer Name

Account Number

Group Number

Billing Period

Invoice Date

Page

3 of 3

Date	Time	Rate	Call Destination	Number Called	Minutes	Charges
<p>IMPORTANT UPDATE Broadwing assesses a Federal Universal Service Fund fee of 7.2805¢ on recurring and non-recurring charges for data telecommunication services, with the exception of Internet services. Broadwing charges a Common Carrier Subscription Charge (CCSC) of \$2.54 per switched voice residential lines and \$4.67 for switched voice business lines.</p>						

Date	Time	Rate	Call Destination	Number Called	Minutes	Charges
Empty table body						

D = DAY
 SI = STANDARD INTL
 T = TRAVEL

X = ORIGINATING NUMBER UNAVAILABLE
 E = EVENING
 DI = DISCOUNT INTL

I = INTL ORIGINATION
 N = NIGHT/WEEKEND
 P = PAY PHONE

EI = ECONOMY INTL
 M = MULTIPLE RATE PERIOD
 * = ORIGINATING NUMBER INDICATED FOR TOLL FREE CALLS

S = PROMOTIONS

Broadwing Communications, LLC

Broadwing Communications, LLC
 P.O. Box 7015
 Washington, DC 20500

		Account No	
INVOICE SUMMARY		ACCOUNT SUMMARY	
INVOICE NUMBER:	INVOICE DATE:	FOR BILLING INQUIRIES:	
CURRENT CHARGES AND CREDITS		Phone: (877) 946-4777 Fax: (888) 335-1339	
Finance Charges:	\$0.00	Previous Balance:	
Recurring Charges:		Payments Received:	\$0.00
Usage Charges:	\$0.00	Adjustments:	
Non-Recurring Charges:	\$0.00	Total Current Charges:	
Discounts:	\$0.00		
Taxes:	\$0.00	Total Amount Due:	_____
Total Current Charges:			
PAYMENT DUE DATE:			
TERMS			
Finance charge of 1.5% per month is assessed on unpaid balance after due date.		If a dispute arises as to any portion of this invoice, please pay the undisputed amount of the invoice and send a written description of the disputed amount not later than 30 days from the date of the invoice.	

To ensure proper credit, include remittance portion of invoice along with payment.

Broadwing

Please send payment to:

Broadwing Communications, LLC
 P.O. Box 7015
 Washington, DC 20500

Account Number: _____

Invoice Date: _____

Invoice Number: _____

Payment Due: _____

Total Amount Due: _____

Check here if name, address, or telephone number has changed.

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Amount Enclosed: _____

ADJUSTMENTS DETAIL

Date	Description	Circuit ID	Amount
	Credit Miscellaneous Credit Adj -		
	Credit Miscellaneous Credit Adj -		
	Credit Miscellaneous Credit Adj -		
	Disconnect Credit -		

Subtotal for Adjustments:

RECURRING CHARGES

PRIVATE LINE SERVICES PRODUCT LINE

Billing Period	Circuit ID	Customer Circuit ID	City Pair	Description	Service Order	Amount
---------------------------	-----------------------	--------------------------------	------------------	--------------------	--------------------------	---------------

RECURRING CHARGES

PRIVATE LINE SERVICES PRODUCT LINE

Billing Period	Circuit ID	Customer Circuit ID	City Pair	Description	Service Order	Amount
---------------------------	-----------------------	--------------------------------	------------------	--------------------	--------------------------	---------------

Subtotal for Private Line Services Product Line (Service Level):

RECURRING CHARGES

PRIVATE LINE SERVICES PRODUCT LINE

Billing Period	Circuit ID	Customer Circuit ID	City Pair	Description	Service Order	Amount
---------------------------	-----------------------	--------------------------------	------------------	--------------------	--------------------------	---------------

RECURRING CHARGES

FRAME RELAY SERVICES PRODUCT LINE

Billing Period	Circuit ID	Customer Circuit ID	City Pair	Description	Service Order	Amount
---------------------------	-----------------------	--------------------------------	------------------	--------------------	--------------------------	---------------

Subtotal for Frame Relay Services Product Line (Service Level):

Subtotal for Frame Relay Services Product Line:

Subtotal for Recurring Charges:

Subtotal for Account 211:

Total for This Invoice:



FOR CUSTOMER SERVICE CALL 1-800-364-2828

Customer Name _____ Account Number _____ Group Number _____ Billing Period _____ Bill Date _____ Page 1 of 3

Broadwing can offer you a technically superior network for all your communication needs- internet, voice, data and beyond.

This nationwide network, built from the ground up, was engineered to support growing businesses, expansive technologies and provide one complete communications solution.

Please contact our Customer Care Department for more information on Broadwing's full line of products and services:
Phone (800) 364-2828

If you dispute any portion of this invoice, please call Customer Service at 1-800-422-1199 immediately. Invoices not disputed within 30 days may not be subject to dispute thereafter.

Account Summary	Amount	Total
PREVIOUS BALANCE		0.00
PAYMENTS RECEIVED		0.00
ADJUSTMENTS		

Balance Forward 30.52

Summary of New Charges		
NEW USAGE CHARGES		0.00
RECURRING CHARGES		0.00
NON-RECURRING CHARGES		
OTHER CHARGES AND CREDITS		
SERVICE CHARGES		0.
TAXES		0.

Total New Charges Due

Total Amount Due

Please detach and return bottom portion with payment- do not fold. THANK YOU!

ECIO1A 09/03/02



1122 Capital of Texas Hwy S
Austin, TX 78746

Bill Close Date	Due
Account/Group #	Total Amount Due

To avoid a 1.5% late payment charge, payment must be received by Payment Due Date

PLEASE MAKE CHECK PAYABLE TO:



BROADWING TELECOMMUNICATIONS, INC
PO BOX 790036
ST LOUIS, MO 63179-0036

30900400002803450200211260000046863



FOR CUSTOMER SERVICE CALL 1-800-364-2828

<u>Customer Name</u>	<u>Account Number</u>	<u>Group Number</u>	<u>Billing Period</u>	<u>Bill Date</u>	<u>Page</u>
					2 of 3

CURRENT ACCOUNT ACTIVITY

NON-RECURRING CHARGES:
FUSF RECOVERY SURCHARGE VOICE MRC

TOTAL NON-RECURRING CHARGES:
OTHER CHARGES AND CREDITS:

SURCHARGES:
COMMON CARRIER SUBSCRIPTION
TOTAL SURCHARGES:

TOTAL OTHER CHARGES AND CREDITS:

TAXES:
FEDERAL EXCISE TAX

TOTAL TAXES:

SERVICE CHARGE
TOTAL CURRENT CHARGES

EC01B7.3.08



FOR CUSTOMER SERVICE CALL 1-800-364-2828

Customer Name

Account Number

Group Number

Billing Period

Invoice Date

Page

3 of 3

Date	Time	Rate	Call Destination	Number Called	Minutes	Charges
<p>IMPORTANT UPDATE Broadwing assesses a Federal Universal Service Fund fee of 7.2805% on recurring and non-recurring charges for data telecommunication services, with the exception of Internet services. Broadwing charges a Common Carrier Subscription Charge (CCSC) of \$2.54 per switched voice residential lines and \$4.67 for switched voice business lines.</p>						

Date	Time	Rate	Call Destination	Number Called	Minutes	Charges
Empty table body						

D = DAY
 SI = STANDARD INTL
 T = TRAVEL

X = ORIGINATING NUMBER UNAVAILABLE
 E = EVENING
 DI = DISCOUNT INTL

I = INTL ORIGATION
 N = NIGHT/WEEKEND
 P = PAY PHONE

EI = ECONOMY INTL
 M = MULTIPLE RATE PERIOD
 * = ORIGINATING NUMBER INDICATED FOR TOLL FREE CALLS

S = PROMOTIONS

Broadwing Communications Services, Inc.

Broadwing Communications Services Inc.
 P.O. Box 952061
 St. Louis, MO 63195-2061

		Account No	
INVOICE SUMMARY		ACCOUNT SUMMARY	
INVOICE NUMBER:	INVOICE DATE:	FOR BILLING INQUIRIES:	
CURRENT CHARGES AND CREDITS		Phone: (877) 946-4777 Fax: (888) 335-1339	
Finance Charges:	\$0.00	Previous Balance:	
Recurring Charges:		Payments Received:	\$0.00
Usage Charges:	\$0.00	Adjustments:	
Non-Recurring Charges:	\$0.00	Total Current Charges:	
Discounts:	\$0.00		
Taxes:	\$0.00	Total Amount Due:	_____
Total Current Charges:		PAYMENT DUE DATE:	
TERMS			
Finance charge of 1.5% per month is assessed on unpaid balance after due date.		If a dispute arises as to any portion of this invoice, please pay the undisputed amount of the invoice and send a written description of the disputed amount not later than 30 days from the date of the invoice.	
The new Broadwing lockbox address is Broadwing, Inc., P.O. Box 952061, St Louis, MO 63195-2061. Please make the changes within your Account Payable systems. Payments sent to the incorrect address after March 1, 2002, will not be forwarded. Thank You!			

To ensure proper credit, include remittance portion of invoice along with payment.

Broadwing

Please send payment to:

Broadwing Communications Services Inc.
 P.O. Box 952061
 St. Louis, MO 63195-2061
 Attn: Accounts Receivable

Account Number: _____

Invoice Date: _____

Invoice Number: _____

Payment Due: _____

Check here if name, address, or telephone number has changed.

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Amount Enclosed: _____

ADJUSTMENTS DETAIL

Date	Description	Circuit ID	Amount
	Credit Miscellaneous Credit Adj -		
	Credit Miscellaneous Credit Adj -		
	Credit Miscellaneous Credit Adj -		
	Disconnect Credit -		

Subtotal for Adjustments:

RECURRING CHARGES

PRIVATE LINE SERVICES PRODUCT LINE

Billing Period	Circuit ID	Customer Circuit ID	City Pair	Description	Service Order	Amount
---------------------------	-----------------------	--------------------------------	------------------	--------------------	--------------------------	---------------

RECURRING CHARGES

PRIVATE LINE SERVICES PRODUCT LINE

Billing Period	Circuit ID	Customer Circuit ID	City Pair	Description	Service Order	Amount
---------------------------	-----------------------	--------------------------------	------------------	--------------------	--------------------------	---------------

Subtotal for Private Line Services Product Line (Service Level):

RECURRING CHARGES

PRIVATE LINE SERVICES PRODUCT LINE

Billing Period	Circuit ID	Customer Circuit ID	City Pair	Description	Service Order	Amount
---------------------------	-----------------------	--------------------------------	------------------	--------------------	--------------------------	---------------

RECURRING CHARGES

FRAME RELAY SERVICES PRODUCT LINE

Billing Period	Circuit ID	Customer Circuit ID	City Pair	Description	Service Order	Amount
---------------------------	-----------------------	--------------------------------	------------------	--------------------	--------------------------	---------------

Subtotal for Frame Relay Services Product Line (Service Level):

Subtotal for Frame Relay Services Product Line:

Subtotal for Recurring Charges:

Subtotal for Account 211:

Total for This Invoice:



FOR CUSTOMER SERVICE CALL 1-800-364-2828

Customer Name _____ Account Number _____ Group Number _____ Billing Period _____ Bill Date _____ Page 1 of 3

Broadwing can offer you a technically superior network for all your communication needs - internet, voice, data and beyond.

This nationwide network, built from the ground up, was engineered to support growing businesses, expansive technologies and provide one complete communications solution.

Please contact our Customer Care Department for more information on Broadwing's full line of products and services:
Phone (800) 364-2828

If you dispute any portion of this Invoice, please call Customer Service at 1-800-422-1199 immediately. Invoices not disputed within 30 days may not be subject to dispute thereafter.

Account Summary	Amount	Total
PREVIOUS BALANCE		0.00
PAYMENTS RECEIVED		0.00
ADJUSTMENTS		

Balance Forward 30.52

Summary of New Charges		
NEW USAGE CHARGES		0.00
RECURRING CHARGES		0.00
NON-RECURRING CHARGES		
OTHER CHARGES AND CREDITS		
SERVICE CHARGES		0.
TAXES		0.

Total New Charges Due

Total Amount Due

Please detach and return bottom portion with payment - do not fold. THANK YOU!

EC101A 09/01/02



1122 Capital of Texas Hwy S
Austin, TX 78748

Bill Close Date	Due
Account/Group #	Total Amount Due

To avoid a 1.5% late payment charge, payment must be received by Payment Due Date

PLEASE MAKE CHECK PAYABLE TO:



Broadwing Communications, LLC
P.O. Box 7015
Washington, DC 20500

3090040000280345020021126000046863



FOR CUSTOMER SERVICE CALL 1-800-364-2828

Customer Name

Account Number

Group Number

Billing Period

Bill Date

Page

2 of 3

CURRENT ACCOUNT ACTIVITY

NON-RECURRING CHARGES:
FUSF RECOVERY SURCHARGE VOICE MRC

TOTAL NON-RECURRING CHARGES:
OTHER CHARGES AND CREDITS:

SURCHARGES:
COMMON CARRIER SUBSCRIPTION
TOTAL SURCHARGES:

TOTAL OTHER CHARGES AND CREDITS:
TAXES:

FEDERAL EXCISE TAX

TOTAL TAXES:

SERVICE CHARGE
TOTAL CURRENT CHARGES

EC01B 7.3.08



Customer Name

FDR CUSTOMER SERVICE CALL 1-800-364-2828

Account Number

Group Number

Billing Period

Invoice Date

Page

3 of 3

Date	Time	Rate	Call Destination	Number Called	Minutes	Charges
<p style="text-align: center;">IMPORTANT UPDATE</p> <p>Broadwing assesses a Federal Universal Service Fund fee of 7.2805¢ on recurring and non-recurring charges for data telecommunication services, with the exception of Internet services. Broadwing charges a Common Carrier Subscription Charge (CCSC) of \$2.54 per switched voice residential lines and \$4.67 for switched voice business lines.</p>						

Date	Time	Rate	Call Destination	Number Called	Minutes	Charges

D = DAY
 SI = STANDARD INTL
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X = ORIGINATING NUMBER UNAVAILABLE
 E = EVENING
 DI = DISCOUNT INTL

I = INTL ORIGINATION
 N = NIGHT/WEEKEND
 P = PAY PHONE

EI = ECONOMY INTL
 M = MULTIPLE RATE PERIOD
 * = ORIGINATING NUMBER INDICATED FOR TOLL FREE CALLS

S = PROMOTIONS

Broadwing Communications, LLC

Broadwing Communications, LLC
 P.O. Box 7015
 Washington, DC 20500

		Account No	
INVOICE SUMMARY		ACCOUNT SUMMARY	
INVOICE NUMBER:	INVOICE DATE:	FOR BILLING INQUIRIES:	
CURRENT CHARGES AND CREDITS		Phone: (877) 946-4777 Fax: (888) 335-1339	
Finance Charges:	\$0.00	Previous Balance:	
Recurring Charges:		Payments Received:	\$0.00
Usage Charges:	\$0.00	Adjustments:	
Non-Recurring Charges:	\$0.00	Total Current Charges:	
Discounts:	\$0.00	Total Amount Due:	
Taxes:	\$0.00	PAYMENT DUE DATE:	
Total Current Charges:			
TERMS			
Finance charge of 1.5% per month is assessed on unpaid balance after due date.		If a dispute arises as to any portion of this invoice, please pay the undisputed amount of the invoice and send a written description of the disputed amount not later than 30 days from the date of the invoice.	

To ensure proper credit, include remittance portion of invoice along with payment.

Broadwing

Please send payment to:

Broadwing Communications, LLC
 P.O. Box 7015
 Washington, DC 20500

Account Number:

Invoice Date:

Invoice Number:

Payment Due:

Total Amount Due:

Check here if name, address, or telephone number has changed.

The world's first beautiful network.SM

Amount Enclosed: _____

ADJUSTMENTS DETAIL

Date	Description	Circuit ID	Amount
	Credit Miscellaneous Credit Adj -		
	Credit Miscellaneous Credit Adj -		
	Credit Miscellaneous Credit Adj -		
	Disconnect Credit -		

Subtotal for Adjustments:

RECURRING CHARGES

PRIVATE LINE SERVICES PRODUCT LINE

Billing Period	Circuit ID	Customer Circuit ID	City Pair	Description	Service Order	Amount
---------------------------	-----------------------	--------------------------------	------------------	--------------------	--------------------------	---------------

RECURRING CHARGES

PRIVATE LINE SERVICES PRODUCT LINE

Billing Period	Circuit ID	Customer Circuit ID	City Pair	Description	Service Order	Amount
---------------------------	-----------------------	--------------------------------	------------------	--------------------	--------------------------	---------------

Subtotal for Private Line Services Product Line (Service Level):

RECURRING CHARGES

PRIVATE LINE SERVICES PRODUCT LINE

Billing Period	Circuit ID	Customer Circuit ID	City Pair	Description	Service Order	Amount
---------------------------	-----------------------	--------------------------------	------------------	--------------------	--------------------------	---------------

RECURRING CHARGES

FRAME RELAY SERVICES PRODUCT LINE

Billing Period	Circuit ID	Customer Circuit ID	City Pair	Description	Service Order	Amount
---------------------------	-----------------------	--------------------------------	------------------	--------------------	--------------------------	---------------

Subtotal for Frame Relay Services Product Line (Service Level):

Subtotal for Frame Relay Services Product Line:

Subtotal for Recurring Charges:

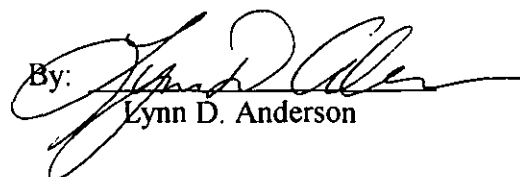
Subtotal for Account 211:

Total for This Invoice:

AFFIDAVIT

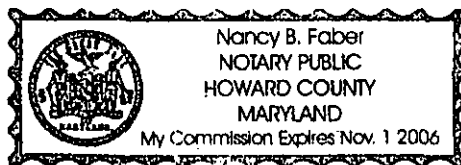
STATE OF MARYLAND)
))
)) SS
COUNTY OF HOWARD)
_____)

I, Lynn D. Anderson, declare under penalty of perjury that I am Vice President of C III Communications, LLC and C III Communications Operations, LLC; that I have read the foregoing and any attachments and know the contents thereof; that the same are true to the best of my knowledge, except as to the matters that are therein stated on information or belief, and as to those matters I believe them to be true.

By: 
Lynn D. Anderson

Subscribed and sworn to before me
this ____ day of March, 2003

Nancy B. Faber

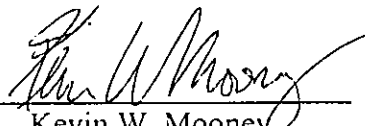


RECORDED
03 MAR 26 PM 3:57
SECRETARY'S BUREAU

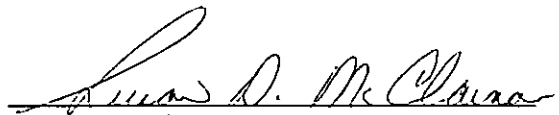
AFFIDAVIT

_____))
STATE OF OHIO))
_____)) ss
COUNTY OF HAMILTON))
_____))

I, Kevin W. Mooney, declare under penalty of perjury that I am Chief Executive Officer of Broadwing Communications Services Inc. and Broadwing Telecommunications Inc.; that I have read the foregoing and any attachments and know the contents thereof; that the same are true to the best of my knowledge, except as to the matters which are therein stated on information or belief, and as to those matters I believe them to be true.

By: 
Kevin W. Mooney
Chief Executive Officer

Subscribed and sworn to before me
this 17 day of March, 2003


Notary Public

Susan D. McClarnon
Notary Public, State of Ohio
My Commission Expires Mar. 10, 2008

My Commission Expires: _____

SECRETARY'S BUREAU
03 MAR 26 PM 3:57

CERTIFICATE OF SERVICE

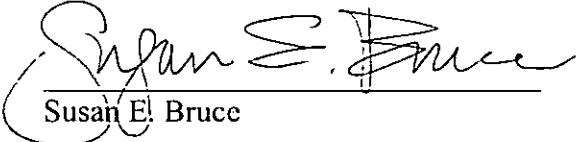
I hereby certify that I am this day service a true copy of the foregoing document upon the participants listed below in accordance with the requirements of Section 1.54 (relating to service by a participant).

VIA FIRST-CLASS MAIL

Irwin A. Popowsky, Esq.
Office of Consumer Advocate
555 Walnut Street
Forum Place, Fifth Floor
Harrisburg, PA 17101

Office of the Attorney General
Office of Consumer Protection
Strawberry Square, 14th Floor
Harrisburg, PA 17120

Office of Small Business Advocate
Suite 1102, Commerce Building
300 North Second Street
Harrisburg, PA 17101



Susan E. Bruce

Dated this 26th day of March, 2003, in Harrisburg, Pennsylvania.

ORIGINAL

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

SECRETARY'S BUREAU

APR 09 2003 PM 3:55

Joint Application of C III Communications, LLC,
C III Communications Operations, LLC,
Broadwing Communications Services Inc., and
Broadwing Telecommunications Inc.
for a Certificate of Public Convenience to Effect:

DOCUMENT
FOLDER

(a) Transfer of assets from Broadwing Communications Services Inc. and Broadwing Telecommunications Inc. to C III Communications Operations, LLC;

: Docket No. A- 311258

(b) Abandonment of service for Broadwing Communications Services Inc. and Broadwing Telecommunications Inc.; and

: Docket No. A-310287

: Docket No. A-310161

(c) Approval of C III Communications Operations LLC, as an interexchange carrier.

: A- _____ F- _____

DOCKETED

PETITION FOR PROTECTIVE ORDER

APR 09 2003

C III Communications Operations, LLC ("C III Ops"), by and through its attorneys, hereby files this Petition for Protective Order pursuant to 52 Pa. Code Section 5.423 and requests that the Pennsylvania Public Utility Commission ("Commission") grant protective or confidential treatment of certain proprietary information involved in the above-captioned proceeding. In support thereof, C III Ops submits as follows.

1. On March 26, 2003, simultaneous with the filing of this Petition for Protective Order, C III Ops, along with C III Communications, LLC ("C III"), Broadwing Communications Services Inc. ("Broadwing CSI"), and Broadwing Telecommunications Inc. ("Broadwing TI") filed a Joint Application requesting Commission approval of: (1) the transfer of assets from Broadwing CSI and Broadwing TI to C III Ops; (2) Broadwing CSI's and Broadwing TI's abandonment of their authority to offer, render, furnish, or supply telecommunications services

as interexchange carriers in Pennsylvania; and (3) the application of C III Ops for authority to offer, render, furnish, or supply telecommunications services as an interexchange carrier (both reseller and facilities-based) in Pennsylvania. Accompanying the Application is supporting information in the form of various exhibits.

2. The information subject to the requested Protective Order is C III Ops' *pro forma* financial statements, which are set forth in Exhibit I of the Application. This information is believed by C III Ops to be of a proprietary or highly confidential nature and is so designated by being stamped "Confidential."

3. C III Ops' *pro forma* financial statements disclose information regarding C III Ops' cash flow and income. C III Ops considers this information to be highly proprietary. Exhibit I contains highly confidential financial information that is of extreme value to C III Ops and would be extremely valuable to C III Ops' competitors. If this information were obtained by C III Ops' competitors, C III Ops' competitive position could be adversely impacted. In short, the unrestricted disclosure of such information would be extremely detrimental to C III Ops' business and could afford C III Ops' competitors an unfair economic or competitive advantage. The potential harm to C III Ops is substantial, and the need for proprietary protection of this information outweighs any need for public disclosure at this time. See 52 Pa. Code § 5.423.

4. C III Ops seeks a Commission Order granting protective status with respect to the proprietary information. C III Ops requests that the proprietary information be sealed and not be made available for public inspection. C III Ops also requests that any documents referencing Exhibit I be placed in a confidential folder and treated consistent with the treatment of confidential information. C III Ops also requests other reasonable assurances regarding the

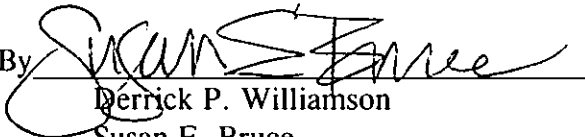
handling, review, disclosure, and use of this information by interested parties, consistent with Section 5.423(b) of the Commission's regulations.

5. As established above, good cause exists for the entry of a Protective Order in the form attached hereto as Appendix "A." Entry of a Protective Order is necessary to protect C III Ops business and is consistent with Commission regulations.

WHEREFORE, C III Communications Operations, LLC, respectfully requests that the Commission enter the attached Protective Order.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By 

Derrick P. Williamson

Susan E. Bruce

Charis M. Burak

100 Pine Street

P.O. Box 1166

Harrisburg, PA 17108-1166

(717) 232-8000 (p)

(717) 237-5300 (f)

Robert E. Stup, Jr.

Mintz, Levin, Cohn, Ferris,

Glovsky and Popeo, P.C.

701 Pennsylvania Avenue, NW

Washington, DC 20004-2608

(202)661-8711 (p)

(202)434-7400 (f)

Counsel for C III Communications
Operations, LLC

Dated: March 26, 2003

AFFIDAVIT

COMMONWEALTH OF PENNSYLVANIA)
) ss:
COUNTY OF DAUPHIN)

SUSAN E. BRUCE, being duly sworn according to law, deposes and says that she is counsel to C III Communications Operations, LLC, that in this capacity she is authorized to and does make this affidavit for C III Communications Operations, LLC, and that the facts set forth in the foregoing Petition for Protective Order are true and correct to the best of her knowledge, information and belief.



Susan E. Bruce

SWORN TO and subscribed

before me this 26th day

of March 2003.

NOTARIAL SEAL
MARY A. SIPE, Notary Public
Harrisburg, PA Dauphin County
My Commission Expires March 19, 2005



Notary Public

(SEAL)

SECRETARY'S BUREAU
MARCH 26 2003 PM 3:56

APPENDIX "A"

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

SECRETARY'S BUREAU
COMMUNICATIONS
MAY 29 2003

Joint Application of C III Communications, LLC,
C III Communications Operations, LLC,
Broadwing Communications Services Inc., and
Broadwing Telecommunications Inc.
for a Certificate of Public Convenience to Effect:

(a) Transfer of assets from Broadwing Communications
Services Inc. and Broadwing Telecommunications Inc.
to C III Communications Operations, LLC;

: Docket No. A-_____

(b) Abandonment of service for Broadwing
Communications Services Inc. and Broadwing
Telecommunications Inc.; and

: Docket No. A-310287

: Docket No. A-310161

(c) Approval of C III Communications Operations, LLC
as an interexchange (reseller and facilities-based)
carrier.

: A-_____ F-_____

PROTECTIVE ORDER

BY THE COMMISSION:

AND NOW, this _____ day of _____, 2003, having considered the Petition
for Protective Order filed on behalf of C III Communications Operations, LLC ("C III Ops"), it is
ORDERED that:

1. Exhibit I as attached to the Application filed in the above-referenced proceeding
shall be sealed and filed separately from the public record. Use of the proprietary information
shall be restricted solely to the Pennsylvania Public Utility Commission ("Commission") for the
purpose of reviewing this Application and shall not be disclosed to any person other than
Commission staff and counsel.

2. No person other than Commission staff and counsel shall have access to said proprietary information without approval of the Commission, the presiding officer, or written agreement of C III Ops, nor shall any other person be informed of said proprietary information by any person having access thereto without approval of the Commission, the presiding officer, or written agreement of C III Ops.

3. No person shall review or examine, or participate in the review or examination of, said proprietary information until such person signs an agreement to be bound by this Protective Order. A copy of such Agreement is attached hereto as Exhibit 1 and made a part of this Order.

4. Pursuant to 52 Pa. Code § 5.423(c), persons eligible to receive proprietary information may not be an officer, director, stockholder, partner, owner, or employee of a competitor of C III Ops.

5. The Commission shall be responsible for maintaining a list of all persons to whom said proprietary information is disclosed, and, for good cause shown, such list shall be made available for inspection by counsel to C III Ops.

BY THE COMMISSION,

James J. McNulty
Secretary

(SEAL)

ORDER ADOPTED:

ORDER ENTERED:

EXHIBIT 1

**AGREEMENT TO BE BOUND
BY PROTECTIVE ORDER**

The undersigned hereby acknowledges that he/she has read the Protective Order entered _____, 2003, by the Pennsylvania Public Utility Commission in the proceeding at Docket No. A-_____, understands the terms of said Order, and agrees to be bound by such terms. The undersigned further acknowledges that failure to comply with the Protective Order will subject him/her to sanctions of the Commission.

Date

Signature

Name (Printed or Typed)

Address

COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P. O. BOX 3265, HARRISBURG PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE
Secretary
717-772-7777

April 9, 2003

A-311258
A-310287 F2000
A-310161 F2000

Derrick P. Williamson, Esquire
Susan E. Bruce, Esquire
Charis M. Burak, Esquire
McNees, Wallace and Nurick
100 Pine Street, P. O. Box 1166
Harrisburg, PA 17108-1166

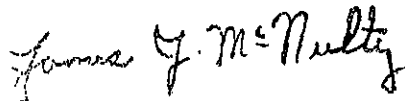
DOCUMENT
FOLDER

Dear Ms. Bruce:

Receipt is acknowledged of the Joint Application of C III Communications, LLC, C III Communications Operations, LLC, Broadwing Communications Services, Inc., and Broadwing Telecommunications, Inc., which has been captioned and docketed to the above numbers.

This matter will receive the attention of the Commission and you will be advised of any further necessary procedure.

Sincerely,



James J. McNulty
Secretary

JJM:ddt

Cc: Robert E. Stup, Jr.
James E. Magee
Jennifer A. Newberry

DOCKETED

APR 09 2003

DATE: April 9, 2003

SUBJECT: A-311258
A-310287 F2000
A-310161 F2000

TO: Bureau of Fixed Utility Services

FROM: James J. McNulty, Secretary *ddt*

DOCUMENT
FOLDER

**APPLICATION OF C III COMMUNICATIONS, LLC, C III
COMMUNICATIONS OPERATIONS, LLC, BROADWING
COMMUNICATIONS SERVICES, INC., AND BROADWING
TELECOMMUNICATIONS, INC**

We attach hereto a copy of the Joint Application of C III Communications, LLC, C III Communications Operations, LLC, Broadwing Communications Services, Inc., and Broadwing Telecommunications, Inc., which has been captioned and docketed to the above number.

Applicant has served a copy of the application upon the Office of Consumer Advocate and the Office of Small Business Advocate, and has filed proof of such service with this Commission.

May we have a report prepared by your Bureau for Public Meeting.

Attachment

cc: Law Bureau

ddt

DOCKETED
APR 09 2003

PENNSYLVANIA PUBLIC UTILITY COMMISSION

RECEIPT

The addressee named here has paid the PA P.U.C. for the following bill:

DERRICK P. WILLIAMSON
MCNEES WALLACE & NURICK LLC
P.O. BOX 1166
HARRISBURG, PA 17108-1166

DATE 4/10/2003
RECEIPT # 200760

IN RE: Application fees for C III COMMUNICATION, LLC, C III COMMUNICATIONS OPERATIONS, LLC, BROADWING COMMUNICATIONS SERVICES INC., & BROADWING TELECOMMUNICATIONS INC.

Docket Numbers A-311258 and A-310287F2000..... \$350.00

A-310161F2000

REVENUE ACCOUNT: 001780-017601-102

CHECK NUMBER: 120139
CHECK AMOUNT: \$350.00

C. Joseph Meisinger
(for Department of Revenue)

DOCUMENT
FOLDER

DOCKETED
APR 14 2003