

BROADWING CORP
Form DEFA14A
November 02, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934**

Filed by the Registrant **h**
Filed by a Party other than the registrant **o**

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to § 240.14a-12

Broadwing Corporation

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies: N/A
 - (2) Aggregate number of securities to which transaction applies: N/A
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): N/A
 - (4) Proposed maximum aggregate value of transaction: N/A
 - (5) Total fee paid: N/A
- Fee paid previously with preliminary materials.
 - Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.
- (1) Amount previously paid: N/A

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- (2) Form, Schedule or Registration Statement No.: N/A
 - (3) Filing Party: N/A
 - (4) Date Filed: N/A
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The following memorandum was distributed to employees of Broadwing on November 2, 2006.

To: All Employees
From: Steve Courter, CEO
Date: November 2, 2006
Subject: Third Quarter 2006 Results

The senior management team discussed 3Q06 and our pending acquisition by Level 3 on our quarterly conference call with analysts and investors this morning. Below you will find a summary. If you were unable to listen to the call, please feel free to visit www.broadwing.com for the replay.

Highlights:

- Broadwing / Level 3 Communications a powerful combination
- Strong revenue growth in key product lines continues
- Strongest Adjusted EBITDA performance in company history
- Narrowed operating loss and net loss year-over-year
- Recent wins illustrative of traction in VoIP, Broadband and Media Transport services
 - AOL doubles initial AIM Phonenumber contract with Broadwing

GameRail partners with Broadwing to build nationwide Ethernet private network for online gaming traffic

- Broadwing's Media Network carrying more high-profile sports and entertainment programming
- Broadwing launches usage-based billing for Converged MPLS

Financials:

Strong revenue growth driven by sales of Broadband and Data

3Q06 total revenue UP 6% or \$13.2M y/y driven by sales of Broadband and Converged VPN Services, offset in part by lower revenue from LD voice services; UP 4% vs. 2Q06

3Q06 Broadband/Data revenues UP 12% y/y due to intro of Converged VPN services and to increased broadband sales, esp. higher speed optical products; UP 4% vs. 2Q06

3Q06 Voice revenues flat y/y due primarily to impact of rate compression; UP 2% vs. 2Q06

Significantly improved gross profit/gross margin y/y

3Q06 gross profit: \$87.4M UP 16% y/y and UP 3% vs. 2Q06

3Q06 gross margin: 38% vs. 34% in 3Q05 UP over 300 basis points y/y

Third quarter of positive Adjusted EBITDA: \$8.0M *strongest performance in company history.*

Reduced net loss significantly year-over-year: 3Q06 net loss of \$16.8M narrowed 45% y/y

Maintained strong balance sheet:

- Low debt compared to peers and no net debt

Cash, equivalents, and short-term investments of \$341.3M at 9/30/06

Broadwing/Level 3 Merger:

Key benefits of the combination:

Combined network footprint / product set expected to bolster market position domestically & internationally

Improved buyer power to obtain reductions in access, equipment and third-party costs

Increased ability to invest and innovate to meet market's evolving needs

Greater scale, scope and reach which will make us a more attractive partner for national and international companies

Customer experience will remain our top priority throughout integration

One final note:

We are very pleased with our results this quarter. You can be proud of what you have accomplished here at Broadwing during a very tough time in the telecom industry. Thank you for your hard work and the work that is to come with the integration.

A bulleted financial summary of the quarter follows.

3Q06 Financial Summary:

Consolidated Revenues	\$231.9M up 6% from 3Q05 up 3% from 2Q06
Consolidated Net Loss	\$16.8M vs. \$30.5M in 3Q05 <u>45% improvement year-over-year</u>
Adjusted EBITDA	\$8.0M

Cash, cash equivalents, short term investments: \$341.3M at 9/30/06

IMPORTANT NOTE: The proposed transaction will be submitted to Broadwing's stockholders for their consideration. Level 3 and Broadwing will file a registration statement, a proxy statement/prospectus and other relevant documents concerning the proposed transaction with the SEC. Stockholders of Broadwing are urged to read the registration statement and the proxy statement/prospectus and any other relevant documents filed with the SEC when they become available, as well as any amendments or supplements to those documents, because they will contain important information. Stockholders of Level 3 can obtain more information about the proposed transaction by reviewing the Form 8-K to be filed by Level 3 in connection with the announcement of the transaction, and any other relevant documents filed with the SEC when they become available. You will be able to obtain a free copy of the proxy statement/prospectus, as well as other filings containing information about Level 3 and Broadwing, at the SEC's Web site (<http://www.sec.gov>). Copies of the proxy statement/prospectus and the SEC filings that will be incorporated by reference in the proxy statement/prospectus can be obtained, without charge, by directing a request to Level 3, Investor Relations, 1025 Eldorado Blvd., Broomfield, CO 80021, 720-888-2500 or to Broadwing, Investor Relations, 1122 Capital of Texas Highway South Austin, TX 78746-6426, (866) 426-7847.

Level 3, Broadwing and their respective directors and executive officers may be deemed to be participants in the solicitation of proxies from the stockholders of Broadwing in connection with the proposed transaction. Information about the directors and executive officers of Level 3 is set forth in the proxy statement on Schedule 14A, dated April 6, 2006, as supplemented, for Level 3's 2006 annual meeting of stockholders. Information about directors and executive officers of Broadwing and their ownership of Broadwing common stock is set forth in the proxy statement on Schedule 14A, dated March 24, 2006, for Broadwing's 2006 annual meeting of stockholders. Additional information regarding participants in the proxy solicitation may be obtained by reading the proxy statement/prospectus regarding the proposed transaction when it becomes available.