Cincinnati Bell℠

2010 Annual Report

Letter to Shareholders

Notice of 2011 Annual Meeting and Proxy Statement

Report on Form 10-K

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Our performance in 2010 continues to demonstrate Cincinnati Bell's ability to deliver solid financial results while making great strides towards executing on our long-term business strategies:

- Revenue of $1.4 billion increased 3% from 2009;
- Adjusted EBITDA[1] totaled $502 million, its highest mark in seven years;
- Operating cash flows totaled $300 million, with free cash flow[2] of $149 million, a yield of 27 percent;
- With the acquisition of Texas-based CyrusOne, the Company operates 17 best-in-class data center facilities that offer 639,000 square feet of capacity;
- Four million common shares were repurchased for $10 million; and
- We extended 90% of all debt maturities to 2017 and beyond.

Cincinnati Bell exceeded all its financial targets for 2010 as we continued our long history of providing unparalleled customer service combined with reliable Wireline and Wireless networks.

Over the past five years, the Company has leveraged its success by organically growing an impressive data center business while at the same time continuing to invest in our Wireline and Wireless businesses. This year, we took significant steps toward realizing our goal of becoming the preferred global supplier of data center colocation services to the Fortune 1000. By combining the Company's existing data center business with the assets of CyrusOne, acquired in June 2010, we have built a strong and growing national presence. CyrusOne's results have been very impressive thus far, and, with the addition of CyrusOne's portfolio, at December 31, 2010, the Company operates 17 best-in-class data center facilities that offer 639,000 square feet of capacity to its customers. In the first quarter 2011, we contracted for a 20,000 square foot data center facility in London, England, our first international data center colocation operation. This is an important step toward satisfying current customers and attracting additional global enterprise customers.

To have the ability to fund the data center business, we have continued to invest and improve upon our core Wireline and Wireless businesses. In 2010, we invested over $100 million in Wireline and Wireless to build out fiber, upgrade facilities, and improve our already best-in-market Wireless coverage. Maintaining the health and stability of these areas are critical components to our long term strategy as we must aggressively defend our core Wireline and Wireless businesses to provide the cash flow necessary to pursue data center growth opportunities.

Cincinnati Bell's strength provided continued access to capital markets in 2010, which was necessary to finance the purchase of CyrusOne. Additionally, we were able to take advantage of favorable bond markets to refinance our debt positions such that 90% of our maturities have been extended to 2017 and beyond.

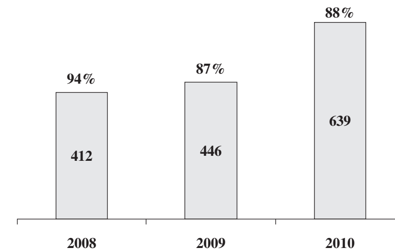
Recognizing that success is built on the basis of customer satisfaction, the Company realigned its management structure late in the year to provide for a more customer-centric organization designed to deliver maximum value for the services provided. Cincinnati Bell is committed to providing the same level of superior customer service and products to both its consumer and enterprise customers and believes this is the formula for successfully driving shareholder value in the future.

Data Center Colocation – Major Growth Area

A key factor in Cincinnati Bell's positive results is the growth in the Data Center Colocation business. In June 2010, the Company acquired CyrusOne, a premier provider of colocation and data center services to Fortune 1000 companies. CyrusOne provides increased scale and scope of data center operations by adding seven best-in-class data centers in Houston, Dallas, and Austin with a total of 187,000 square feet of data center capacity as of the end of the year.

Data Center Colocation revenues were up 75%, or $54 million, from 2009 to $125 million for 2010. Revenues from the acquisition of CyrusOne were $45 million, while the legacy Cincinnati-based operations increased its revenue by $9 million. Utilized data center space remained strong at 88%. In addition, 45,000 square feet of space was sold in the fourth quarter, which will increase Data Center Colocation revenues and operating income in 2011 and will continue the trend of strong utilization. Adjusted EBITDA of $70 million and operating income of $34 million both increased over 100% from 2009 as a result of the acquisition of CyrusOne and increased revenue from the legacy Cincinnati-based operations.

Cincinnati Bell remains fully committed to its strategy to become the preferred global data center colocation service provider for the Fortune 1000, and as of year-end, we have 43 of the Fortune 1000 companies in our facilities, as well as 20 internationally-based companies that are of comparable size to the Fortune 1000. We are committed to investing significant resources to expand our data center operations, including growth of our existing operations, domestic and international construction of new data center sites in geographic areas outside our current footprint and acquisitions.



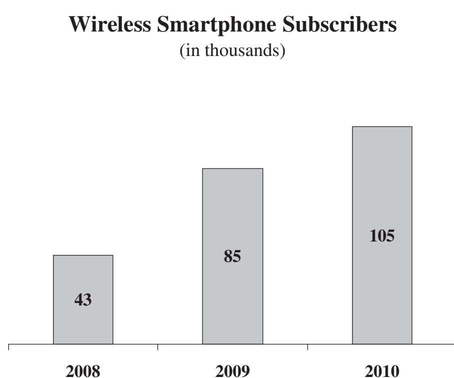
Wireless – Improved Margins

Wireless service revenue of $269 million in 2010 decreased 5% compared to 2009 primarily due to fewer subscribers as the Company continued to be challenged by the lack of availability of premium handsets due to exclusivity contracts obtained by national carriers. The Company was able to maintain a steady average monthly revenue per user (ARPU) despite a decline in voice minutes of use as the increased postpaid smartphone subscribers increased data ARPU by 17% to $11.69. As a result of cost reduction initiatives employed during the year, Wireless increased operating income by 71% to $56 million for the year.

The Company's cost reduction initiatives were extremely successful in 2010, including renegotiation of roaming contracts, outsourced savings, and other operational efficiencies, and this resulted in largely sustainable operating cost reductions of approximately $20 million for the year. In addition, we closely monitored subsidies for handsets throughout the year and reduced the associated costs by approximately $5 million. As a result of these actions, Wireless Adjusted EBITDA margin[3] improved to 31%, up 6 points from 2009.

Throughout the year, the Company improved its handset line-up to include a number of 3G Blackberry, Android and other premium devices. The improved

handsets combined with a strong wireless network have increased the Company's smartphone subscriber penetration now to 21% of the total Wireless subscriber base. Wireless will continue to promote its improved handsets and strong network quality during 2011 in an effort to attract additional smartphone subscribers.

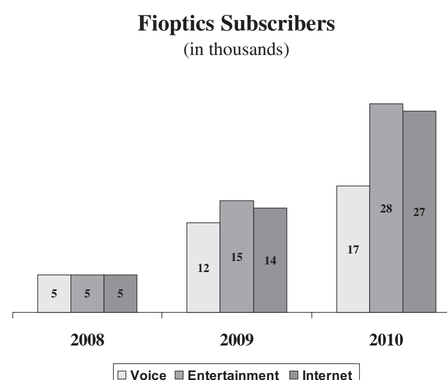


Wireline – Maintain Profitability

It should come as no surprise that Cincinnati Bell, like all wireline providers, continued to experience access line loss in 2010 as some customers give up their wireline phones in favor of wireless or other competitor communication products. Total access lines declined by 7%, consistent with declines noted in previous years.

Wireline revenue for the year was $743 million, a $21 million decline resulting from voice revenue decreases of $36 million, partially offset by increased revenue from its Fioptics product suite. Despite the voice revenue decline, continued expense reduction initiatives delivered Wireline operating income of $234 million, down $22 million from 2009 and consistent Wireline Adjusted EBITDA margins for the year of 47%.

An area of continued investment in our core business that allows us to defend against core revenue declines is our Fioptics suite of products. Fioptics is a fiber-to-the-home suite of services that provides entertainment, high-speed internet, and traditional voice services. We continued the controlled roll-out of our Fioptics network in 2010 and now pass and can provide service to 79,000 homes in Greater Cincinnati. The success of the Fioptics investment is based in large part on the ability to very quickly attract a high percentage of customers that are passed with the fiber after it is made available to particular neighborhoods. The Company's penetration rate of homes passed was about 30% within twelve months of deploying Fioptics in a particular area, which is high by industry standards. We are extremely pleased with our results to date of the Fioptics offering, which now has 28,100 entertainment, 27,200 high-speed internet and 16,800 voice customers.



The Company expects the number of Fioptics customers to increase in 2011 and plans to expand its fiber network to an additional 70,000 homes. A portion of the Company's Fioptics construction in 2011 will employ Internet protocol television ("IPTV"), which has evolved such that a robust entertainment service can be provided to customers over DSL with minimal network upgrading in many residential areas.

IT Services and Hardware – Staying the Course

IT Services and Hardware experienced a 10% increase in revenue from 2009. Customer purchases generally in this segment represent large capital purchases that are, to some extent, discretionary. As the economy began to recover in 2010, revenue from telephony and IT

equipment sales began to increase. The Company expects that a recovering economy could help increase demand for this equipment in 2011. This segment generated $255 million of total revenue and operating income of $4 million during 2010.

Looking Forward to 2011

In closing, Cincinnati Bell is proud and pleased to report the outstanding year we had in 2010 and the stage that has been set for an exciting 2011 and beyond. Our focus going forward is simple: Maintain profitability and generate strong cash flow from our Wireline and Wireless businesses to invest in the Data Center Colocation opportunities.

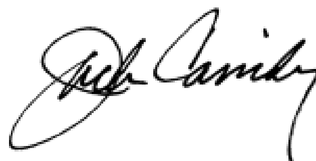
We believe we have the right teams in place to effectively execute our strategy. The Cincinnati Bell Communications group is keenly focused on expense management and cash flow while improving customer service. We will continue to invest in effectively expanding Fioptics in the most opportunistic sections of our market, which will also allow us to offer improved products to our business customers in the surrounding areas. Our continued support and investment in fiber for both consumer and business products will help us protect and defend our strong margins and cash flow.

The combination of the cash flows generated from our legacy businesses and the refinancings completed during 2010, which have extended 90% of the debt maturities to 2017 and beyond, have cleared the path for capitalizing on data center opportunities, which will create the scale required to fully reap the rewards of the data center investments.

We continue to see demand for further expansion of our data center business. As we have stated throughout 2010, we are attracted to this business because of its high cash on cash returns, the data explosion required by internet-based technologies, which will continue to cause high growth in the data center colocation industry, as well as the high EBITDA valuation multiples associated with the industry.

We firmly believe that investment in data center operations in addition to our core Wireline and Wireless businesses, will produce long-term value for the shareholders of Cincinnati Bell. We all have a commitment to the traditions of our Company that built the legacy we have today. These traditions include a strong work ethic, commitment to customer service, and involvement in our community. We have continued these traditions and seek to improve this legacy with a new entrepreneurial spirit that is absolutely necessary in order to continue to make our Company viable and relevant to our present and future shareholders. We are excited about the opportunities ahead of us and are confident that Cincinnati Bell will continue to produce exceptional results for shareholders and customers in the future.

Phillip R. Cox
Chairman of the Board



John F. Cassidy
President and Chief Executive Officer

Gary J. Wojtaszek
Chief Financial Officer

Use of Non-GAAP Financial Measures

This report contains information about free cash flow and adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA). These are non-GAAP financial measures used by Cincinnati Bell management when evaluating results of operations and cash flow. Management believes these measures also provide users of the financial statements with additional and useful comparisons of current results of operations and cash flows with past and future periods. Non-GAAP financial measures should not be construed as being more important than comparable GAAP measures. Detailed reconciliations of free cash flow and Adjusted EBITDA to comparable GAAP financial measures are available at http://investor.cincinnatibell.com (see Fourth Quarter 2010 Earnings Release Tables).

[1] **Adjusted EBITDA** provides a useful measure of operational performance. The Company defines Adjusted EBITDA as GAAP operating income plus depreciation, amortization, restructuring charges, asset impairments, and other special items. Adjusted EBITDA should not be considered as an alternative to comparable GAAP measures of profitability and may not be comparable with the measure as defined by other companies.

[2] **Free cash flow** provides a useful measure of operational performance, liquidity and financial health. The Company defines free cash flow as cash provided by (used in) operating, financing and investing activities, adjusted for the issuance and repayment of debt, debt issuance costs, the repurchase of common stock, and the proceeds from the sale or the use of funds from the purchase of business operations, including transaction costs. Free cash flow should not be considered as an alternative to net income (loss), operating income (loss), cash flow from operating activities, or the change in cash on the balance sheet and may not be comparable with free cash flow as defined by other companies. Although the Company feels that there is no comparable GAAP measure for free cash flow, the financial information available as described above reconciles free cash flow to the net increase (decrease) in cash and cash equivalents.

[3] **Adjusted EBITDA margin** provides a useful measure of operational performance. The Company defines Adjusted EBITDA margin as Adjusted EBITDA divided by revenue. Adjusted EBITDA margin should not be considered as an alternative to comparable GAAP measures of profitability and may not be comparable with the measure as defined by other companies.

Financial Highlights

(dollars in millions)	Year Ended December 31, 2010	2009	2008
Operating Data			
Revenue	**$1,377.0**	$1,336.0	$1,403.0
Cost of services and products, selling, general and administrative, depreciation and amortization expense	**1,054.9**	1,030.7	1,078.7
Restructuring, loss on sale of asset and asset impairment, operating tax settlement, and acquisition costs	**22.8**	9.8	19.1
Operating income	**299.3**	295.5	305.2
Interest expense	**185.2**	130.7	139.7
Loss (gain) on extinguishment of debt	**46.5**	10.3	(14.1)
Net income	**$ 28.3**	$ 89.6	$ 102.6
Financial Position			
Property, plant and equipment, net	**$1,264.4**	$1,123.3	$1,044.3
Total assets	**2,653.6**	2,064.3	2,086.7
Total long-term obligations	**2,992.7**	2,395.1	2,472.2

These financial highlights should be read in conjunction with the Consolidated Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the Company's Annual Report on Form 10-K included in this document.

Safe Harbor Statement

Certain of the statements and predictions contained in these reports constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act. In particular, statements, projections or estimates that include or reference the words "believes," "anticipates," "plans," "intends," "expects," "will," or any similar expression fall within the safe harbor for forward-looking statements contained in the Reform Act. Actual results or outcomes may differ materially from those indicated or suggested by any such forward-looking statement for a variety of reasons, including, but not limited to: changing market conditions and growth rates within the telecommunications industry or generally within the overall economy; changes in competition in markets in which the company operates; pressures on the pricing of company products and services; advances in telecommunications technology; the ability to generate sufficient cash flow to fund the company's business plan, repay the company's debt and interest obligations, and maintain its networks; the ability to refinance indebtedness when required on commercially reasonable terms; changes in the telecommunications regulatory environment; changes in the demand for the company's services and products; the demand for particular products and services within the overall mix of products sold, as the company's products and services have varying profit margins; the company's ability to introduce new service and product offerings on a timely and cost effective basis; work stoppages caused by labor disputes; restrictions imposed under various credit facilities and debt instruments; the company's ability to attract and retain highly qualified employees; the company's ability to access capital markets and the successful execution of restructuring initiatives; changes in the funded status of the company's retiree pension and healthcare plans; changes in the company's relationships with current large customers, a small number of whom account for a significant portion of company revenue; disruption in the company's back-office information technology systems, including its billing system; the company's ability to integrate successfully the business of Cyrus Networks, LLC with the company's existing operations and to achieve the anticipated benefits of the acquisition of Cyrus Networks, LLC; and failure of or disruption in the operation of the company's data centers. More information on potential risks and uncertainties is available in recent filings with the Securities and Exchange Commission, including Cincinnati Bell's Form 10-K report, Form 10-Q reports and Form 8-K reports. The forward-looking statements included in this presentation represent company estimates as of March 21, 2011. Cincinnati Bell anticipates that subsequent events and developments will cause its estimates to change.

Board of Directors

Phillip R. Cox (1, 2, 3*, 4)
Chairman of the Board
Cincinnati Bell Inc.
President and Chief Executive Officer
Cox Financial Corporation

Bruce L. Byrnes (2, 3, 4*)
Retired Vice Chairman of the Board
The Procter & Gamble Company

John F. Cassidy (3)
President and Chief Executive Officer
Cincinnati Bell Inc.

Jakki L. Haussler (1, 4)
Chairman and Chief Executive Officer
Opus Capital Group

Craig F. Maier (1, 2)
President and Chief Executive Officer
Frisch's Restaurants, Inc.

Alex Shumate (2, 4)
Managing Partner, North America, of
Squire, Sanders & Dempsey (US) LLP

Lynn A. Wentworth (1*, 3)
Retired Senior Vice President,
Chief Financial Officer, Treasurer
BlueLinx Holdings Inc.

John M. Zrno (1, 2*, 3)
Retired President and
Chief Executive Officer
IXC Communications, Inc.

Committees
(1) Audit & Finance
(2) Compensation
(3) Executive
(4) Governance & Nominating
* Committee Chair

Company Officers

John F. Cassidy
President and
Chief Executive Officer

Theodore H. Torbeck
President and General Manager,
Cincinnati Bell Communications Group

Gary J. Wojtaszek
Chief Financial Officer

Tara L. Khoury
Senior Vice President and
Chief Marketing Officer

Christopher J. Wilson
Vice President, General Counsel
and Secretary

Kimberly H. Sheehy
Vice President, Investor Relations
and Treasurer

Brian G. Keating
Vice President, Human Resources
and Administration

Susan M. Kinsey
Vice President and Controller

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Cincinnati Bell Inc.
221 East Fourth Street
Cincinnati, Ohio 45202

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD MAY 3, 2011

To Our Shareholders:

The 2011 Annual Meeting of Shareholders of Cincinnati Bell Inc. (the "Company") will be held on Tuesday, May 3, 2011, at 11:00 a.m., Central Time, at the Marriott at Legacy Town Center, 7120 Dallas Parkway, Plano, Texas, for the following purposes:

1. To elect eight directors to serve a one-year term ending in 2012;
2. To ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm to audit the financial statements of the Company for the year 2011;
3. To conduct an advisory vote on executive compensation;
4. To conduct an advisory vote on the frequency of holding an advisory vote on executive compensation;
5. To approve the Cincinnati Bell Inc. 2011 Short-Term Incentive Plan; and
6. To consider any other matters that may properly come before the meeting.

The Board of Directors has established the close of business on March 4, 2011 as the record date (the "Record Date") for determining the shareholders entitled to notice of, and to vote at, the Annual Meeting or any adjournment or postponement of the Annual Meeting. Only shareholders of record at the close of business on the Record Date are entitled to vote on matters to be presented at the Annual Meeting.

Your vote is important. Your prompt response will also help reduce proxy costs and will help you avoid receiving follow-up telephone calls or mailings. Please vote as soon as possible.

Also, the Company has elected to take advantage of Securities and Exchange Commission rules that allow the Company to furnish proxy materials to you and other shareholders on the internet.

By Order of the Board of Directors

Christopher J. Wilson
Vice President, General Counsel and Secretary

March 21, 2011

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON MAY 3, 2011: The Proxy Statement and Annual Report are available at www.proxyvote.com

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INFORMATION FOR SHAREHOLDERS THAT PLAN TO ATTEND THE 2011 ANNUAL MEETING OF SHAREHOLDERS

The Marriott at Legacy Town Center is located at 7120 Dallas Parkway, Plano, Texas 75024. Below are directions to the Marriott at Legacy Town Center.

From: Sam Rayburn Tollway Northbound	Take Frontage Road North exit. Turn right at West Spring Parkway. Turn left at Dallas Parkway.
From: Sam Rayburn Tollway Southbound	Take Frontage Road South exit. Turn left at Parkwood Boulevard. Turn right at Democracy Drive. Turn right on Dallas Parkway.
From: Dallas North Tollway Northbound	Take exit toward Spring Creek Parkway/Tennyson Parkway. Merge onto Dallas Parkway.
From: Dallas North Tollway Southbound	Take exit toward Spring Creek Parkway/Windhaven Parkway. Merge onto Dallas Parkway. Make sharp left to continue on Dallas Parkway.
From: N. President George Bush Turnpike Eastbound	Take Dallas North Tollway South exit. Keep left at the fork, follow signs for Dallas North Tollway North and merge onto Dallas North Tollway North. Take the exit toward Spring Creek Parkway/ Tennyson Parkway. Merge onto Dallas Parkway.
From: N. President George Bush Turnpike Westbound	Take Dallas North Tollway North/Dallas North Tollway South exit. Keep right at fork and merge onto Dallas North Tollway North. Take exit toward Spring Creek Parkway/Tennyson Parkway. Merge onto Dallas Parkway.

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CINCINNATI BELL INC.

221 East Fourth Street
Cincinnati, Ohio 45202

PROXY STATEMENT

For the Annual Meeting of Shareholders
to be held on Tuesday, May 3, 2011

This Proxy Statement is furnished to the shareholders of Cincinnati Bell Inc., an Ohio corporation (the "Company"), in connection with the solicitation of proxies by the Board of Directors for use at the 2011 Annual Meeting of Shareholders. The Annual Meeting will be held on Tuesday, May 3, 2011, at 11:00 a.m., Central Time, at the Marriott at Legacy Town Center, Plano, Texas 75024. The Notice of Annual Meeting of Shareholders, the Proxy Statement, the Company's Annual Report on Form 10-K for the year ended December 31, 2010 and the Company's Summary 2010 Annual Report are being furnished to the shareholders beginning on or about March 24, 2011.

The Company's Board of Directors has established the close of business on March 4, 2011 as the record date (the "Record Date") for determining shareholders entitled to notice of, and to vote at, the Annual Meeting or any adjournment or postponement of the Annual Meeting. Only shareholders of record at the close of business on the Record Date will be entitled to vote on matters to be presented at the Annual Meeting.

The agenda for the Annual Meeting is as follows:

1. To elect eight directors to serve a one-year term ending in 2012;
2. To ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm to audit the financial statements of the Company for the year 2011;
3. To conduct an advisory vote on executive compensation;
4. To conduct an advisory vote on the frequency of holding an advisory vote on executive compensation;
5. To approve the Cincinnati Bell Inc. 2011 Short-Term Incentive Plan; and
6. To consider any other matters that may properly come before the meeting.

PLEASE VOTE — YOUR VOTE IS IMPORTANT

Cincinnati Bell Inc. is a full-service regional provider of data and voice communications services over wireline and wireless networks and a full-service provider of data center operations, related managed services and equipment. The Company provides telecommunications service to businesses and consumers in the Greater Cincinnati and Dayton areas primarily on its owned wireline and wireless networks with a well-regarded brand name and reputation for service. The Company also provides business customers with outsourced data center operations including related managed services in world class, state-of-the-art data center facilities primarily located in Cincinnati, Houston, Dallas and Austin. The Company operates in four segments: Wireline, Wireless, Data Center Colocation, and IT Services and Hardware.

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING

Q: Why am I receiving these proxy materials?

A: The Company's Board of Directors (the "Board") is providing these proxy materials to you in connection with the Annual Meeting of Shareholders, which will take place on May 3, 2011. As a shareholder, you are invited to attend the meeting and are entitled to vote on the proposals described in this Proxy Statement.

Q: What information is contained in the package of materials that I received?

A: The combined Proxy Statement and Annual Report on Form 10-K for the year ended December 31, 2010, which includes our 2010 consolidated financial statements and Summary 2010 Annual Report, contains information relating to the proposals to be voted on at the meeting, the voting process, the compensation of directors and certain officers, and certain other information required by the rules and regulations of the Securities and Exchange Commission (the "SEC") and the rules and listing standards of the New York Stock Exchange (the "NYSE"). Although you are encouraged to vote either by the internet or by telephone, these materials, if received in printed form, also include a proxy card or voting instruction card for your use in voting by mail or at the Annual Meeting.

Q: What proposals will be voted on at the meeting?

A: There are currently five proposals scheduled to be voted on at the meeting:

1. The election of eight directors to serve a one-year term ending in 2012;
2. The ratification of the appointment of Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates (collectively, "Deloitte & Touche LLP") as the independent registered public accounting firm ("Independent Registered Public Accounting Firm") to audit the financial statements of the Company for the year 2011;
3. An advisory vote on executive compensation;
4. An advisory vote on the frequency of holding an advisory vote on executive compensation; and
5. Approval of the Cincinnati Bell Inc. 2011 Short-Term Incentive Plan.

Q: What is the Board of Directors' voting recommendation?

A: The Board recommends that you vote your shares:

- "FOR" each of the nominees to the Board;
- "FOR" the ratification of the appointment of Deloitte & Touche LLP as the Independent Registered Public Accounting Firm to audit the financial statements of the Company for the year 2011;
- "FOR" approval of executive compensation;
- "FOR" the option of once every three years as the preferred frequency for advisory votes on executive compensation; and
- "FOR" approval of the Cincinnati Bell Inc. 2011 Short-Term Incentive Plan.

Q: Why did I receive a one-page notice in the mail regarding the internet availability of proxy materials instead of a full set of proxy materials?

A: Pursuant to the rules of the SEC, the Company has elected to provide access to our proxy materials over the internet. Accordingly, we sent a Notice of Internet Availability of Proxy Materials (the "Notice") to our shareholders of record and beneficial owners, which instructs them as to how they may submit their proxy on the internet. If you would like to receive a paper copy of our proxy materials, you should follow the instructions for requesting such materials in the Notice. In addition, you may request to receive proxy materials in printed form by mail or by email on an ongoing basis.

Q: How can I get electronic access to the proxy materials?

A: Instructions regarding how to view the proxy materials for the Annual Meeting on the internet and to instruct the Company to send future proxy materials to you via email or in printed form are included in the Notice and on the website. If you elect to receive future proxy materials by email, the Company will save the cost of printing and mailing the proxy materials. You will also receive an email next year with instructions containing a link to those materials and a link to the proxy voting site. The election to receive proxy materials by email will remain in effect until you terminate it.

Q: What shares can I vote?

A: You may vote all Company common shares and 6¾% Cumulative Convertible Preferred Shares that you own (or for which you have been given the right to provide instruction as to how such shares should be voted) as of the close of business on the Record Date. This includes: (i) shares held directly in your name as the shareholder of record, including common shares purchased through the Cincinnati Bell Employee Stock Purchase Plan; (ii) shares that are held by a trust used in connection with a Company employee or director plan pursuant to which the value of such shares has been credited to your account under such plan; and (iii) shares held for you as the beneficial owner through a broker or other nominee.

Q: What is the difference between holding shares as a shareholder of record and as a beneficial owner?

A: Many Cincinnati Bell shareholders hold their shares through a broker or other nominee rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

Shareholder of Record

If your shares are registered directly in your name with Cincinnati Bell's transfer agent, Computershare Investor Services, LLC, you are considered the shareholder of record for those shares. As a shareholder of record, you may grant your voting proxy over the internet, by mail, by telephone or you may vote your shares in person at the meeting.

Beneficial Owner

If your shares are held in a stock brokerage account or by another nominee (including a trust used in connection with a Company employee or director plan), you are considered the beneficial owner of shares held in street name, and your broker or nominee is considered to be the shareholder of record. If you are a participant in the Cincinnati Bell Inc. Retirement Savings Plan or the Cincinnati Bell Inc. Savings and Security Plan, you are the beneficial owner of the shares credited to your account. As the beneficial owner, a Notice and/or proxy card was forwarded to you by the shareholder of record. As the beneficial owner, you may direct and provide voting instructions to your broker or nominee to vote the shares held in your account by proxy over the internet or by telephone by following the instructions provided in the Notice or the proxy card. You can also mail your proxy to the Company by following the instructions provided in the proxy card (if forwarded by your broker or nominee). You are also invited to attend the Annual Meeting. However, since you are not the shareholder of record, you may not vote these shares in person at the meeting, unless you obtain a signed proxy from the shareholder of record authorizing you to vote the shares.

Q: How can I attend and vote my shares at the meeting?

A: Shares held directly in your name as the shareholder of record may be voted in person at the Annual Meeting. If you choose to attend the meeting and vote in person, you will need to provide proof of identification and then you will be presented a proxy card. Beneficial shares, held either in street name or credited to your account under a Company employee or director plan, cannot be voted at the Annual Meeting unless you obtain a signed proxy from the shareholder of record authorizing you to vote these shares.

Q: How can I vote my shares without attending the meeting?

A: The methods for voting without attending the meeting are:

- By Internet — If you have internet access, you may submit your vote from any location by following the instructions provided in the Notice or the proxy card.
- By Telephone — If you live in the United States or Canada, you may submit your vote by following the "Vote by Phone" instructions provided in the Notice or the proxy card.
- By Mail — You may vote by mail by completing and signing your proxy card and mailing it in the accompanying enclosed, pre-addressed postage-paid envelope.

Q: What happens if I don't give specific voting instructions?

A: The effect of not providing specific voting instructions depends on if you are the shareholder of record or the beneficial owner of the shares.

Shareholder of Record

If you are a shareholder of record and (i) you indicate when voting on the internet or by telephone that you wish to vote as recommended by the Board, or (ii) you sign and return a proxy without giving specific voting instructions, then the proxy holders will vote your shares in the manner recommended by our Board on all matters presented in this proxy statement and as the proxy holders may determine in their discretion with respect to any other matters properly presented for a vote at the Annual Meeting.

Beneficial Owner

If you are deemed to be the beneficial owner of shares and do not provide the broker or nominee that holds your shares with specific voting instructions, the broker or nominee that holds such shares may generally vote on *routine* matters but cannot vote on *non-routine* matters, as provided by the rules of the New York Stock Exchange. If the broker or nominee that holds such shares does not receive instructions on how to vote on a non-routine matter, the broker or nominee will inform the Inspector of Elections that it does not have authority to vote on such matter with respect to such shares. This is generally referred to as a "broker non-vote." The Company encourages you to provide voting instructions to the broker or nominee that holds such shares by carefully following the instructions provided in the proxy card or as described above.

Q: Which ballot measures are considered "*routine*" or "*non-routine*"?

A: Proposal 1 (election of directors), Proposal 3 (advisory vote on executive compensation), Proposal 4 (advisory vote on frequency of executive compensation advisory votes), and Proposal 5 (approval of the Short-Term Incentive Plan) are considered *non-routine* matters, and your broker or nominee cannot vote your shares without your specific voting instructions. Proposal 2 (ratification of the Independent Registered Public Accounting Firm) is considered a *routine* matter which generally allows your broker or nominee to vote your shares on this matter even if you did not provide specific voting instructions.

Q: How are abstentions treated?

A: Abstentions are counted for the purpose of determining whether a quorum is present. For the purpose of determining whether shareholders have approved Proposal 1 (election of directors) and Proposal 4 (advisory vote on frequency of executive compensation advisory votes), abstentions are not treated as votes cast affirmatively or negatively, and therefore have no effect on the outcome of such proposal. For the purpose of determining

whether shareholders have approved Proposal 2 (ratification of the Independent Registered Public Accounting Firm), Proposal 3 (advisory vote on executive compensation) and Proposal 5 (approval of the Short-Term Incentive Plan), abstentions will have a negative effect on the outcome of such proposals.

Q: Can I change my vote?

A: Yes. You may change your voting instructions at any time prior to the vote at the Annual Meeting. You may change your vote by either: (i) granting a new proxy or voting instructions bearing a later date (which automatically revokes the earlier proxy or voting instructions) whether made on the internet, by telephone or by mail; (ii) if you are a shareholder of record, notifying the Company's Secretary in writing that you want to revoke your earlier proxy; or (iii) if you are a shareholder of record, attending the Annual Meeting, giving notice of your proxy revocation in open meeting and voting in person. Please note that in order to revoke your previously granted proxy at the Annual Meeting, you must specifically request the revocation of your previous proxy.

Q: What does it mean if I receive more than one Notice or more than one proxy card?

A: It means that your shares are registered differently or are in more than one account. Please provide voting instructions for all Notices and proxy cards that you receive.

Q: Where can I find the voting results of the meeting?

A: We will announce preliminary voting results at the meeting and publish final results in the Company's Current Report on Form 8-K, which will be filed on or before May 9, 2011. In addition, the Company will disclose the decision regarding the frequency of future "say-on-pay" votes in an amendment to the Form 8-K on or before September 30, 2011.

Q: What happens if additional proposals are presented at the meeting?

A: Other than the proposals described in this Proxy Statement, we do not expect any matters to be presented for a vote at the Annual Meeting. If you grant a proxy, the persons named as proxy holders, Phillip R. Cox, Lynn A. Wentworth and John M. Zrno, will have the discretion to vote your shares on any additional matters properly presented for a vote at the meeting. If for any unforeseen reason any of the nominees are not available as a candidate for director, the persons named as proxy holders will vote your proxy for such other candidate or candidates as may be nominated by the Board.

Q: What classes of shares are entitled to be voted?

A: Each common share and each 6¾% Cumulative Convertible Preferred Share outstanding as of the close of business on the Record Date is entitled to vote on all items being voted upon at the Annual Meeting. You are entitled to one vote for each common share and one vote for each 6¾% Cumulative Convertible Preferred Share you own of record on the Record Date or to provide instructions on how to vote such shares in which you have a beneficial interest. The 6¾% Cumulative Convertible Preferred Shares will vote with the common shares as one class on each of the proposals described in this Proxy Statement. There are no cumulative voting rights for either class of shares. On the Record Date, we had 198,789,800 common shares and 155,250 6¾% Cumulative Convertible Preferred Shares issued and outstanding.

Q: What is the quorum requirement for the meeting?

A: The quorum requirement for holding the meeting and transacting business is the presence, in person or by proxy, of a majority of the common and preferred shares issued and outstanding on the Record Date and entitled to vote at such meeting. However, if any particular action requires more than a simple majority because of the law, the NYSE rules, the Company's Amended Articles of Incorporation or the Company's Amended Regulations, that particular action will not be approved unless the required percentage of affirmative votes has been obtained or the required number of votes has been cast.

Abstentions are counted as present for the purpose of determining the presence of a quorum. If a routine matter is to be voted upon, broker non-votes are also counted as present for the purpose of determining the presence of a quorum. Since there is a routine matter to be voted upon this year, broker non-votes will be counted for determining the existence of a quorum.

Q: Who will count the votes?

A: A representative of Broadridge Financial Solutions, Inc. ("Broadridge") will tabulate the votes and act as the Inspector of Elections.

Q: Is my vote confidential?

A: Proxy instructions, ballots and voting tabulations that identify individual shareholders are handled in a manner that protects voting privacy. Your vote will not be disclosed either within the Company or to third parties except (i) as necessary to meet applicable legal requirements, (ii) to allow for the tabulation of votes and certification of the vote, or (iii) to facilitate a successful proxy solicitation by the Board. Occasionally, shareholders provide written comments on their proxy card, which are forwarded to the Company's management.

Q: Who will bear the cost of soliciting votes for the meeting?

A: The Company is making this solicitation and will pay the entire cost of preparing, assembling, printing, mailing and distributing the proxy materials. If you choose to access the proxy materials and/or vote via the internet, you are responsible for any internet access charges you may incur. In addition to the costs of mailing the proxy materials, the Company may also incur costs to provide additional copies of these proxy materials (if requested) and for its directors, officers and employees to solicit proxies or votes in person, by telephone or by electronic communication. Our directors, officers and employees will not receive any additional compensation for such activities. We have hired Georgeson Inc. to solicit proxies for $10,000 plus expenses. We have also hired Broadridge to assist us in facilitating the voting of proxies over the internet and serving as the Inspector of Elections. We will pay Broadridge a fee of approximately $10,000 plus expenses for these services. We will also reimburse brokerage houses and other nominees for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to shareholders.

Q: What percentage of the Company's issued and outstanding voting shares do our directors and executive officers beneficially own?

A: Our directors and executive officers owned approximately 6% of our voting shares as of the Record Date.

Q: Do any of our shareholders hold more than 5% of the issued and outstanding shares of any class of the Company's voting stock?

A: As of the Record Date or an earlier date, if indicated, each of the following entities (together with their affiliates) indicated that it held more than 5% of the issued and outstanding common shares of the Company: BlackRock, Inc., GAMCO Investors, Inc. and affiliates, LSV Asset Management, Marathon Asset Management LLP, Peninsula Capital Advisors, LLC, Pinnacle Associates, LTD, The Vanguard Group, Inc, and Wells Fargo and Company. See page 29 for more details on the number of shares owned and percentage ownership as of the Record Date or an earlier date, if indicated.

Q: What is householding?

A: Householding is a process which allows the Company to reduce costs and increase efficiencies by mailing only one copy of Company communications to multiple shareholders, who reside at the same household mailing address. If you and other shareholders at the same household mailing address are currently receiving only one copy of Company communications but would like to receive separate copies or are currently receiving multiple copies of Company communications but would like to participate in our householding program, please see the instructions on page 62.

BOARD STRUCTURE AND CORPORATE GOVERNANCE

Our business, property and affairs are managed under the direction of our Board. Members of our Board are kept informed of our business through discussions with our President and Chief Executive Officer and other officers, by reviewing materials provided to them, by visiting our offices and by participating in meetings of the Board and its committees.

General Information and Corporate Governance

The Company's Amended Regulations provide that the Board shall consist of not less than nine nor more than 17 persons, with the exact number to be fixed and determined by resolution of the Board or by resolution of the shareholders at any annual or special meeting of shareholders. At this time, the Board has determined that the Board shall consist of nine members.

As discussed in its Corporate Governance Guidelines, the Company has a long-standing policy that the positions of Chairman of the Board (currently held by Mr. Cox) and Chief Executive Officer (currently held by Mr. Cassidy) should be held by separate persons. The Company continues to believe that this structure is in the best interest of shareholders because it facilitates the Board's oversight of management, allows the independent directors to be more actively involved in setting agendas and establishing priorities for the work of the Board, and is consistent with the principles of good corporate governance.

Our Board currently has the following four committees: (i) the Audit and Finance Committee, (ii) the Compensation Committee, (iii) the Governance and Nominating Committee, and (iv) the Executive Committee. The members and function of each committee are described below. During fiscal year 2010, the Board held nine meetings, and no director attended less than 75% of all Board and applicable committee meetings during the period in which he or she served as a director.

Under the Company's Corporate Governance Guidelines, directors are expected to attend the Annual Meeting of Shareholders. With the exception of Ms. Wentworth, all of the directors, who were on the Board at the time, attended the 2010 Annual Meeting of Shareholders.

For information on how to obtain a copy of the Company's Corporate Governance Guidelines, please see page 62.

Evaluation of Director Independence

In accordance with the rules and listing standards of the NYSE and the Company's Corporate Governance Guidelines, the Board affirmatively evaluates and determines the independence of each director and each nominee for election. Based on an analysis of information supplied by the directors, the Board evaluates whether any director has any material relationship with the Company, either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company that might cause a conflict of interest in the performance of a director's duties.

Based on these standards, the Board determined that each of the following persons who served as a non-employee director in 2010 is (or was) independent and has (or had) no relationship with the Company, except as a director and shareholder:

- Bruce L. Byrnes
- Mark Lazarus*
- John M. Zrno
- Phillip R. Cox
- Alex Shumate
- Jakki L. Haussler
- Craig F. Maier
- Lynn A. Wentworth

* Mr. Lazarus resigned from the Board effective January 29, 2011.

In addition, based on these standards, the Board determined that John F. Cassidy is not independent because he is the President and Chief Executive Officer of the Company.

Executive Sessions of Non-Management Directors

The non-management directors of the Company meet in executive session without management present at each regularly scheduled meeting of the Board. Mr. Cox presides at the meetings of the non-management directors.

Committees of the Board

The following table sets forth the membership of the committees of the Board for 2010:

Name of Director	Audit and Finance	Compensation	Governance and Nominating	Executive
Non-Employee Directors (a)				
Bruce L. Byrnes		*	* (Chair)	*
Phillip R. Cox	*	*	*	* (Chair)
Jakki L. Haussler	*		*	
Mark Lazarus (b)			*	
Craig F. Maier	*	*		
Alex Shumate		*	*	
Lynn A. Wentworth	* (Chair)			*
John M. Zrno	*	* (Chair)		*
Employee Director				
John F. Cassidy				*

(a) All Non-Employee Directors were determined by the Board to be independent directors.
(b) Mr. Lazarus resigned from the Board effective January 29, 2011.

Audit and Finance Committee: The Audit and Finance Committee currently consists of five persons, none of whom is an executive officer of the Company. The Audit and Finance Committee held five meetings during 2010. The purpose of the Audit and Finance Committee is, among other things, to assist the Board of Directors in its oversight of (i) the integrity of the financial statements of the Company, (ii) the Company's compliance with legal and regulatory requirements, (iii) the independence and qualifications of the Independent Registered Public Accounting Firm, (iv) the Company's risk assessment and risk management policies, and (v) the performance of the Company's internal audit function and Independent Registered Public Accounting Firm. To this end, the Audit and Finance Committee meets in executive session with its own members and may also meet separately with the Independent Registered Public Accounting Firm, the Company's internal auditors, General Counsel or members of management. The Audit and Finance Committee Charter provides a more detailed description of the responsibilities and duties of the Audit and Finance Committee. For information on how to obtain a copy of the Audit and Finance Committee Charter, please see page 62.

While the Board has ultimate responsibility for risk oversight, it delegates many of these functions to the Audit and Finance Committee. The Audit and Finance Committee receives regular updates on the Company's existing and emerging risks from the Vice President of Internal Audit. The updates are based upon interviews with senior management of the Company as well as other key employees. The updates include risk rankings and a general description of risk mitigation activities pertaining to each item. The Audit and Finance Committee provides periodic updates to the full Board on risk oversight matters.

In performing its duties, the Audit and Finance Committee meets as often as necessary and at least once each calendar quarter with members of management, the Company's internal audit staff and the Independent Registered Public Accounting Firm. An agenda for each such meeting is provided in advance to the members of the Audit and Finance Committee.

The Board determined that each member of the Audit and Finance Committee satisfies the independence requirements of the rules and regulations of the SEC and the independence and other requirements of the rules and listing standards of the NYSE. No member of the Audit and Finance Committee serves on the audit committees of more than three public companies. In addition, the Board determined that Ms. Wentworth is an audit committee financial expert as defined in the regulations of the SEC and that each member of the Audit and Finance Committee is financially literate as defined by the rules and listing standards of the NYSE.

Compensation Committee: The Compensation Committee currently consists of five persons, none of whom is an executive officer. The Compensation Committee held eight meetings during 2010. The Compensation Committee is responsible for, among other things, ensuring that directors and certain key executives are effectively and competitively compensated in terms of base compensation and short- and long-term incentive

compensation and benefits. In addition, the Compensation Committee evaluates the performance of the Chief Executive Officer and reviews with management the succession planning process for key executive positions. The Compensation Committee Charter provides a more detailed description of the responsibilities and duties of the Compensation Committee. For information on how to obtain a copy of the Compensation Committee Charter, please see page 62.

In performing its duties, the Compensation Committee meets at least three times each calendar year. The Compensation Committee also meets separately with the Company's Chief Executive Officer and other corporate officers, as it deems appropriate, to establish and review the performance criteria and compensation of the Company's executive officers. An agenda for each meeting is provided in advance to the members of the Compensation Committee.

The Board determined that each member of the Compensation Committee satisfies the independence requirements of the rules and listing standards of the NYSE.

Governance and Nominating Committee: In 2010, the Governance and Nominating Committee consisted of five persons, none of whom is an executive officer. Until his resignation, Mr. Lazarus served on the Governance and Nominating Committee which currently has four persons. The Governance and Nominating Committee held three meetings during 2010. The Governance and Nominating Committee, among other things, identifies individuals to become members of the Board, periodically reviews the size and composition of the Board, evaluates the performance of Board members, makes recommendations regarding the determination of a director's independence, recommends committee appointments and chairpersons to the Board, periodically reviews and recommends to the Board updates to the Company's Corporate Governance Guidelines and related Company policies and oversees an annual evaluation of the Board and its committees. The Governance and Nominating Committee Charter provides a more detailed description of the responsibilities and duties of the Governance and Nominating Committee. For information on how to obtain a copy of the Governance and Nominating Committee Charter, please see page 62.

In performing its duties, the Governance and Nominating Committee typically meets four times each calendar year. The Chief Executive Officer and the Secretary of the Company typically attend the meetings of the Governance and Nominating Committee. An agenda for each such meeting is provided in advance to the members of the Governance and Nominating Committee.

The Board determined that each member of the Governance and Nominating Committee satisfies the independence requirements of the rules and listing standards of the NYSE.

Executive Committee: The Executive Committee consists of five persons, one of whom is the President and Chief Executive Officer of the Company. The Committee held two meetings during 2010. The Executive Committee acts on behalf of the Board in certain matters, when necessary, between Board meetings.

Director Nominations

The Governance and Nominating Committee will consider director candidates recommended by shareholders. The Governance and Nominating Committee did not receive, and therefore did not consider, any recommendations for director candidates by any shareholder for the 2011 Annual Meeting.

The Governance and Nominating Committee uses the following process to identify and evaluate director nominee candidates. Any qualified individual or group, including shareholders, incumbent directors and members of senior management, may at any time propose a candidate to serve on the Board. Background information on proposed candidates is forwarded to the Governance and Nominating Committee. The Governance and Nominating Committee reviews forwarded materials relating to prospective candidates in the event of a director vacancy. A candidate selected from the review is interviewed by each member of the Governance and Nominating Committee, unless the member waives the interview requirement. If approved by the Governance and Nominating Committee, the candidate will be recommended to the full Board for consideration. The Governance and Nominating Committee evaluates shareholder-recommended candidates in the same manner that it evaluates all other candidates.

All nominees to the Board should possess the following attributes:

- Established leadership reputation in his/her field;
- Known for good business judgment;
- Active in business;
- Knowledge of business on a national/global basis;
- Meets high ethical standards; and
- Commitment to regular board/committee meeting attendance.

In addition, the Board will consider the following factors:

- The nominee's familiarity with the field of telecommunications; and
- Whether the nominee would contribute to the gender, racial and/or geographical diversity of the Board.

While the Company has not adopted a formal process or policy for making sure that diversity exists on the Board, the selection criteria used by the Governance and Nominating Committee when considering director nominees, as noted above, includes as a factor whether a nominee would contribute to the gender, racial and/or geographical diversity of the Board.

DIRECTOR COMPENSATION

Director Compensation Arrangements

The Company uses a combination of cash and stock-based incentive compensation to attract and retain qualified candidates to serve on the Board. In setting director compensation, the Company considers the significant amount of time that Directors spend in fulfilling their duties to the Company as well as the skill-level required.

Compensation for Employee Directors

Directors who are also employees of the Company (or any subsidiary of the Company) receive no additional compensation for serving on the Board or its committees.

General Compensation Policy for Non-Employee Directors

Directors who are not employees of the Company or any subsidiary of the Company ("non-employee directors") receive compensation from the Company for their service on the Board. The table below sets forth the compensation for non-employee directors in 2010.

Compensation Element	2010
Annual Chairman of the Board Retainer	$180,000
Annual Board Retainer	$ 70,000
Annual Audit and Finance Committee Chairman Retainer	$ 27,000
Annual Audit and Finance Committee Member Retainer	$ 15,000
Annual Compensation Committee Chairman Retainer	$ 18,000
Annual Compensation Committee Member Retainer	$ 10,000
Annual Governance and Nominating Committee Chairman Retainer	$ 16,000
Annual Governance and Nominating Committee Member Retainer	$ 10,000

Non-Employee Directors Deferred Compensation Plan

The Cincinnati Bell Inc. Deferred Compensation Plan for Outside Directors (the "Directors Deferred Compensation Plan") currently allows each non-employee director of the Company to defer receipt of all or a part of his or her director fees and annual retainers and to have such deferred amounts credited to an account of the director under the plan. A non-employee director may also choose to have such deferrals assumed to be invested among a number of investment options that are designated for this purpose by the Compensation Committee of the Board, and his or her account under the plan is adjusted by the investment returns that would result if such amounts were invested in the investment options that he or she chooses.

In addition, annually each non-employee director of the Company on the first business day of the year has his or her account under the Directors Deferred Compensation Plan credited on such date with an amount equal to the value of 6,000 common shares of the Company. Subject to future changes in the plan, each non-employee director of the Company may, in the discretion of the Board, also have his or her account under the plan credited on any other date with an amount equal to the value of a number of Company common shares determined by the Board. The Board will exercise its discretion in crediting amounts to the plan accounts of the non-employee directors with the intent that such credits, together with other compensation that either is paid in the form of Company common shares or has its value determined in relation to the value of common shares (such grants and such other compensation referred to as "Company equity-based compensation"), is approximately equal to the median level of the value of equity-based compensation provided by comparable companies to their non-employee directors. A non-employee director's account under the plan is also adjusted by the investment returns that would result if such amounts were invested exclusively in common shares of the Company. A non-employee director will generally be vested in the amounts credited to his or her account under the plan only if he or she completes at least five years of active service as a non-employee director of the Company (with a fraction of a year of service as a non-employee director being rounded up or down to the nearest whole year) or if he or she dies while a member of the Board.

A non-employee director of the Company may also have had additional amounts credited to his or her account under the Directors Deferred Compensation Plan based on his or her deferral of director fees and annual retainers for earlier years or on other extra amounts that were credited by the Company to his or her account under the plan prior to such year. The portion of a non-employee director's account under the plan that is attributable to such earlier credited amounts is also adjusted by the investment returns that would result if such amounts were invested in investment options that he or she chooses, in common shares or in other investments, depending on the particular credits that are involved.

Other than for certain circumstances described below and subject to future changes in the Directors Deferred Compensation Plan, a non-employee director of the Company can, if he or she complies with specific election rules and procedures set forth in or adopted under the plan and with the requirements of applicable law (including the American Jobs Creation Act of 2004, which generally applies to any compensation of a non-employee director that is credited to his or her account under the plan in 2005 or any later year), elect that the vested amounts credited to his or her account under the Directors Deferred Compensation Plan will not be received by him or her (and thereby generally will not be subject to federal income tax) until after he or she has ceased to be a member of the Board or until a specific year he or she chooses that is not earlier than the year in which the sixth anniversary of his or her deferral election occurs. When the vested amounts are to be paid, he or she generally may elect to have the amounts distributed in a lump sum or in up to ten annual installments.

Each payment made to a non-employee director of the vested amounts credited to his or her account under the Directors Deferred Compensation Plan is made in the form of cash to the extent such amounts are deemed to be invested under the plan other than in common shares and will be distributed in the form of common shares to the extent such amounts are deemed to be invested under the plan in such shares; except that (i) the vested portion of his or her account under the plan that is attributable to the annual credits that are or have been made to his or her plan account for serving as a member of the Board and (ii) the value of any vested amount that is deemed to be invested in a fractional common share will, in each such case, only be paid in cash.

The Company will reimburse a non-employee director for all reasonable commissions or similar costs he or she incurs in selling any common shares he or she receives under the Directors Deferred Compensation Plan, or make arrangements to permit the director to have such shares sold without commissions or similar fees charged to him or her, if the director wants to sell such shares shortly (generally within two weeks) after he or she receives them.

The Directors Deferred Compensation Plan provides three exceptions to the rules regarding the timing of distributions of a non-employee director's account under the plan: (i) in the event of a change in control of the Company; (ii) at the election of the non-employee director in the event of severe financial hardship; and (iii) at the election of the non-employee director if he or she agrees to certain forfeitures and restrictions (although under the American Jobs Creation Act of 2004, this final exception cannot apply to amounts attributable to compensation credited on or after January 1, 2005 to a non-employee's account under the plan).

Until paid, all amounts credited to a non-employee director's account under the Directors Deferred Compensation Plan are not funded or otherwise secured, and all payments under the plan are made from the general assets of the Company.

The Directors Deferred Compensation Plan must comply with the requirements of the American Jobs Creation Act of 2004 in order to retain its ability to defer federal income tax on certain amounts credited to a non-employee director's account under the plan. The Company has amended the plan to meet the requirements of the American Jobs Creation Act of 2004, and will make further amendments as necessary to comply with the regulations adopted by the IRS to implement the Act.

Non-Employee Directors Stock Option Plan

The Company grants its non-employee directors stock options to purchase common shares and/or time-based restricted shares under the Cincinnati Bell Inc. 2007 Stock Option Plan for Non-Employee Directors (the "2007 Directors Stock Option Plan"). Pursuant to the current terms of such plan, each non-employee director of the Company, at the discretion of the Board, may be granted a stock option for a number of common shares and/or a number of restricted common shares (as determined by the Board) on the date of each annual meeting, if such director first became a non-employee director of the Company before the date of such annual meeting and continues in office as a non-employee director after such meeting.

The Board has decided to annually grant time-based restricted shares with an aggregate value of $35,000 on the date of grant to each incumbent, non-employee director. These restricted shares will not vest until the third anniversary of the grant date.

The Board will exercise its discretion in granting such options and/or time-based restricted shares with the intent that such grants, together with other Company equity-based compensation, provide Company equity-based compensation that is competitive with the value of equity-based compensation provided by comparable companies to their non-employee directors.

Each stock option granted to a non-employee director under the 2007 Directors Stock Option Plan, or a predecessor plan, requires that, upon the exercise of the option, the price to be paid for the common shares that are being purchased under the option will be equal to 100% of the fair market value of such shares as determined at the time the option is granted. With certain exceptions provided in the 2007 Directors Stock Option Plan, a non-employee director of the Company who is granted an option under the plan generally will have ten years from the date of the grant to exercise the option.

In general, each restricted share award will require that the restrictions not lapse in full unless the non-employee director continues to serve as a director of the Company for at least three years after the award grant date or ends service as a Company director under special circumstances (e.g., death, disability, or attaining retirement age).

Actual Director Compensation in 2010 Fiscal Year

The following table shows the compensation paid to our non-employee directors for the 2010 fiscal year.

Director Compensation for Fiscal 2010

Name	Fees Earned or Paid in Cash ($) (a)	Stock Awards ($) (b) (c)	Option Awards ($) (c)	Total ($)
Bruce L. Byrnes	96,000	56,120	—	152,120
Phillip R. Cox	285,000	56,120	—	341,120
Jakki L. Haussler	95,000	56,120	—	151,120
Mark Lazarus	80,000	56,120	—	136,120
Craig F. Maier	95,000	56,120	—	151,120
Alex Shumate	90,000	56,120	—	146,120
Lynn A. Wentworth	97,000	56,120	—	153,120
John M. Zrno	103,000	56,120	—	159,120

(a) No Board member elected to defer fees in fiscal 2010.

(b) The values reflect the aggregate grant-date fair value of the time-based restricted awards granted on May 4, 2010 computed in accordance with Accounting Standards Codification Topic 718, “Compensation — Stock Compensation” (“ASC 718”) for all awards and the amounts credited to the Directors Deferred Compensation Plan which was equal to the value of 6,000 common shares with a value of $3.52 per share on January 4, 2010. For a discussion of the valuation assumptions and methodology, see Note 13 to the Company’s Consolidated Financial Statements included in the Annual Report on Form 10-K for the year ended December 31, 2010.

(c) As of December 31, 2010, the non-employee directors held an aggregate of 271,436 unvested stock awards and an aggregate of 299,175 option awards (granted in years prior to 2008), as set forth below:

Name	Number of Stock Awards Outstanding as of December 31, 2010	Number of Option Awards Outstanding as of December 31, 2010
Bruce L. Byrnes	30,545	61,000
Phillip R. Cox	30,545	69,925
Jakki L. Haussler	42,545	—
Mark Lazarus	29,083	—
Craig F. Maier	35,083	—
Alex Shumate	30,545	43,000
Lynn A. Wentworth	42,545	—
John M. Zrno	30,545	125,250

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During 2010, the members of the Compensation Committee included Messrs. Byrnes, Cox, Maier, Shumate and Zrno. None of the Compensation Committee's members has at any time been an officer or employee of the Company. None of the Company's executive officers serves, or in the past fiscal year served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on the Company's Board or Compensation Committee.

CODE OF BUSINESS CONDUCT AND CODES OF ETHICS

The Company has a Code of Business Conduct applicable to all officers and employees that describes requirements related to ethical conduct, conflicts of interest and compliance with laws. In addition to the Code of Business Conduct, the Chief Executive Officer and senior financial officers are subject to the Code of Ethics for Senior Financial Officers and the directors are subject to the Code of Ethics for Directors.

For information on how to obtain a copy of the Company's Code of Business Conduct, Code of Ethics for Senior Financial Officers or Code of Ethics for Directors, please see page 62.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The Board is committed to upholding the highest legal and ethical conduct in fulfilling its responsibilities and recognizes that related party transactions can present a heightened risk of potential or actual conflicts of interest. Accordingly, as a general matter, it is the Company's preference to avoid related party transactions. Current SEC rules define a related party transaction to include any transaction, arrangement or relationship (i) in which the Company is a participant, (ii) in which the transaction has an aggregate value greater than $120,000, and (iii) in which any of the following persons has or will have a direct or indirect interest:

- an executive officer, director or director nominee of the Company;
- any person who is known to be the beneficial owner of more than 5% of the Company's common shares;
- any person who is an immediate family member (as defined under Item 404 of Regulation S-K) of an executive officer, director or director nominee or beneficial owner of more than 5% of the Company's common shares; or
- any firm, corporation or other entity in which any of the foregoing persons is employed or is a partner or principal or in a similar position or in which such person, together with any other of the foregoing persons, has a 5% or greater beneficial ownership interest.

The Company's Code of Ethics for Senior Financial Officers, the Company's Code of Ethics for Directors and the Company's Code of Business Conduct require directors, officers and all other members of the workforce to avoid any relationship, influence or activity that would cause or even appear to cause a conflict of interest. The Company's Code of Business Conduct, Code of Ethics for Senior Financial Officers and Code of Ethics for Directors generally require (i) a director to promptly disclose to the Governance and Nominating Committee any potential or actual conflict of interest involving him or her and (ii) an employee, including the executive officers, to promptly disclose a conflict of interest to the General Counsel. The Governance and Nominating Committee (and, if applicable, the General Counsel) determines an appropriate resolution to actual or potential conflicts of interest on a case-by-case basis. All directors must recuse themselves from any discussion or decision affecting their personal, business or professional interests.

All related party transactions shall be disclosed in the Company's applicable filings with the Securities and Exchange Commission as required under SEC rules. In 2010, the related party transactions required to be disclosed are as follows:

- Mr. Cassidy, a director and President and Chief Executive Officer of the Company, serves as a trustee for the Boomer Esiason Foundation (the "Foundation"), a non-profit corporation established to provide support to find a cure for cystic fibrosis. In 2010, the Company donated approximately $250,000 of in-kind services to the Foundation. The Company believes that Mr. Cassidy received no personal benefit in connection with the Company providing these in-kind services and, therefore, has no interest in this transaction.

ELECTION OF DIRECTORS
(Item 1 on the Proxy Card)

The Company's Amended Regulations provide that the Board shall consist of not less than nine nor more than 17 persons, with the exact number to be fixed and determined by resolution of the Board or by resolution of the shareholders at any annual or special meeting of shareholders. The Board has determined that the Board shall consist of nine members. The Board presently has eight members, one of whom is an officer of the Company, and one vacancy. The Board may fill the vacancy at any time in accordance with laws, the Company's Amended Regulations and the Board's procedures.

The directors will serve until their respective successors are elected and qualified.

The Board has nominated Bruce L. Byrnes, Phillip R. Cox, Jakki L. Haussler, Craig F. Maier, Alex Shumate, Lynn A. Wentworth, John M. Zrno, and John F. Cassidy, all of whom are incumbent directors, to serve until the 2012 Annual Meeting of Shareholders.

If, at the time of the Annual Meeting, one or more of the nominees should be unavailable or unable to serve as a candidate, the shares represented by the proxies will be voted to elect the remaining nominees, if any, and any substitute nominee or nominees designated by the Board. The Board knows of no reason why any of the nominees will be unavailable or unable to serve.

Information regarding the business experience of each nominee is provided below.

Majority Vote Requirements; Holdover Directors

A director nominee who receives a majority of the votes cast will be elected to the Board. If a director nominee is an incumbent director and does not receive a majority of the votes cast, the Company's Amended Regulations require that such "holdover director" promptly tender his or her resignation to the Board, subject to acceptance by the Board. The Governance and Nominating Committee would make a recommendation to the Board as to whether to accept or reject the holdover director's resignation or whether other action should be taken. The Board will act on the tendered resignation by the holdover director, taking into account the Governance and Nominating Committee's recommendation, and publicly disclose its decision regarding the tendered resignation of the holdover director and the rationale behind the decision within 90 days from the date of the certification of the election results by the Inspector of Elections. The Governance and Nominating Committee in making its recommendation and the Board in making its decision may consider any factors or other information that they consider appropriate and relevant. The holdover director who tenders his or her resignation shall not participate in the recommendation of the Governance and Nominating Committee or the decision of the Board with respect to his or her tendered resignation.

If a holdover director's resignation is accepted by the Board pursuant to the Company's Amended Regulation, the Board may either fill the resulting vacancy or, if permitted, may decrease the size of the Board in accordance with law and the Company's Amended Regulations.

Vote Required

A director nominee must receive a majority of the votes cast to be elected to the Board. Since neither abstentions nor broker non-votes will be considered as votes cast in the election of directors, they will not have an effect on the outcome of election.

Our Recommendation

The Board recommends election of each of the nominees.

The following are brief biographies of each director of the Company, including those nominated for election.

NOMINEES FOR DIRECTORS
(Terms Expire in 2012)

Phillip R. Cox

Mr. Cox has been President and Chief Executive Officer of Cox Financial Corporation (a financial planning services company) since 1972. He is a current director of The Timken Company, Diebold Inc. and Touchstone Mutual Funds. He is a former director of the Federal Reserve Bank of Cleveland, Duke Energy Corporation, and Long Stanton Manufacturing Company. Director since 1993. Age 63.

With his years of entrepreneurial and managerial experience in the development and growth of Cox Financial Corporation, coupled with the experience he has gained from serving on the audit and compensation committees of several public company boards, Mr. Cox brings a valuable perspective to the Company's Board of Directors. In addition, having served as Chairman of the Company's Board of Directors since 2003, Mr. Cox has demonstrated an effective management style and the ability to facilitate the Board's primary oversight functions.

Bruce L. Byrnes

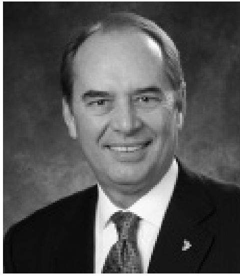
Mr. Byrnes is retired. He was Vice Chairman of the Board — Global Brand Building Training of The Procter & Gamble Company (a consumer products company) from July 2007 through June 2008. Prior to that, he was Vice Chairman of the Board and President — Global Household Care of The Procter & Gamble Company. From 2002 through 2004, he served The Procter & Gamble Company as Vice Chairman of the Board and President — Global Beauty & Feminine Care and Global Health Care. He is a director of Boston Scientific Corp., Diebold Inc. and Brown-Forman Corporation. Director since 2003. Age 62.

With his years of business and marketing experience at The Procter & Gamble Company, Mr. Byrnes brings to the Board of Directors demonstrated management ability at the highest levels of a large corporation. This experience gives Mr. Byrnes critical insights into the strategic, marketing and operational aspects of running a successful business and makes him a valuable asset to the Board of Directors, as Chairman of the Governance and Nominating Committee and as a member of the Compensation Committee.

Jakki L. Haussler

Ms. Haussler has served as Chairman and Chief Executive Officer of Opus Capital Group (a registered investment advisory firm) since 1996. She is a current director of Capvest Venture Fund, LP. She is also a partner of Adena Ventures, LP (a venture capital fund). She is a former director of The Victory Funds. Director since 2008. Age 53.

With more than 30 years of experience in the financial services industry, including her years of entrepreneurial and managerial experience in the development and growth of Opus Capital Group, Ms. Haussler brings a valuable perspective to the Company's Board of Directors. Through her role at Opus Capital and her service as a director of several venture capital funds and other boards, Ms. Haussler has gained valuable experience dealing with accounting principles and evaluating financial results of large corporations. She is a certified public accountant (inactive) and is a licensed attorney in the State of Ohio. This experience, coupled with her educational background, makes her a valuable asset to the Board of Directors, the Audit and Finance Committee and the Governance and Nominating Committee.


Craig F. Maier

Mr. Maier has been President and Chief Executive Officer of Frisch's Restaurants, Inc. (operator of family style restaurants) since 1989. He is a director of Frisch's Restaurants, Inc. Director since 2008. Age 61.

With over 20 years of experience as the chief executive officer of a large, publicly-traded corporation, Mr. Maier brings to the Board of Directors demonstrated management and leadership ability. In addition, Mr. Maier has valuable experience dealing with accounting principles, financial reporting regulations and evaluating financial results of large corporations. This experience makes him a valuable asset to the Board of Directors, the Audit and Finance Committee and the Compensation Committee.

Alex Shumate

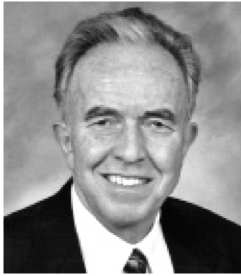
Mr. Shumate is currently the Managing Partner, North America, of Squire, Sanders & Dempsey (US) LLP (an international law firm) since 2009. Prior to that, he served as the managing partner of the Columbus office of Squire Sanders since 1991. He is a current director of The J.M. Smucker Company. He also served as a director of the Wm. Wrigley Jr. Company from 1998 until its acquisition in 2008, as well as Nationwide Financial Services from 2002 until its acquisition in 2009. Director since 2005. Age 60.

With his legal background, his years of experience serving as the managing partner of a major law firm, and his service on the boards of other publicly-traded companies, Mr. Shumate brings to the Board of Directors demonstrated managerial ability and a thorough understanding of the principles of good corporate governance. This experience makes him a valuable asset to the Board of Directors, the Governance and Nominating Committee and the Compensation Committee.

Lynn A. Wentworth

Ms. Wentworth is retired. She was Senior Vice President, Chief Financial Officer, and Treasurer of BlueLinx Holdings Inc. (a building products distributor) from 2007 to 2008. Prior to joining BlueLinx, she was, most recently, Vice President and Chief Financial Officer for BellSouth Corporation's Communications Group and held various other positions at BellSouth from 1985 to 2007. She is a certified public accountant and a member of the Georgia Society of Certified Public Accountants. She is a director of Graphic Packaging Holding Company. Director since 2008. Age 52.

Ms. Wentworth's experience as Chief Financial Officer and Treasurer of BlueLinx Holdings Inc. as well as her 22 years of telecommunications industry experience at BellSouth makes her a valuable asset, both on the Company's Board of Directors and as the Chair of the Audit and Finance Committee. Ms. Wentworth qualifies as an audit committee financial expert under applicable SEC regulations. She was specifically recruited to join the Company's Audit and Finance Committee with the understanding that she would assume leadership of the Committee upon the retirement of its then current Chairman. Ms. Wentworth's prior experience has provided her with a wealth of knowledge in dealing with complex financial and accounting matters affecting large corporations in the telecommunications industry.



John M. Zrno

Mr. Zrno is retired. He was President and Chief Executive Officer of IXC Communications, Inc. (a telecommunications company) from June 1999 through November 1999. He served as President and Chief Executive Officer of ALC Communications Corporation from 1988 through 1995. He is a director of BullsEye Telecom. Director since 1999. Age 72.

With over 30 years of experience in the telecommunications industry, and his past experience as the chief executive officer of two large telecommunications corporations, Mr. Zrno brings to the Board of Directors demonstrated management and leadership ability. In addition, Mr. Zrno has gained valuable experience dealing with accounting principles, financial reporting regulations and evaluating financial results of large corporations. This experience makes him a valuable asset to the Board of Directors, as the Chairman of the Compensation Committee and as a member of the Audit and Finance Committee.

John F. Cassidy

Mr. Cassidy has been the President and Chief Executive Officer of Cincinnati Bell Inc. since July 2003 and a director of Cincinnati Bell Inc. since September 2002. Among other positions held with the Company, he has been President and Chief Operating Officer of Cincinnati Bell Telephone Company since May 2001, and President of Cincinnati Bell Wireless Company since 1997. Director since 2002. Age 56.

Having served as the Company's Chief Executive Officer since 2003, and having served in various other senior-level management roles with the Company, Mr. Cassidy brings to the Board of Directors critical knowledge and understanding of the products and services offered by the Company as well as a thorough understanding of the telecommunications industry in which it operates.

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (Item 2 on the Proxy Card)

The Company's Audit and Finance Committee Charter provides that the Committee shall have the sole authority and responsibility to select, evaluate and, if necessary, replace the Company's Independent Registered Public Accounting Firm.

On January 27, 2011, the Audit and Finance Committee retained Deloitte & Touche LLP as its Independent Registered Public Accounting Firm to audit the financial statements of the Company for the fiscal year ending December 31, 2011.

The Company is asking the shareholders to ratify the Committee's appointment of Deloitte & Touche LLP as the Independent Registered Public Accounting Firm of the Company for the fiscal year ending December 31, 2011. If the shareholders do not ratify this appointment, the Audit and Finance Committee will consider the results of the vote and determine whether to appoint a different independent registered public accounting firm to audit the financial statements of the Company for the fiscal year ending December 31, 2011.

One or more members of the firm of Deloitte & Touche LLP will attend the Annual Meeting, will have an opportunity to make a statement and will be available to answer questions.

Vote Required

Ratification of the appointment of Deloitte & Touche LLP as the Independent Registered Public Accounting Firm of the Company requires the affirmative vote of the holders of a majority of the common shares and 6¾% Cumulative Convertible Preferred Shares, voting as one class, present or represented at

the annual meeting, in person or by proxy, and entitled to vote on this proposal. Abstentions will have the effect of a vote against the proposal. Since the Company believes this proposal to be “routine,” broker non-votes will likely be voted by the organizations holding such shares in their discretion.

Our Recommendation

The Board recommends a vote FOR such ratification.

ADVISORY VOTE ON EXECUTIVE COMPENSATION
(Item 3 on Proxy Card)

Pursuant to Section 14A of the Securities Exchange Act of 1934, the Company is required to submit a proposal to its shareholders for a non-binding advisory vote to approve the compensation of the Company’s named executive officers, as disclosed in this Proxy Statement in accordance with the compensation disclosure rules of the SEC. This proposal, commonly known as a “say-on-pay” proposal, gives our shareholders the opportunity to express their views on the compensation of our named executive officers. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the principles, policies and practices described in this Proxy Statement.

The guiding principles of the Company’s compensation policies and decisions include aligning each executive’s compensation with the Company’s business strategy and the interests of our shareholders and providing incentives needed to attract, motivate and retain key executives who are important to our long-term success. Consistent with this philosophy, a significant portion of the total compensation for each of our executives is directly related to the Company’s earnings and revenues and other performance factors that measure our progress against the goals of our strategic plan as well as performance against our peer companies. Shareholders are urged to read the Compensation Discussion and Analysis section of this Proxy Statement which discusses how our compensation design and practices reflect our compensation philosophy. The Compensation Committee and the Board of Directors believe that our compensation design and practices are effective in implementing our strategic goals. Accordingly, we ask our shareholders to vote “FOR” the following resolution:

> “**RESOLVED**, that the compensation paid to the Company’s named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby APPROVED.”

The say-on-pay vote is advisory and, therefore, not binding on the Company, the Compensation Committee or the Board of Directors. Our Board of Directors and our Compensation Committee value the opinions of our shareholders and to the extent there is any significant vote against the named executive officer compensation as disclosed in this Proxy Statement, we will consider our shareholders’ concerns and the Compensation Committee will evaluate whether any actions are necessary to address those concerns.

Approval of this proposal requires the affirmative vote of the holders of a majority of the common shares and 6¾% Cumulative Convertible Preferred Shares, voting as one class, present in person or represented by proxy at the annual meeting and entitled to vote on this proposal. Under the rules of the NYSE, brokers are prohibited from giving proxies to vote on executive compensation matters unless the beneficial owner of such shares has given voting instructions on the matter. This means that, if your broker is the recordholder of your shares, you must give voting instructions to your broker with respect to this Item 3 if you want your broker to vote your shares on this matter. Proxies submitted without direction pursuant to this solicitation will be voted for the approval of the compensation of our named executive officers, as disclosed in this Proxy Statement. Abstentions will have the same effect as a vote against this proposal. Broker non-votes are not considered shares entitled to vote on this proposal and will have no impact on the outcome of this proposal.

Our Recommendation

The Board recommends that shareholders vote “FOR” the approval, on an advisory basis, of the compensation of its named executive officers as disclosed in this Proxy Statement.

ADVISORY VOTE ON THE FREQUENCY OF HOLDING AN ADVISORY VOTE ON EXECUTIVE COMPENSATION
(Item 4 on the Proxy Card)

The Company is submitting to its shareholders an advisory vote as to whether the shareholder advisory vote to approve executive compensation — Item 3 above — should occur every one, two or three years. You may cast your vote by choosing one year, two years or three years or you may abstain from voting on this matter:

For the reasons described below, we recommend that our shareholders select a frequency of once every three years:

- Consistent with good corporate governance, our compensation program ties a substantial portion of executive compensation to our long-term company performance and shareholder returns. Performance unit payouts under the long-term incentive program are based on three-year performance periods. Therefore, a vote every three years is best aligned with the long-term focus of our executive compensation programs and deters long-term objectives from being undermined by shorter-term marketplace issues.
- A vote once every three years will give our shareholders the opportunity to more fully and effectively assess our long-term compensation strategies and the related business outcomes.
- A three-year cycle gives the Board of Directors, the Compensation Committee and its independent compensation consultant sufficient time to thoughtfully evaluate and respond to shareholder input and effectively implement any changes to the Company's executive compensation program.

Accordingly, the following resolution is submitted for shareholder vote:

"**RESOLVED**, that the option set forth below that receives the highest number of votes cast by shareholders of the Company shall be the preferred frequency with which the Company is to hold an advisory vote on the approval of the compensation of its named executive officers:

- Yearly or
- Every two years or
- Every three years."

The option of one year, two years or three years that receives the highest number of votes cast by shareholders will be the frequency for the advisory vote on executive compensation that has been selected by shareholders. However, as this is an advisory vote, the result will not be binding on our Board of Directors or the Company. Our Compensation Committee will consider the outcome of the vote when determining how often the Company should submit to shareholders an advisory vote to approve the compensation of its named executive officers included in the Company's proxy statement. Abstentions and broker non-votes will not count as votes cast "**FOR**" or "**AGAINST**" any frequency choice and will have no direct effect on the outcome of this proposal. Proxies submitted without direction pursuant to this solicitation will be voted for the option of "EVERY THREE YEARS."

Our Recommendation

The Board recommends that shareholders vote for the option of "EVERY THREE YEARS" as the frequency with which shareholders are provided an advisory vote on the compensation of the Company's named executive officers.

PROPOSAL TO APPROVE THE CINCINNATI BELL INC. 2011 SHORT-TERM INCENTIVE PLAN (Item 5 on the Proxy Card)

The Board has approved, effective as of April 1, 2011, the terms of the annual incentive compensation plan, the Cincinnati Bell Inc. 2011 Short-Term Incentive Plan (the "2011 Short Term Incentive Plan"). The 2011 Short Term Incentive Plan changes and clarifies certain terms and replaces the Cincinnati Bell Inc. Short Term Incentive Plan (the "Prior Plan") and changes or clarifies certain rules contained in the prior plan. The prior plan has been terminated effective March 31, 2011, although awards granted before such termination date can remain outstanding.

In general, Section 162(m) of the Code provides that a publicly traded corporation may not deduct for federal income tax purposes, with respect to any tax year of the corporation, compensation paid to certain executives for such tax year to the extent such compensation exceeds $1,000,000 unless (i) such compensation is based on certain pre-established objective performance goals, which are based on business criteria set forth in the plan or the requirements set forth in the plan and the awards are met, and (ii) the plan's terms are disclosed to and approved by the corporation's shareholders. The Board is requesting shareholder approval of the 2011 Short Term Incentive Plan in order for the Company to avoid having the tax consequences of Section 162(m) of the Code applied to certain parts of awards to be granted under the plan.

For the foregoing reasons, **the Board is asking the shareholders of the Company for, and recommends, the approval of the 2011 Short Term Incentive Plan.**

The principal terms of the 2011 Short Term Incentive Plan are described below. **The full text of the 2011 Short Term Incentive Plan is set forth in Appendix A of this Proxy Statement and the following discussion is qualified in its entirety by reference to such text**.

1. Purpose of Plan.

The purpose of the 2011 Short Term Incentive Plan is to provide key executives of the Company and its subsidiaries with annual incentive compensation based upon the achievement of company performance and individual performance goals.

2. Administration.

The 2011 Short Term Incentive Plan will be administered by the Board's Compensation Committee (for purposes of this discussion as to the 2011 Short Term Incentive Plan, the "Committee"). Subject to the limits and terms of the plan, the Committee will (i) select the key employees to whom awards under the plan will be granted, (ii) make the awards under the plan, in such amounts and on such conditions as it determines, (iii) interpret the terms of the plan and adopt administrative guidelines and rules in connection with the plan's operation, (iv) appoint certain employees to act on its behalf as its representatives, and (v) perform all other actions necessary for the plan's administration. If the Committee makes an award under the 2011 Short Term Incentive Plan to the CEO, that award must also be approved by the Board before it is effective.

3. Employees To Whom Awards May Be Granted.

Awards may be granted under the 2011 Short Term Incentive Plan to, and only to, key employees of the Company and its subsidiaries. A key employee refers, for purposes of the plan, to a person who is both (i) employed and classified as an employee of the Company by the Company and (ii) an officer of the Company who is subject to Section 16 of the Securities Exchange Act of 1934, as amended.

4. Awards.

Any award granted under the 2011 Short Term Incentive Plan to a key employee will be made with respect to a specific Company tax year for federal income tax purposes (the award's "award year") and will be composed of one or more parts. No more than one award may be granted to a key employee under the plan with respect to any calendar year. Each part of an award granted to a key employee under the 2011 Short Term Incentive Plan is an "award part." An award part will be payable, only if certain company performance goals or individual performance goals that are made applicable to that award part by the Committee are met. The total amount

payable for an award granted under the 2011 Short Term Incentive Plan will be equal to the sum of the amounts, if any, payable under each award part of the award and shall be paid in a lump sum cash amount after the end of the award's award year, but no later than the 15th day of the third month that follows the end of their award year.

Any award granted under the 2011 Short Term Incentive Plan to a key employee generally will specify a target payment amount (the award's "target") and assign a percent of the award's target to each award part of the award (an award part's "target share"). The amount payable under an award that relates to any award part will equal such award part's target share if certain but not all (or a certain level but not the highest level) of the company performance goals or individual performance goals, as the case may be, applicable to the award part are met, but such amounts may be more or less than such target share if additional or fewer (or if a higher or lower level) of the performance goals applicable to the award part are determined to be met. In no event may the amount payable by reason of any award part of an award exceed 200% of the award part's target share, and in no event may the total amount payable under any award granted under the plan (including all of its award parts) exceed $3,000,000.

Notwithstanding the foregoing, the Committee (or the Board when the award is granted to the CEO) may, prior to any payment being made under an award in its sole and unrestricted discretion and for any reason, reduce the amount payable under any award granted under the plan below the amount that would otherwise be payable under the award based solely on the company performance goals that are set by the Committee for the award (although the Committee does not have discretion to increase the amount that would otherwise be payable under any award granted under the plan based solely on any award part that determines an amount payable based on the satisfaction of company performance goals). The Committee could, for instance, exercise its discretion to reduce the amount otherwise payable under a plan award because it determines that the performance goals applicable to the award part were unduly affected by extraordinary or nonrecurring events or because the key employee to whom the award was granted failed to meet certain individual goals set for him or her by the Committee or his or her managers.

In addition, and notwithstanding the foregoing, the amount that is otherwise payable under an award granted under the plan to a key employee is generally reduced on a pro rata basis to reflect any portion in the award's award year (i) during which the employee is not a key employee of the Company or one of its subsidiaries because he or she only became a key employee after the start of such year or ceased to be a key employee prior to the end of such year for a reason other than his or her retirement or death, (ii) during which the key employee receives disability benefits under a plan of the Company or a Company subsidiary (if such benefits were received for more than three months in the award's award year) or (iii) during which the key executive is on a leave of absence approved by the Company or a subsidiary of the Company (if such leave of absence lasts for more than three months in such award's award year).

Further, and also notwithstanding the foregoing, a key employee to whom an award has been granted under the plan shall not in any event be entitled to receive any amount by reason of the award unless he or she both: (i) either is an employee of the Company or a subsidiary of the Company on the last day of the award's award year or terminated his or her employment with the Company and its subsidiaries during such year because of his or her disability, his or her retirement or his or her death; and (ii) has had at least three months of active service for the Company and its subsidiaries during the award's award year (not including any time the key employee was absent from active service during such award year by reason of any leave of absence or for any other reason, including an absence on account of disability).

As is noted above and notwithstanding any other provision of the plan to the contrary, the amount to be received by a key employee by reason of any award that is granted to the key employee under the plan with respect to any calendar year shall not in any event exceed $3,000,000.

If a key employee is entitled to receive a payment under any award granted to him or her under the plan, but he or she dies before such payment is made to him or her, then such payment shall be made to the key employee's beneficiary (as determined under the provisions of the plan).

5. Company Performance Goals

The company performance goals that may be set by the Committee with respect to any award part of an award granted under the 2011 Short Term Incentive Plan to a key employee may be based on, and only on, one or

more of the following criteria applicable to the Company and its subsidiaries: free cash flow (as defined in the plan), earnings before interest, taxes, depreciation and amortization adjusted for certain items; earnings per share; operating income; total shareholder returns; profit targets; revenue targets; profitability targets as measured by return ratios; net income; return on sales; return on assets; return on equity; and corporate performance indicators (indices based on the level of certain services provided to customers).

The company performance goal criteria that will apply to any award granted under the plan to a key employee with respect to an award year will be criteria that will be (i) able to be objectively determined by the Committee, (ii) measured or determined on the basis of the award year and (iii) set by the Committee either prior to the start of the award's award year or within the first 90 days of the award year (provided that the company performance criteria is not in any event set after 25% or more of the applicable award year has passed).

In addition, any such performance criteria may be measured or determined for the Company, for any organization that is a part of the Company, for the Company and all of the Company's subsidiaries in the aggregate or for any group of corporations or organizations that are included in the entire group of the Company and its subsidiaries. Any such performance criteria may also be measured and determined in an absolute sense and/or in comparison to the analogous performance criteria of other publicly traded companies (that are selected for such comparison purposes by the Committee).

The Committee will verify that the company performance goals that must be met for any specific payment to be made under an award part of the award granted under the plan have been met before such payment is permitted. To the extent that any amount that becomes payable under an award granted under the plan is attributable to an award part of such award that required that certain company performance goals had to be met, such amount is intended to constitute "performance-based compensation" that can be exempt from the deduction limits of Section 162(m) of the Code.

6. Individual Performance Goals

The individual performance goals that may be set by the Committee with respect to any award part of an award granted under the 2011 Short Term Incentive Plan to a key employee may be based on any criteria it deems appropriate for judging the performance of the key employee in fulfilling his or her duties for the Company. Such individual performance goals may be set at any time by the Committee, including after the end of the award year applicable to the award. The individual performance goal criteria may be either subjective or objective at the discretion of the Committee. When the CEO is the key employee receiving the award, the Board shall have final approval as to the determination of whether the CEO has met any such individual performance criteria.

Shareholder approval of the 2011 Short Term Incentive Plan will not effect whether an amount payable under an award part based on individual performance goals is subject to the deduction limits under Section 162(m) of the Code because such amounts do not constitute performance-based compensation.

7. Change in Control.

In the event that a "change in control" of the Company (as is defined in the 2011 Short Term Incentive Plan) occurs, then, in general terms, the following actions apply to awards that were previously granted under the plan but have not yet been paid:

(a) First, the amount payable under any award that was granted under the plan with respect to the Company's tax year that immediately precedes the Company's tax year in which the change in control occurs, if such award has not yet been paid, be paid within five business days after the date of the change in control (and, if the amount of such award has not been determined by the Committee by the date of the change in control, its amount will be deemed to be equal to the award's target).

(b) Second, a pro rata portion of any award granted under the plan with respect to the Company's tax year in which the change in control occurs will be paid within five business days after the date of the change in control. Such pro rata portion will generally be based on the award's target multiplied by a fraction that has a numerator equal to the number of full and partial months from the first day of the tax year in which the change in control occurs to the date of the change in control and a denominator equal to twelve.

8. Amendment and Termination.

The 2011 Short Term Incentive Plan may be amended or terminated by the Board, provided that no such action will impair the rights of a key employee with respect to a previously granted award without the key employee's consent and provided that no amendment shall be made without approval of the Company's shareholders if such amendment would make any change in the plan that is required by law to be approved by the Company's shareholders in order to become effective.

9. Federal Income Tax Consequences

In general, any key employee who receives an amount that is paid by reason of an award granted under the 2011 Short Term Incentive Plan must recognize for federal income tax consequences, at the time of the payment, ordinary compensation income equal to such amount; and the Company will be entitled to a deduction for the same amount.

Our Recommendation

Approval of the Cincinnati Bell Inc. 2011 Short-Term Incentive Plan, requires the affirmative vote of the shareholders of a majority of the Common Shares and Preferred Shares, voting as one class, present or represented at the annual meeting, in person or by proxy, and entitled to vote on this proposal. Abstentions will have the same effect as votes against the proposal. Broker non-votes will not be considered shares entitled to vote on the proposal and will not have a positive or negative effect on the outcome of this proposal. The Board recommends a vote FOR adoption of the proposal.

Effect of Management Vote on Proposal

Since the directors and officers of the Company own beneficially 10,857,833 Common Shares, or 5.5% of the outstanding voting shares, their votes on the proposal are not likely to have a material impact on whether this proposal is adopted.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 31, 2010 regarding securities of the Company to be issued and remaining available for issuance under the equity compensation plans of the Company.

Plan Category	Number of securities to be issued upon exercise of stock options, warrants and rights (a)	Weighted-average exercise price of outstanding stock options, awards, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	20,686,570(1)	$5.55	8,085,969
Equity compensation plans not approved by security holders	216,330(2)	—	—
Total	20,902,900	$5.55	8,085,969

(1) Includes 17,816,621 outstanding stock options and stock appreciation rights not yet exercised, 229,436 shares of time-based restricted stock, and 2,640,513 shares of performance-based awards, restrictions on which have not expired as of December 31, 2010. Awards were granted under various incentive plans approved by Cincinnati Bell Inc. shareholders. The number of performance-based awards assumes the maximum awards that can be earned if the performance conditions are achieved.

(2) The shares to be issued relate to deferred compensation in the form of previously received special awards and annual awards to non-employee directors pursuant to the "Deferred Compensation Plan for Outside Directors." From 1997 through 2004, the directors received an annual award of phantom stock equivalent to a number of common shares. For years beginning after 2004, the annual award is the equivalent of 6,000 common shares. As a result of a plan amendment effective as of January 1, 2005, upon termination of Board service, non-employee directors are required to take distribution of all annual phantom stock awards in cash. Therefore, the number of actual shares of common stock to be issued pursuant to the plan as of December 31, 2010 is approximately 16,000. This plan also provides that no awards are payable until such non-employee director completes at least five years of active service as a non-employee director, except if he or she dies while serving as a member of the Board of Directors.

Any general statement that incorporates this Proxy Statement into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934 shall not be deemed to incorporate by reference this Audit and Finance Committee Report and related disclosure. Except to the extent the Company specifically incorporates such Report and related disclosure by reference, this information shall not otherwise be deemed to have been filed under such Acts.

AUDIT AND FINANCE COMMITTEE REPORT

The Audit and Finance Committee of the Board has reviewed and discussed the Company's audited financial statements with the management of the Company and has reviewed a report from management assessing the Company's internal controls. The Audit and Finance Committee has discussed with Deloitte & Touche LLP, the Company's Independent Registered Public Accounting Firm for the fiscal year ended December 31, 2010, the matters required to be discussed by the Statement on Auditing Standards No. 61, Communications with Audit Committees (Codification of Statements on Auditing Standards, AU 380) and as adopted by the Public Company Accounting Oversight Board in Rule 3200T, as currently in effect. The Audit and Finance Committee has also received the written disclosures and letter from the Independent Registered Public Accounting Firm required by applicable standards of the Public Company Accounting Oversight Board, has discussed with Deloitte & Touche LLP their independence with respect to the Company, and has considered the question of whether the auditors' provision of non-audit services was compatible with the Independent Registered Public Accounting Firm maintaining their independence.

Based on its review and discussions referred to in the preceding paragraph, the Audit and Finance Committee recommended to the Board that the audited financial statements for the Company's fiscal year ended December 31, 2010 be included in the Company's Annual Report on Form 10-K for the Company's fiscal year ended December 31, 2010.

The Board has determined that each member of the Audit and Finance Committee satisfies the independence requirements of the rules and regulations of the SEC and the independence and other requirements of the rules and listing standards of the NYSE. The Board has determined that Lynn A. Wentworth is an audit committee financial expert as defined in the rules and regulations of the SEC and that each member of the Committee is financially literate as defined by the rules and listing standards of the NYSE.

AUDIT AND FINANCE COMMITTEE

Lynn A. Wentworth, Chair
Phillip R. Cox
Jakki L. Haussler
Craig F. Maier
John M. Zrno

INDEPENDENT ACCOUNTANTS

Audit Fees

Deloitte & Touche LLP was the Company's Independent Registered Public Accounting Firm for the 2009 and 2010 fiscal years. Aggregate fees for professional services rendered by Deloitte & Touche LLP for the year ended December 31, were as follows:

	2010	2009
Audit fees	$1,694,500	$1,691,000
Audit related fees	955,130	236,250
Tax fees	130,532	81,921
All other fees	—	—
Total	$2,780,162	$2,009,171

Audit fees

The audit fees for the years ended December 31, 2010 and 2009 were for services rendered in connection with the audit of the Company's annual consolidated financial statements, review of quarterly consolidated financial statements included in the Company's reports filed with the SEC and services related to requirements established by the Sarbanes-Oxley Act of 2002.

Audit related fees

The audit related fees for the years ended December 31, 2010 and 2009 were for professional services rendered for the audits of the Company's employee benefit plans filed with the SEC, securities and debt offerings, due diligence services and various accounting consultations.

Tax fees

Tax fees for the year ended December 31, 2010 and 2009 were for the preparation of various tax filings and tax consultations.

All other fees

None.

Engagement of the Independent Registered Public Accounting Firm and Pre-Approval Policy

In accordance with its charter, the Audit and Finance Committee has the sole authority and responsibility to select, evaluate and, if necessary, replace the Independent Registered Public Accounting Firm. The Audit and Finance Committee has the sole authority to approve all audit engagement fees and terms. In addition, the Audit and Finance Committee, or the Chairperson of the Audit and Finance Committee between regularly scheduled meetings, must pre-approve all services provided to the Company by the Company's Independent Registered Public Accounting Firm.

Pursuant to Section 202 of the Sarbanes-Oxley Act of 2002, the Audit and Finance Committee pre-approved every engagement of Deloitte & Touche LLP to perform audit or non-audit services on behalf of the Company or any of its subsidiaries during the years ended December 31, 2010 and 2009.

STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the beneficial ownership of common shares as of December 31, 2010 (except as otherwise noted) by each beneficial owner of more than five percent (5%) of the common shares outstanding known by the Company. No beneficial owner owns more than five percent (5%) of the 6¾% Cumulative Convertible Preferred Shares.

Name and Address of Beneficial Owner	Common Shares Beneficially Owned	Percent of Common Shares
GAMCO Investors, Inc. and affiliates One Corporate Center Rye, NY 10580	21,164,583(b)	10.5%
BlackRock, Inc. 40 East 52nd Street New York, NY 10022	18,506,542(c)	9.2%
Peninsula Capital Advisors, LLC 404B East Main Street Charlottesville, VA 22902	18,000,000(d)	8.9%
Wells Fargo and Company 420 Montgomery Street San Francisco, CA 94104	13,346,653(a)	6.6%
Marathon Asset Management LLP One Bryant Park 38th floor New York, NY 10036	12,748,464(e)	6.3%
Pinnacle Associates, LTD 335 Madison Avenue, 11th Floor New York, NY 10017	11,837,574(f)	5.9%
The Vanguard Group, Inc. 100 Vanguard Blvd. Malvern, PA 19355	11,227,690(g)	5.6%
LSV Asset Management 155 N. Wacker Drive, Suite 4600 Chicago, IL 60606	11,048,775(h)	5.5%

(a) As reported on Schedule 13G/A on January 20, 2011 by Wells Fargo and Company, as of December 31, 2010, Wells Fargo and Company beneficially owns 13,346,653 common shares and has sole voting power for 12,251,539 common shares and sole dispositive power for 13,278,531 common shares.

(b) As reported on Schedule 13D/A filed on February 17, 2011 by GAMCO Investors, Inc., Gabelli Funds, LLC has sole voting and dispositive power for 8,400,742 common shares, GAMCO Asset Management Inc. has sole voting power for 11,661,841 common shares and sole dispositive power for 12,581,841 common shares, MJG Associates, Inc. has sole voting and dispositive power for 30,000 common shares, Mario J. Gabelli has sole voting and dispositive power for 12,000 common shares, Teton Advisors has sole voting and dispositive power for 135,000 common shares and Gabelli Securities has sole voting and dispositive power for 5,000 common shares. The amounts reported on Schedule 13D/A include a number of shares with respect to which Gabelli Funds, LLC and GAMCO Asset Management Inc. have the right to beneficial ownership upon the conversion of the Company's 6¾% Cumulative Convertible Preferred Shares.

(c) As reported on Schedule 13G/A filed on February 3, 2011 by BlackRock, Inc., as of December 31, 2010, BlackRock, Inc. has sole voting and dispositive power for 18,506,542 common shares.

(d) As reported on Schedule 13G/A filed on February 14, 2011 by Peninsula Capital Advisors, LLC, as of December 31, 2010, Peninsula Capital Advisors, LLC has shared voting power and shared dispositive power for 18,000,000 common shares with Peninsula Investment Partners L.P.

(e) As reported on Schedule 13G filed on February 3, 2011 by Marathon Asset Management LLP, as of December 31, 2010, Marathon Asset Management LLP has shared voting power for 9,679,803 common shares and shared dispositive power for 12,748,464 common shares with Marathon Asset Management (Services) Ltd., M.A.M. Investments Ltd., William James Arah, Jeremy John Hosking, and Neil Mark Ostrer.

(f) As reported on Schedule 13G on March 14, 2011 by Pinnacle Associates, LTD, as of December 31, 2010, Pinnacle Associates, LTD, has sole voting and dispositive power for 11,837,574 common shares.
(g) As reported on Schedule 13G/A on February 10, 2011 by The Vanguard Group, Inc., as of December 31, 2010, The Vanguard Group, Inc. has sole voting power for 287,944 common shares and sole dispositive power for 10,939,746. The Vanguard Group, Inc. has shared voting power for no common shares and shared dispositive power for 287,944 common shares with Vanguard Fiduciary Trust Company.
(h) As reported on Schedule 13G on February 9, 2011 by LSV Asset Management, as of December 31, 2010, LSV Asset Management has sole voting and dispositive power for 11,048,775 common shares.

The following table sets forth the beneficial ownership of common shares and 6¾% Cumulative Convertible Preferred Shares as of March 4, 2011 (except as otherwise noted) by (i) each director and each executive officer named in the Summary Compensation Table on page 46, and (ii) all directors and executive officers of the Company as a group.

Unless otherwise indicated, the address of each director and executive officer is c/o Cincinnati Bell at the Company's address.

Name and Address of Beneficial Owner	Common Shares Beneficially Owned as of March 4, 2011 (a)	Percent of Common Shares (c)	Convertible Preferred Shares Beneficially Owned as of March 4, 2011 (d)	6¾% Cumulative Convertible Preferred Shares (d)
Bruce L. Byrnes	157,767	*	—	*
John F. Cassidy	6,640,587	3.3%	—	*
Phillip R. Cox	101,906	*	—	*
Jakki L. Haussler	30,545	*	—	*
Tara L. Khoury	300,084	*	—	*
Craig F. Maier	30,263	*	—	*
Brian A. Ross	19,319	*	—	*
Alex Shumate	73,545	*	—	*
Theodore H. Torbeck	832,920	*	—	*
Lynn A. Wentworth	30,545	*	—	*
Christopher J. Wilson	1,136,455	*	—	*
Gary J. Wojtaszek	833,257	*	—	*
John M. Zrno	177,545(b)	*	—	*
All directors and executive officers as a group (consisting of 15 persons, including those named above)	10,857,833	5.5%	—	*

* indicates ownership of less than 1% of issued and outstanding shares.
(a) Includes common shares subject to outstanding options and SARs under the Cincinnati Bell Inc. 1997 Long Term Incentive Plan, the Cincinnati Bell Inc. 2007 Long Term Incentive Plan and the Directors Stock Option Plan that are exercisable by such individuals within 60 days. The following options are included in the totals: 61,000 common shares for Mr. Byrnes; 4,681,263 common shares for Mr. Cassidy; 69,925 common shares for Mr. Cox; 143,652 common shares for Ms. Khoury; 43,000 common shares for Mr. Shumate; 693,153 common shares for Mr. Wilson; 514,109 common shares for Mr. Wojtaszek; and 125,250 common shares for Mr. Zrno.
(b) Includes 25,000 common shares held by the Zrno Family Limited Partnership.
(c) These numbers are based upon 198,789,800 common shares issued and outstanding as of the Record Date.
(d) These numbers represent 6¾% Cumulative Convertible Preferred Shares. In the aggregate, the 155,250 issued and outstanding 6¾% Cumulative Convertible Preferred Shares are represented by 3,105,000 Depositary Shares and each 6¾% Cumulative Convertible Preferred Share is represented by 20 Depositary Shares.

Any general statement that incorporates this Proxy Statement into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934 shall not be deemed to incorporate by reference this Compensation Committee Report on Executive Compensation and related disclosure. Except to the extent the Company specifically incorporates such Report and related disclosure by reference, this information shall not otherwise be deemed to have been filed under such Acts.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the following Compensation Discussion and Analysis with management. Based on our review and discussions with management, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference in Cincinnati Bell Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

COMPENSATION COMMITTEE

John M. Zrno, Chairman
Phillip R. Cox
Bruce L. Byrnes
Craig F. Maier
Alex Shumate

COMPENSATION DISCUSSION AND ANALYSIS

General

This Compensation Discussion and Analysis will focus on:

- The philosophy and objectives of the Company's executive compensation program.
- The goals that the executive compensation program is designed to reward.
- Each of the elements of the executive compensation program.
- Why the Compensation Committee selected the particular elements of compensation.
- How the Compensation Committee determines the amounts and formulas for pay.
- How each compensation element and the Company's decisions regarding that element fit into the Company's overall compensation objectives and affect decisions regarding other elements.

Compensation Program Philosophy and Objectives

The Company's compensation program has the following primary philosophy and objectives:

- Compensation must be competitive with other companies to attract and retain high-quality executives.
- A significant portion of total executive compensation should be "at risk" and tied to the achievement of specific short-term and long-term performance objectives, principally the Company's earnings, cash flow and the performance of the Company's common shares, thereby linking executive compensation with the returns realized by shareholders.
- Compensation should provide a balance among each executive's base salary and short-term and long-term incentive components appropriate to the current and long-term goals and strategy of the Company.

Compensation Goals

The goals, which are designed to be awarded by the compensation program, are achievement of the Company's current and long-term strategy, which is to efficiently sustain operating earnings and cash flows in the core communications business while driving transformative growth through its data center strategy to become the premier data center colocation provider to the Fortune 1000 companies.

Compensation Elements and General Principles

There are three elements to the Company's executive compensation program:

- Fixed compensation — Base salary.
- "At-risk" annual compensation — Annual incentives paid in cash.
- "At-risk" long-term compensation — Long-term incentives that are equity awards generally delivered in the form of stock options, stock appreciation rights and performance units, which vest over time and upon achievement of certain performance objectives and represent a significant portion of the executive's total compensation.

The Company provides these three forms of compensation to reflect competitive compensation practices, to help accomplish its business objectives and to provide an appropriate reward for achieving short- and long-term goals related to the Company's current and long-term strategy.

Determining the Amount of Compensation

The Compensation Committee is primarily responsible for determining executive compensation. The Compensation Committee has retained Mr. Charles Mazza, an independent compensation consultant who is retained solely by the Compensation Committee and performs no services for management, to assist it in its deliberations regarding executive compensation. Pursuant to the Committee's instructions, Mr. Mazza analyzes

and comments on various compensation proposals made by the Company and on various topics specified by the Committee and opines and reports on these matters in open sessions of Compensation Committee meetings. In executive sessions of Compensation Committee meetings, Mr. Mazza addresses subjects of particular interest to the Compensation Committee, such as compensation of the Chief Executive Officer. In such instances, Mr. Mazza presents his analysis along with the pros and cons of certain compensation elements and his recommendations. Pursuant to the Compensation Committee Chair's request, Mr. Mazza contacts each member of the Compensation Committee annually as part of the Compensation Committee's self-evaluation and reports his conclusions to the Compensation Committee.

The Company retains Towers Watson, a compensation consulting firm, to assist it with various compensation-related projects during the course of the year. Typically, the Company has a discussion with Towers Watson about a project, outlining the project's objectives, and discusses Towers Watson's approach to the project before requesting them to complete the project. The projects range from requests for general compensation data or information to requests for specific guidance and recommendations, such as designing specific incentive plans.

At the Company's request, Towers Watson conducts an annual study of marketplace compensation practices. The Compensation Committee annually benchmarks each executive's compensation to ensure that it is in a competitive range and that an appropriate portion of it is "at risk"; that is, subject to payment only if the Company obtains certain quantitative results and the individual achieves certain qualitative results. Towers Watson obtains, compiles and supplies to the Company and the Compensation Committee competitive compensation information. This information covers two peer groups:

The first peer group consists of 18 telecommunications companies. The Company, in consultation with Towers Watson and Mr. Mazza, annually reviews the list of companies in this group to make certain that the group is appropriate, and the Compensation Committee, after review, approves the peer group. The telecommunications peer group currently includes:

- AT&T
- CenturyTel Inc.
- Level 3 Communications Inc.
- Comcast Corp.
- Leap Wireless International Inc.
- Frontier Communications Corp.
- PAETEC Holding Corp.
- Global Crossing Ltd.
- Windstream Corporation
- Mediacom Communications Corp.
- Qwest Communications International
- Sprint Nextel Corp.
- Telephone & Data Systems
- Time Warner
- United States Cellular
- USA Mobility Inc.
- Verizon
- Vonage

The second peer group is comprised of 120 companies, in various industries, with annual revenues between $1 billion and $3 billion. These companies are chosen because they have annual revenues that are closely aligned with the Company's revenues, and they provide the Company and the Compensation Committee with insight with respect to executive compensation practices across a wide cross-section of industries. These companies include:

- Advanced Medical Optics
- Alexander & Baldwin
- American Crystal Sugar
- AMETEK
- Ann Taylor Stores
- Applera
- Appleton Papers
- Arby's Restaurant Group
- Arysta LifeScience North America
- Barr Pharmaceuticals
- Beckman Coulter
- BIC
- Biogen Idec
- Bio-Rad Laboratories
- Blyth
- Bob Evans Farms
- Bracco Diagnostics
- Brady
- Burger King
- Carpenter Technology
- CashNetUSA
- Catalent Pharma Solutions
- Celgene
- Cephalon
- Ceridian
- Chesapeake
- COACH
- Convergys
- Crown Castle
- Cubic
- Day & Zimmermann
- Deluxe
- Dentsply
- Discovery Communications
- Donaldson
- E.W. Scripps
- Endo Pharmaceuticals
- Equifax
- Exterran
- Fleetwood Enterprises
- Flint Group USA
- G&K Services
- GATX
- General Atomics
- GEO Group
- Getty Images
- Greif
- GTECH
- H.B. Fuller
- Harland Clarke
- Hayes-Lemmerz
- Hercules
- Herman Miller
- HNI
- Hospira
- Houghton Mifflin
- Hunt Consolidated
- IDEX
- IMS Health
- International Flavors & Fragrances
- International Game Technology
- Iron Mountain
- Irvine Company
- J.M. Smucker
- Jack in the Box
- Jostens
- Kaman Industrial Technologies
- Kennametal
- Kerzner International
- KLA-Tencor
- Magellan Midstream Partners
- Makino
- Martin Marietta Materials
- Mary Kay
- McClatchy
- MDS Pharma Services
- Media General
- Metavante Technologies
- MetroPCS Communications
- Millipore
- Monaco Coach
- Mueller Water Products
- National Semiconductor
- New York Times
- Noranda Aluminum
- Nypro
- PerkinElmer
- PolyOne
- Purdue Pharma
- Quintiles
- Ralcorp Holdings
- Rayonier
- Revlon
- RF Micro Devices
- Rich Products
- Safety-Kleen Systems
- SAS Institute
- Schreiber Foods
- Scotts Miracle Gro
- Sensata Technologies
- Shire Pharmaceuticals
- Sigma-Aldrich
- Sirius Satellite Radio
- Smith & Nephew
- Springs Global US
- Stantec
- Steelcase
- Stewart & Stevenson
- TeleTech Holdings
- Teradata
- Terra Industries
- Thomas & Betts
- Toro
- Tupperware
- Underwriters Laboratories
- Uni-Select USA
- Virgin Mobile USA
- Vistar
- Vulcan Materials
- Wendy's International

In establishing its compensation programs, the Company evaluates the following from both peer groups' data:

- Base pay.
- Total target cash compensation — the sum of base pay plus target annual bonus opportunity.
- Total target direct compensation — the sum of base pay plus target annual bonus opportunity plus target long-term incentive opportunity.

The Compensation Committee believes that pay practices for executive officers should include a mix of pay elements that are reflective of the two peer groups. Since executive compensation is correlated with a company's annual revenue, the Company, in consultation with Towers Watson, adjusts the compensation pay data of the two peer groups to take into account differences in revenue among companies using a statistical technique called "regression analysis." Using this technique, for each executive officer position whose compensation is assessed and set by the Compensation Committee (or the full Board, in the case of the Chief Executive Officer), Towers Watson produces a predicted level of each pay component that would be at the revenue adjusted 50th percentile of the compensation paid by the companies in the peer groups. This allows the Committee to compare each executive's pay, both by pay component and in total, to the level of pay it should expect to pay at the market 50th percentile based on the Company's annual revenue. The Company does not review pay levels at individual companies or the specific structure of other companies' short- or long-term incentive plans. Instead, the Compensation Committee considers the predicted pay levels in both peer groups as an indication of market pay practice relating to each pay component and the relative mix among the pay components.

The Compensation Committee considers, as one of many factors, each component of executive officer compensation compared to the predicted, revenue adjusted market 50th percentile pay levels for two reasons:

- Benchmarking at the 50th percentile is consistent with the practice followed by a majority of companies.
- Targeting base compensation levels at the 50th percentile allows the Company to place a higher proportion of the executive's compensation at risk. The Company and the Compensation Committee believe this is consistent with the concept of "pay for performance."

Market data is just one factor considered by the Company and the Compensation Committee in determining executive compensation. The Compensation Committee also considers other factors such as past and current pay levels, internal equity considerations and performance when setting compensation levels for each executive.

The Compensation Committee also wants to ensure that each executive has a significant percentage of compensation "at risk." Using the benchmark data and input from its own independent consultant as well as from Company management (primarily the Chief Executive Officer and the Vice President of Human Resources & Administration), the Compensation Committee allocates total target direct compensation among base salary, annual bonus and long-term incentive compensation. For 2010, the Chief Executive Officer's base salary represented approximately 40% of total target cash compensation and approximately 20% of total target direct compensation. For the other named executive officers, their base salary represented between 50% and 63% of total target cash compensation and between 23% and 41% of total target direct compensation. Based on marketplace practices, combined with the Compensation Committee members' collective experience, the Compensation Committee believes that this allocation of pay among base pay and short-term and long-term incentive compensation provides an appropriate incentive to achieve objectives set for the current year while also providing a significant incentive that requires the executives to make decisions that are intended to sustain attainment of business objectives over the longer term.

As part of the process for setting compensation, the Compensation Committee reviews "tally sheets" prepared for each of the executives. Tally sheets provide the Compensation Committee with detailed information, as of a given date, about each executive's current compensation (including the value of any applicable benefit programs) and wealth accumulation, including the value of accrued and vested pay, such as shares of Company stock, vested stock options and other equity awards owned by the executive and the value of any vested retirement benefits provided by the Company, as well as pay and benefits triggered under a variety of employment termination scenarios. This provides additional context for the Compensation Committee in setting pay levels.

Determination of Amounts for Each Compensation Element

Base Salary

An executive's base salary is determined based on an assessment of his or her performance as compared to his or her individual job responsibilities, the executive's effectiveness in identifying and developing future management talent, such other factors as the Chief Executive Officer or the Compensation Committee deems relevant for such executive, and the predicted market 50th percentile base salary data for such position.

Generally, no one factor is given more weight than another, nor does the Company use a formulaic approach in setting executive pay. Additionally, the Company does not look at total compensation of the peer group. Instead, the various factors are considered as a whole in determining executive pay adjustments.

For all executive officers other than himself, the Chief Executive Officer recommends base salaries, which the Compensation Committee takes into consideration when making its determinations.

Similarly, the Company's Chairman of the Board solicits input from each of the other directors regarding the Chief Executive Officer's performance during the year. In executive session, the Chairman of the Board provides the Compensation Committee with a summary of the input received for further discussion. The Compensation Committee's independent consultant reviews the annual executive compensation study for the Chief Executive Officer's position. Based on these factors, the Compensation Committee determines the adjustments in the Chief Executive Officer's base salary to recommend for approval by the full Board.

Annual Incentive

Payments under the Company's annual incentive plan are tied to:

- the Company's level of achievement of (a) earnings before interest, taxes, depreciation and amortization ("EBITDA") and (b) revenues, and
- the executive's individual performance.

The Company has selected the EBITDA and revenue measures because it believes that investors use them to evaluate the financial performance of the Company and because they also indicate the level of success of the Company's strategy to sustain operating cash flows and profitability to drive transformative growth through its data center strategy to become a premier data center colocation provider to the Fortune 1000 companies. EBITDA is a common measure of profitability employed in the telecommunications and other capital-intensive industries. The Compensation Committee and the Board review and approve the calculations of EBITDA and revenues. In conjunction with such review, they may adjust the calculated result or goal amount to reflect a change in business direction, reallocation of Company resources or an unanticipated event.

For 2010, the Compensation Committee generally allocated the annual incentive targets as follows:

- 60% for attainment of the EBITDA goal
- 20% for attainment of the revenue goal
- 20% for individual performance

The EBITDA and revenue goals are assessed independently of each other and are scaled above and below their respective targets in the manner set out below.

	EBITDA Goal		Revenue Goal	
Percentage of Criterion Achieved	**Percentage of Target Incentive Goal**	**Percentage of Total Annual Incentive Paid**	**Percentage of Target Incentive Goal**	**Percentage of Total Annual Incentive Paid**
Below 95%	0%	0%	0%	0%
95%	50%	30%	50%	10%
100%	100%	60%	100%	20%
105%	150%	90%	150%	30%
120% or greater	200%	120%	200%	40%

As shown in the chart above, if a minimum percentage of the target goal for a criterion is not obtained, no portion of the executive's annual incentive for that criterion is paid; if the minimum percentage is reached, 50% of the target incentive is paid; if the target goal is obtained, 100% of the target incentive is paid; and, if 120% or more of the target goal is obtained, 200% of the target incentive for that criterion is paid. For example, if 95% of the EBITDA target was reached, an executive would be paid 50% of the annual incentive target for the EBITDA goal or 30% (50% x 60%) of the executive's total annual incentive target. Linear interpolation is used to determine payouts at achievement levels not set forth in the table.

The EBITDA and revenue results and targets for 2010, as adjusted by the Compensation Committee for changes in business direction or unanticipated events, were as follows:

- Actual EBITDA (excluding the results of Cyrus Networks, LLC ("CyrusOne")) was $474.0 million, which was 103% of the target goal of $460.0 million.
- Actual revenue (excluding the results of CyrusOne) was $1,332.0 million, which was 100% of the target goal of $1,332.0 million.

CyrusOne results were excluded by the Compensation Committee when determining the payout percentages as the CyrusOne acquisition occurred after the 2010 targets were established, and therefore the effect of the CyrusOne acquisition was not considered in the target EBITDA and revenue goals.

After the determination of the amount an executive has earned pursuant to the EBITDA and revenue criteria, the Compensation Committee then considers that executive's individual performance. The Chief Executive Officer provides the Compensation Committee with his assessment of each executive officer's individual performance. The Chief Executive Officer is given discretion by the Compensation Committee in assessing performance, but, in general, the Chief Executive Officer reviews, for each executive officer, the performance of the executive's department, the quality of the executive's advice and counsel on matters within the executive's purview, qualitative peer feedback and the effectiveness of the executive's communication with the organization and with the Chief Executive Officer on matters of topical concern. These factors are evaluated subjectively and are not assigned specific individual weight. The Chief Executive Officer then recommends an award for the individual performance-based portion for each of the other named executive officer's annual incentive, which generally range from 0% to 200% of the target award for such portion. For 2010, for the individual performance component, the Compensation Committee awarded 150% of target for Ms. Khoury, 200% of target for Mr. Torbeck, 200% of target for Mr. Wilson and 200% of target for Mr. Wojtaszek.

The total amounts of annual incentives awarded for 2010 to the named executive officers, also shown in the Summary Compensation Table, are as follows:

Tara L. Khoury	$241,000, or 125% of target
Theodore H. Torbeck	$966,000, or 138% of target
Christopher J. Wilson	$282,762, or 138% of target
Gary J. Wojtaszek	$531,300, or 138% of target

In addition, the Committee approved a special additional bonus of $238,700 for Mr. Wojtaszek to recognize his instrumental role in the successful acquisition of CyrusOne and initial implementation of the data center strategy.

The Compensation Committee meets in executive session to consider the Chief Executive Officer's individual performance. The Compensation Committee evaluates the information obtained from the other directors concerning the Chief Executive Officer's individual performance, based on a discussion led by the Chairman of the Board. Factors considered include: operational and financial performance, succession planning, development of the Company leadership team, development of business opportunities and community involvement/relationships. The Compensation Committee has discretion in evaluating the Chief Executive Officer's performance and may recommend to the full Board a discretionary increase or decrease to the Chief Executive Officer's final incentive award as the Compensation Committee believes is warranted. The Compensation Committee recommended to the full Board that Mr. Cassidy be awarded a bonus for 2010 of $1,335,840, which was 138% of the Chief Executive Officer's target bonus for 2010. This bonus reflects the Company's level of attainment of the revenue and EBITDA goals and the Compensation Committee's and full Board's assessment of the Chief Executive Officer's individual performance, which was 200% of target. Further, the Committee also recommended a special additional bonus of $600,160 for Mr. Cassidy to recognize his role in the successful acquisition of CyrusOne and the initial implementation of the data center strategy. The full Board approved both bonus awards.

To recognize Mr. Cassidy's contributions to the Company over the years, particularly his leadership as Chief Executive Officer, and to ensure his retention during the next few years of transformative growth in the Technology Solutions/Data Center segment, the Compensation Committee recommended and the Board approved a retention bonus payment of $2,100,000 in January 2010. If Mr. Cassidy retires, resigns or is

terminated for "cause" (as defined in his employment agreement) (each, a "Repayment Event") prior to December 31, 2012, he will be required to repay a portion of his retention bonus. The amount that Mr. Cassidy will be required to repay is equal to $50,000, multiplied by the number of months remaining between the occurrence of the Repayment Event and December 31, 2012. Such amount will be re-payable in 120 substantially equal monthly installments.

Long-term incentives

Long-term incentives are intended to encourage the Company's executives to focus on and achieve the long-term business goals of the Company. Additionally, long-term incentive awards also aid the development and retention of top management through share ownership and recognition of future performance. An executive's realization of their long-term incentive means that the Company has also performed in accordance with its plan over a long-term period.

Although other forms of awards are possible, the Company's long-term incentives consist principally of: (i) stock options (ii) stock appreciation rights ("SARs") and (iii) performance-based awards granted under the Cincinnati Bell Inc. 2007 Long Term Incentive Plan (the "2007 Long Term Incentive Plan"). SARs are generally structured identically to stock options and may be settled in common shares or cash. SARs that are required to be settled in cash do not count toward the maximum number of shares that may be issued under the 2007 Long Term Incentive Plan during its life. However, the implicit shares used to determine the value of any SAR count toward the annual 1,000,000 share limit that may be granted to any one individual under the 2007 Long Term Incentive Plan. The Compensation Committee has generally divided the total long-term incentives approximately equally between stock option (and recently, SARs) grants and performance unit grants because such an allocation enables the Company to compensate executive management based upon a combination of stock price appreciation and operating results that are consistent with its long-term business strategy. Stock options/SARs directly align the executive's interest with the shareholders' interest because any actual realized value derived from stock options/SARs requires appreciation in the Company stock price, whereas performance units vest and are paid in common shares based upon and only after the attainment of specific business objectives over performance periods.

The total annual long-term incentive opportunity for each named executive officer is established by the Compensation Committee in terms of dollars. For each type of award (options, SARs and performance units), a market competitive grant is determined by dividing the peer group benchmark value for equity awards by the binomial value of one option/SAR for the half of the award being made in options and SARs and the value of one performance unit for the other half being awarded in performance units, as developed for the Company by Towers Watson. Other factors, such as the executive's performance and any special significant accomplishments, are considered in determining the final number of options, SARs and performance units actually granted. Award grants are determined based on the dollar value of the long-term incentive opportunity approved by the Compensation Committee and the actual closing price of the stock on the date such awards are granted.

On May 1, 2009, shareholders increased the number of common shares available for issuance under the 2007 Long Term Incentive Plan by 10,000,000 shares. In connection with the approval of these additional shares, the Compensation Committee adopted a new policy whereby it would limit the total number of shares that may be awarded in any one calendar year to 2 million shares as a means of ensuring the newly approved shares would last for at least five years.

At its regularly scheduled meeting in January 2010, the Compensation Committee decided, as a further means to reduce share usage, it would make use of SARs, payable in both stock and cash, and cash target awards as it deems appropriate and necessary. A portion of the Chief Executive Officer's annual stock option grant was made in the form of SARs payable in cash in lieu of stock options and he was also granted for the 2010 – 2012 three year performance cycle a cash target award. The 2010 – 2012 award will be adjusted based on the percentage change in the stock price comparing the average price of the Company's stock for the 20 trading days preceding January 29, 2011, 2012 and 2013 for the respective performance periods to the 20 trading days preceding January 29, 2010, the date of the grant.

Stock Options and SARs

The Company grants stock options and SARs with an exercise price equal to the fair market value of the Company's common shares on the date of grant. The "fair market value" of the Company's common shares on

the date of grant is generally defined in the 2007 Long Term Incentive Plan as the closing price of the stock on the New York Stock Exchange on the date of grant. To encourage executives to achieve the Company's long-term goals, stock options and SARs generally vest over a three-year period with a percentage of the award vesting each year. Stock options and SARs cannot remain outstanding beyond a ten-year period.

The Compensation Committee (and in the case of the Chief Executive Officer, the full Board) grants stock option awards and SARs based upon a review of peer company practices and each executive's performance (as well as the Chief Executive Officer's recommendations concerning the other executives). Because of the small in-the-money value of prior years' stock option grants, the Compensation Committee has not considered prior years' grants in determining amounts of stock options granted. Thus, the actual option/SAR award to a named executive officer is a function of market data from the peer groups, the dollar value of long-term incentive approved by the Compensation Committee, the binomial value of one stock option/SAR on the actual date of grant, and the executive's individual performance.

As noted in the preceding section, for half of the executive officers' 2010 long-term equity grants, stock options were granted to each executive officer except the Chief Executive Officer who was granted a combination of stock options and SARs. SARs payable in cash for 2011 were granted to the named executive officers, except for the Chief Executive Officer and Mr. Torbeck, on December 7, 2010 at the Compensation Committee's regular meeting.

Performance Plan

Performance-based awards, which are paid in common shares, are based on the achievement of specific Company quantitative goals over a three-year performance period. Such awards are granted during the first quarter of each calendar year following finalization and approval by the full Board of the one-year, two-year cumulative and three-year cumulative financial goal(s) for the next three-year period. Beginning with the 2007 – 2009 performance period and subsequent three-year performance periods (for which the performance-based awards have consisted of and will consist of performance units), the Compensation Committee (and the full Board in the case of the Chief Executive Officer) established a criterion of free cash flow as reported externally by the Company. The Compensation Committee and the full Board have selected adjusted free cash flow as the performance measure for performance-based awards because both believe that the Company's ability to generate strong cash flow over a sustained period is important to drive transformative growth and provide management and the Board with strategic investment options.

Using peer group data (along with the Chief Executive Officer's recommendations for the other executives), the Compensation Committee makes performance unit grants to each executive other than the Chief Executive Officer and makes a recommendation to the full Board for performance unit grants for the Chief Executive Officer. The actual number of performance units granted is based on the long-term incentive dollar value approved by the Compensation Committee and the value of one share of stock on the date of grant. The threshold and target performance levels are the same for each of the named executive officers. For each performance cycle, actual adjusted free cash flow achieved must be at least 90% of the target goal in order to generate a threshold level payout equal to 75% of the target award for each executive.

In order to preserve shares available to be issued in future periods, and in light of the 1,000,000 share annual individual award limitation, it was determined to make the Chief Executive Officer's target award payable in cash under the 2009 – 2011 and 2010 – 2012 performance plan cycles.

For the 2008 – 2010 cumulative period under the 2008 – 2010 performance cycle, the adjusted free cash flow target goal and result were, respectively, $518.0 million and $458.0 million, or 88.4% of the target goal. For the 2009 – 2010 cumulative period under the 2009 – 2011 performance cycle, the adjusted free cash flow target goal and result were, respectively, $211.0 million and $215.2 million, or 102.0% of the target goal. For the 2010 period under the 2010 – 2012 performance cycle, the adjusted free cash flow target goal and result were, respectively, $130.0 million and $174.4 million, or 134.2% of the target goal. See above for a discussion of how payment of these performance units was determined based on the percentage of target free cash flow results achieved during each measurement period of the three-year performance periods. The adjusted free cash flow target goal for the 2010 – 2011 cumulative period under the 2010 – 2012 performance cycle is $161.0 million. The three-year cumulative adjusted free cash flow target goals for the 2009 – 2011 and 2010 – 2012 performance cycles are $305.0 million and $197.0 million, respectively.

Technology Solutions/Data Center Program

On December 7, 2010, the Compensation Committee approved a new long-term incentive program to be implemented under the Company's 2007 Long Term Incentive Plan (the "Technology Solutions/Data Center Program"). The program is primarily intended to (i) encourage rapid and profitable growth of revenue and earnings before interest, taxes, depreciation and amortization ("EBITDA") in the Technology Solutions/Data Center segment of the Company's business, (ii) create significant enterprise value through the growth of the Technology Solutions/Data Center segment, (iii) bring about a significant change in the strategic direction of the Company's business in a short time frame and (iv) provide management and the Board with strategic flexibility.

The program will be implemented through the grant of performance unit awards (approved by the Compensation Committee on December 7, 2010) providing for a specified cash payment to the participating executive in the event that (i) the executive is continuously employed for a three year period after the date of grant, (ii) specified EBITDA targets are met over such three year period, (iii) a "qualifying transaction" is consummated within ten years of the date of grant and (iv) at least $1,000,000,000 of equity value is created in the Technology Solutions/Data Center segment prior to the "qualifying transaction". The awards also give the Compensation Committee discretion to make fractional payments in an amount up to, but not more than, the base amount in the event there is either: (a) a qualifying transaction before the fifth anniversary of the initial award grant date; or (b) there is a qualifying transaction after the fifth anniversary of the initial award grant date and the equity value created is at least $500,000,000. If a qualifying transaction does not occur within 10 years of the grant date, the performance unit awards terminate with no payment to the participating executives. Moreover, if a participating executive's employment is terminated for any reason (other than a termination for the executive's retirement, death or disability), prior to the consummation of a qualifying transaction, then the executive will not receive any payment under the award (other than with respect to previously vested performance units, if any). "Qualifying transaction" includes certain sales of the Technology Solutions/Data Center business (including an initial public offering), certain transactions that would result in the Company ceasing to own its other businesses, and a change in control of the Company.

Pursuant to the terms of the Technology Solutions/Data Center Program, no executive may receive performance units in any calendar year with a value in excess of $5,000,000.

It should be noted that the Company's Chief Executive Officer does not currently participate in the Technology Solutions/Data Center Program. Moreover, for each performance cycle, EBITDA achieved must be at least 90% of the targeted goal in order to generate a threshold level of payment equal to 75% of the target award for each executive and 100% or higher in order to generate a payment of 100% of the target award.

The Company believes this Technology Solutions/Data Center Program will provide a significant incentive to efficiently sustain operational profitability in the existing communications business and drive rapid, profitable growth in the Technology Solutions/Data Center segment.

The Overall Compensation Package

The material on the foregoing pages sets forth an overview and explanation of the Company's executive compensation philosophy and how it is put into practice, including the new Technology Solutions/Data Center Program. The Company and the Compensation Committee both believe that the central objective of effective compensation practice is to provide an appropriate and competitive mixture of base pay (the "fixed cost" of the program) and incentive compensation programs that promote achievement of current-year goals and longer-term business strategy in a way that is closely aligned with shareholder interests. Over time, short- and long-term objectives and strategies may change, and the Company and the Compensation Committee will make changes in the various elements of compensation that they believe are responsive to these changes. For example, the Company and the Compensation Committee use the market 50th percentile as a guide to help ensure the Company has the ability to offer base salaries that will attract and retain a high level of talent, without paying an excessive premium to market. This is coupled with an attractive annual incentive opportunity based on EBITDA (and Company revenues) which are considered key measures of the Company's ability to deliver an appropriate level of profitability each year. The Company and the Compensation Committee believe these incentives drive appropriate business behavior without inducing its executives to take undue business risks. The long term incentive program provides an additional, substantial compensation opportunity for executives for sustained

performance over a longer period. The Company and Compensation Committee believe the long term incentive plans encourage good business decisions by the executive that consider the longer term strategy and needs of the Company balanced against the demands of current year performance. Additionally, the plans provide a balance between equity grants – either stock options or SARs – that are directly aligned with shareholder interests because their value is a direct function of market share price, and a performance plan that is based on quantitative Company results based on its ability to generate free cash flow, which can provide awards to balance the inherent volatility of the stock market. Finally, as described above, the new Technology Solutions/Data Center Program introduces an additional long term incentive to drive transformative growth in the Company's Technology Solutions/Data Center segment.

The Company applies its compensation policies and related decision-making process to the Chief Executive Officer on the same basis as to the other named executive officers. Differences in pay levels for the Chief Executive Officer relative to the other named executive officers is reflective of the additional responsibility, knowledge, strategic judgment and leadership required of the Chief Executive Officer as compared to the other named executive officers. The Compensation Committee believes the Chief Executive Officer's pay is reasonable when compared to market pay levels for other Chief Executive Officers at the revenue adjusted 50th percentile combined with the Committee's assessment of the Chief Executive Officer's performance. Further, as a percent of the telecommunications peer group "target" pay, the Chief Executive Officer's pay is similar to that of the other named executive officers of the Company.

The Company believes that its compensation program, taken as a whole, has been effective in attracting and retaining key executive talent, driving attainment of its annual revenue and EBITDA goals, delivering sustained cash flow performance over multiple years during a period of great economic disruption and industry competition and aligning executive rewards with the interests of shareholders. The recent addition of the Technology Solutions/Data Center Program will provide a significant incentive to drive transformative growth in the Company's Technology Solutions/Data Center segment over the next several years.

Benefits

Senior executives, hired prior to January 1, 2009, participate in the same pension plan as all other eligible salaried and certain non-union hourly employees. The pension plan is a qualified defined benefit plan with a nonqualified provision that applies to the extent that eligible earnings or benefits exceed the applicable Internal Revenue Code limits for qualified plans. The Company makes all contributions to this plan. In addition, the Chief Executive Officer is also covered under a nonqualified supplemental retirement plan, the Cincinnati Bell Pension Program ("SERP"), the benefits of which are payable by the Company. Mr. Cassidy is vested in the SERP as he has attained the age of 55 and has at least ten years of service. The SERP provides the Chief Executive Officer with a benefit equal to 50% of the average of the highest 36 months of his compensation during his last five years of employment. The calculated benefit is reduced for benefits payable from both the qualified defined benefit plan and the nonqualified provision within such plan. Benefits under the SERP are also reduced if Mr. Cassidy leaves the Company before the sum of his age and years of service total at least 75. The Company and the Compensation Committee have determined that it is unlikely that any new participants will be added to the SERP in the future. The pension plans are designed to provide a reasonable level of replacement income upon retirement and provide an incentive for executives to remain with the Company for a significant portion of their careers. The executives, along with all other salaried employees, also participate in a 401(k) savings plan, which includes a Company matching contribution feature that vests 100% of such matching contributions in the employee's account as they are made to the plan.

The value of the Company's retirement programs is not considered in any of the compensation decisions made with respect to other elements of named executive officer compensation. This is because the Company believes that the alignment of the interests of executives and shareholders is most effectively accomplished through its short- and long-term incentive compensation programs, and because survey data used for benchmarking focuses on short-term and long-term incentive compensation programs, rather than retirement programs. In addition, long-term incentives do not play a role in determining retirement benefits.

Each executive participates in a broad set of other benefit plans and programs, including medical, dental, vision, life and short- and long-term disability plans and home telephone service price discount programs, on the

same basis as all other salaried employees. The Company believes that the various benefit plans and programs provided are consistent with predominant U.S. employment practices and are necessary to attract and retain executive talent.

On January 27, 2011, the Compensation Committee decided to terminate the "cafeteria-style" flexible perquisite program, effective immediately. In years prior to 2011, the program provided participating executives with an annual allowance ($35,000 for Mr. Cassidy; $23,000 for Messrs. Torbeck and Wojtaszek and Ms. Khoury, and $13,000 for Mr. Wilson) that could be used to defray expenses in connection with a wide variety of benefits, such as tax and financial planning and automobile costs. In addition, each executive had an additional $3,000 annual allowance that was available to help pay the cost of an annual executive physical examination. The executives did not receive any amount of these annual allowances that were not used to obtain the services or products covered by the flexible perquisite program, nor were they grossed up for any related income tax liability. The Company provided the flexible perquisite program in order to be competitive with marketplace practice.

2011 Named Executive Officer Compensation

The Compensation Committee established 2011 compensation for the named executive officers (excluding the Chief Executive Officer, whose pay recommendation was determined by the Committee on January 27, 2011 and approved by the full Board on January 28, 2011) at its regularly scheduled meetings on December 7, 2010 and January 27, 2011 using the principles and process described above. The assessment of each executive's performance was detailed and both objective and subjective. Their existing total compensation opportunity was compared to the predicted 50th percentile of market pay for executives in similar positions in both peer groups, the telecommunications group and the general industry group, after adjusting for differences in annual revenues among the companies. Their compensation is based on both the Company's performance as well as each executive's personal performance and is designed to be aligned with existing business strategies.

On January 27, 2011, the Compensation Committee approved an amendment to Mr. Wojtaszek's employment agreement to reflect Mr. Wojtaszek's assumption of additional operational responsibilities in connection with the Company's data center strategy, in addition to his retaining his current role as Chief Financial Officer. The amendment increased Mr. Wojtaszek's base salary and annual bonus target to $550,000 per year, effective immediately. Also, in accordance with the Compensation Committee's previously adopted policy eliminating excise tax gross-up provisions in new or materially amended employment agreements with named executive officers, the amendment eliminated the provision in Mr. Wojtaszek's employment agreement providing for an excise tax gross-up for payments contingent upon a change in control.

Mr. Cassidy reviewed each element of each executive's total compensation opportunity — base salary, annual bonus and long-term incentive compensation — with the Compensation Committee. In addition, the Compensation Committee reviewed a tally sheet showing the value or cost of participation in the Company's various benefits, retirement and perquisite plans for each named executive officer.

Based on the foregoing, Mr. Cassidy recommended, and the Compensation Committee approved, the following compensation for 2011:

Base Salary:

- Mr. Torbeck's salary remains unchanged at $700,000, which is 140% of the peer group benchmark. On January 27, 2011, in conjunction with the elimination of the flexible perquisite program Mr. Torbeck's salary was increased to $726,000, which is 145% of the peer group benchmark.
- Mr. Wojtaszek's salary was increased to $396,600, which is 98% of the peer group benchmark. On January 27, 2011, in conjunction with the elimination of the flexible perquisite program and the amendment to his employee agreement, Mr. Wojtaszek's salary was increased to $576,000, which is 142% of the peer group benchmark.
- Ms. Khoury's salary was increased to $331,000, which is 118% of the peer group benchmark. On January 27, 2011, in conjunction with the elimination of the flexible perquisite program Ms. Khoury's salary was increased to $357,000, which is 128% of the peer group benchmark.

- Mr. Wilson's salary was increased to $324,700, which is 101% of the peer group benchmark. On January 27, 2011, in conjunction with the elimination of the flexible perquisite program Mr. Wilson's salary was increased to $340,700, which is 106% of the peer group benchmark.

Annual Bonus Target:

- Mr. Torbeck's target bonus remains unchanged at 100% of base salary, which is 202% of the peer group benchmark.
- Mr. Wojtaszek's target bonus remains unchanged at 100% of base salary, which is 213% of the peer group benchmark.
- Ms. Khoury's target bonus remains unchanged at 60% of base salary, which is 179% of the peer group benchmark.
- Mr. Wilson's target bonus remains unchanged at 65% of base salary, which is 211% of the peer group benchmark.

Long-Term Incentives:

- For the 2010 fiscal year, Mr. Torbeck was granted 300,000 unrestricted shares upon commencement of employment. In addition, as part of his offer of employment, Mr. Torbeck was granted another 631,579 restricted shares on January 4, 2011 that vest over a three-year period.
- For the 2010 fiscal year, Mr. Wojtaszek was granted 103,952 performance units (at target) with respect to the 2010 – 2012 performance period in January 2010 and 211,284 stock options, also in January 2010. For the 2011 fiscal year, Mr. Wojtaszek was granted 106,140 performance units (at target) with respect to the 2011 – 2013 performance period in January 2011, and 266,311 SARs on December 7, 2010. Mr. Wojtaszek's total 2011 opportunity is equal to 125% of the peer group benchmark.
- For the 2010 fiscal year, Ms. Khoury was granted 34,364 performance units (at target) with respect to the 2010 – 2012 performance period, 6,757 additional performance units in July 2010 with respect to the 2010 – 2012 performance cycle, and a nonqualified stock option for 69,846 common shares, in January 2010. For the 2011 fiscal year, Ms. Khoury was granted 25,439 performance units (at target) with respect to the 2011 – 2013 performance period in January 2011 and 63,827 SARs, on December 7, 2010. Ms. Khoury's total 2011 opportunity is equal to 74% of the peer group benchmark.
- For the 2010 fiscal year, Mr. Wilson was granted 101,375 performance units (at target) with respect to the 2010 – 2012 performance period in January 2010 and a nonqualified stock option for 206,046 common shares, also in January 2010. For the 2011 fiscal year, Mr. Wilson was granted 70,175 performance units (at target) with respect to the 2011 – 2013 performance period in January 2011 and 176,074 SARs that were granted on December 7, 2010. Mr. Wilson's total 2011 opportunity is equal to 138% of the peer group benchmark.

For the 2011 – 2013 performance period, the Compensation Committee approved a maximum grant of units (assumes incremental value created is at or in excess of $1,000,000,000) under the new Technology Solutions/ Data Center Program to the following named executive officers as follows:

Mr. Torbeck	$ 5.0 million
Mr. Wojtaszek	$ 4.0 million
Mr. Wilson	$ 3.5 million
Ms. Khoury	$ 0.6 million

The Compensation Committee then met in executive session with only Mr. Mazza, its independent outside consultant, to determine the amount of Mr. Cassidy's compensation elements for 2011. Mr. Mazza presented the market pay levels for each component of pay and responded to questions asked by the Compensation Committee. The Compensation Committee, following discussions and deliberations, prepared and presented its recommendations for approval by the full Board, which recommendations were approved.

2011 Chief Executive Officer Compensation

The Compensation Committee focused its deliberations primarily on the following factors in determining Mr. Cassidy's compensation:

- The objectives of the Company's compensation programs;
- The compensation of other chief executive officers in the company peer groups;
- The overall results achieved by the Company in a highly competitive market environment; and
- Mr. Cassidy's personal performance, including development of strategic plans, business development, leadership, succession planning and his personal involvement in community affairs in the greater Cincinnati area.

As a result of the data and deliberations, the Compensation Committee recommended, and the full Board approved, the following 2011 compensation for Mr. Cassidy:

- Base Salary — Mr. Cassidy's salary remains unchanged at $645,000, which is 80% of the peer group benchmark. On January 27, 2011, in conjunction with the elimination of the flexible perquisite program, Mr. Cassidy's salary was increased to $683,000, which is 84% of the peer group benchmark.
- Annual Bonus Target — Mr. Cassidy's annual target bonus remains at 150% of base salary, which is 158% of the peer group benchmark. Mr. Cassidy became CEO in July 2003. His salary was adjusted effective January 1, 2004 to $645,000, where it remained until January 27, 2011 when it increased to $683,000 in conjunction with the elimination of the flexible perquisite program. Mr. Cassidy's total cash compensation, which is the sum of his base salary plus annual target bonus, is 117% of the peer group benchmark.
- Long-Term Incentives — For the 2010 fiscal year, Mr. Cassidy was granted a cash target of $872,500 with respect to the 2010 – 2012 performance period, a stock option of 304,703 common shares and a grant of 304,703 cash settled SARs in January 2010. For the 2011 fiscal year, Mr. Cassidy was granted a $1,015,000 cash target award with respect to the 2011 – 2013 performance period, and a grant of 788,656 cash settled SARs, both of which were granted in January 2011. Mr. Cassidy's total 2011 opportunity is equal to 100% of the peer group benchmark.

Miscellaneous Items

Stock Ownership Guidelines

The Compensation Committee recognizes that executive stock ownership is an important means of aligning the interests of the Company's executives with those of its shareholders. To that end, the Compensation Committee has established the following stock ownership guidelines:

- Chief Executive Officer — 3 times base salary (as adjusted each year)
- Other named executive officers — 1.5 times base salary (as adjusted each year)

Since the personal situation of each executive may vary, the Compensation Committee has not set a specific period of time in which the ownership level must be achieved, but does expect each executive to make measurable progress on a year-over-year basis as evidenced by the number of shares owned multiplied by the fair market value of the Company's stock. Aside from the Company's actual performance from one year to the next, the price of the Company's stock may vary due to the general condition of the economy and the stock market. Therefore, the Compensation Committee may measure an executive's progress more on the basis of the year-over-year increase in the number of shares owned than the overall market value of the shares owned in relation to the executive's ownership goal. For purposes of measuring ownership, only shares owned outright by the executive (including shares owned by the executive's spouse or dependent children and shares owned through the Company's savings plan or deferred compensation plan) are included. Shares represented by unvested stock options or any other form of equity for which some condition remains to be completed before the executive earns a right to and receives the shares (except for shares that have been electively deferred to a future date) are not counted in determining the executive's level of ownership.

As of March 4, 2011, Mr. Cassidy owned shares valued at approximately 150% of his ownership target; Mr. Torbeck, who joined the Company in September 2010 achieved approximately 200% of his ownership goal; Mr. Wojtaszek achieved approximately 53% of his ownership goal; Ms. Khoury achieved approximately 69% of her ownership goal and Mr. Wilson achieved approximately 165% of his ownership goal.

Employment Agreements and Severance and Change-in-Control Payments and Benefits

The Company generally enters into employment agreements with the named executive officers for several reasons. Employment agreements give the Company the flexibility to make changes in key executive positions with or without a showing of cause, if terminating the executive is determined by the Company or the Board to be in the best interests of the Company. The agreements also minimize the potential for litigation by establishing separation terms in advance and requiring that any dispute be resolved through an arbitration process. The severance and change-in-control payments and benefits provided under the employment agreements and described in more detail beginning on page 57 were important to ensure the retention of Mr. Cassidy and other named executive officers at the time they were promoted to their present positions and are important to their continued retention. The payments and benefits are comparable to the payments and benefits to which the executives' predecessors in office were entitled and to the payments and benefits provided by other companies to employees in similar positions. The Company considers the employment agreements to be especially important in situations involving a possible change in control because they provide the executives with sufficient compensation and clarity of terms in such a situation. Thus, the executives are able to devote their full attention to fairly evaluate the potential transaction and its benefit to the Company and its shareholders rather than being distracted by the transaction's possible effect on their personal employment situations. Because these potential payments are triggered under very specific circumstances, such payments are not considered in setting pay for other elements of executive compensation. On April 27, 2010 the Compensation Committee adopted a policy that, effective immediately, the Company will not enter into any new or materially amended employment agreements with named executive officers providing for excise tax gross-up provisions with respect to payments contingent upon a change in control.

Adjustments and Recovery of Award Payments and Clawback Policy

The Company is subject to the requirements of Section 304 of the Sarbanes Oxley Act. Therefore, if the Company were required to restate its financial results due to any material noncompliance of the Company, as a result of misconduct, with any financial reporting requirement under the securities laws, the Securities and Exchange Commission could act to recover from the Chief Executive Officer and Chief Financial Officer any bonus or other incentive-based or equity-based compensation received during the 12-month period following the date the applicable financial statements were issued and any profits from any sale of securities of the Company during that 12-month period.

In addition, on October 29, 2010 the Board of Directors adopted an interim executive compensation recoupment/clawback policy that reflects the preliminary requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), with the intention that the policy will be modified when final regulations required by the Dodd-Frank Act are adopted by the Securities and Exchange Commission. The policy is effective as of January 1, 2011 for any current executive officer or former executive officer that terminates employment after January 1, 2011 and will apply to cash and equity-based compensation that is approved, granted or awarded on or after January 1, 2011.

Compensation Limitation

Section 162(m) of the Internal Revenue Code generally limits to $1,000,000 the available deduction to the Company for compensation paid to any of the Company's named executive officers, except for performance-based compensation that meets certain technical requirements. Although the Compensation Committee considers the anticipated tax treatment to the Company of its compensation payments, the Compensation Committee has determined that it will not necessarily seek to limit executive compensation to that deductible under Section 162(m) of the Internal Revenue Code.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth information concerning the compensation of any person who served as the principal executive officer (John F. Cassidy) or principal financial officer (Gary J. Wojtaszek) during the year ended December 31, 2010, and the three most highly compensated persons who served as executive officers (Theodore H. Torbeck, Tara L. Khoury, Christopher J. Wilson) during the year ended December 31, 2010 and a highly compensated person and former executive officer (Brian A. Ross) who resigned in August 2010 (collectively, the "Named Executive Officers"):

Summary Compensation Table — Fiscal 2010

Name Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($) (a)	Option Awards ($) (b)	Non-Equity Incentive Plan Compensation ($) (c)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings ($) (d)	All Other Compensation ($) (e)	Total ($)
John F. Cassidy	2010	645,000	4,036,000(k)	—	360,068	1,387,535	2,090,059	43,800	8,562,462
President and Chief	2009	632,596(f)	774,400	—	510,000	1,387,310	1,635,123	46,204	4,985,633
Executive Officer	2008	645,000	1,008,600	1,211,409	388,076	—	1,152,712	49,986	4,455,783
Gary J. Wojtaszek	2010	383,788	770,000	302,500	249,674	332,622	4,675	31,168	2,074,427
Chief Financial Officer	2009	343,269(f)	280,000	367,972	105,526	—	14,256	39,687	1,150,710
	2008	134,615	244,667(h)	—	420,931	—	4,413	246,128	1,050,754
Theodore H. Torbeck (i) President and General Manager, Cincinnati Bell Communications Group	2010	161,538	966,000	792,000	—	—	—	5,741	1,925,279
Tara L. Khoury (j)	2010	318,998	241,000	99,999	82,537	79,720	—	29,610	851,864
Chief Marketing Officer	2009	230,192	151,200	692,500	169,400	—	—	7,663	1,250,955
Christopher J. Wilson	2010	312,931	282,762	295,001	243,485	219,916	42,680	25,019	1,421,794
Vice President, General	2009	303,057(f)	160,680	279,768	102,107	—	53,623	22,200	921,435
Counsel and Secretary	2008	309,000	145,539	242,579	120,309	—	22,793	22,000	862,220
Former Officer									
Brian A. Ross (g)	2010	279,536	216,042	99,999	82,537	—	173,944	442,139	1,294,197
Former Chief Operating	2009	416,827(f)	212,500	369,349	83,526	—	153,461	32,200	1,267,863
Officer	2008	398,077	316,800	727,737	206,686	—	82,695	32,000	1,763,995

(a) The 2010 amounts reflect the aggregate grant-date fair value of the performance share based-awards issued in 2010 to Messrs. Wojtaszek and Wilson, and Ms. Khoury, and Mr. Ross for the 2010 – 2012 performance cycle computed in accordance with ASC 718. The 2010 amount for Mr. Torbeck represents a grant of 300,000 unrestricted common shares when he joined the Company in September 2010. The 2009 amounts reflect the grant-date fair value of the performance share based-awards issued in 2009 to Messrs. Wojtaszek, Ross and Wilson and Ms. Khoury for the 2009 – 2011 performance cycle. The 2008 amounts reflect the grant-date fair value of the performance share based-awards issued in 2008 to Messrs. Cassidy, Ross and Wilson for the 2008 – 2010 performance cycle. All amounts assume payout at target. For further discussion of these awards, see Note 13 to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2010. The table below shows the amounts if the maximum payout is earned based on the stock price at date of grant.

	Stock Awards ($) 2010	2009	2008
John F. Cassidy	—	—	1,817,113
Gary J. Wojtaszek	453,750	551,958	—
Theodore H. Torbeck	—	—	—
Tara L. Khoury	149,999	1,038,750	—
Christopher J. Wilson	442,501	419,652	363,868
Brian A. Ross	149,999	554,024	1,091,605

(b) The 2010 amounts reflect the aggregate grant-date fair value of stock options granted in January 2010 to Messrs. Cassidy, Ross, Wojtaszek and Wilson, and Ms. Khoury computed in accordance with ASC 718. The 2009 amounts reflect the grant-date fair value of stock options and SARs granted in January 2009 to Messrs. Cassidy, Wojtaszek, Ross and Wilson and, in the case of Ms. Khoury, for stock options granted in March 2009 when she joined the Company. The 2008 amounts for Messrs. Cassidy, Ross and Wilson reflect the grant-date fair value of stock options granted in December 2008. The 2008 amounts for Mr. Wojtaszek reflect the grant-date fair value for stock options granted in August 2008 when he joined the Company and in December 2008. For further discussion of these awards, see Note 13 to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2010.

(c) The 2010 amount for Mr. Cassidy represents the amount earned in 2010 and paid in 2011 for the 2010 performance period related to cash-payment performance awards granted in January 2009 for the 2009-2011 performance cycle and January 2010 for the 2010-2011 performance cycle and the grant date fair value of cash – based SARs granted in January 2010. The 2010 amounts for Messrs. Wojtaszek and Wilson, and Ms. Khoury represent the grant date fair value of cash settled SARs granted in December 2010. The 2009 amount represents the amount earned in 2009 paid in 2010 to Mr. Cassidy for the 2009 performance period related to the cash-payment performance award granted in January 2009 for the 2009 – 2011 performance cycle.

(d) The amounts shown in this column in 2010, 2009 and 2008 for Messrs. Cassidy, Wojtaszek, Ross and Wilson represent the one-year increase in the value of their qualified defined benefit plan and nonqualified excess plan for 2010, 2009 and 2008, respectively, projected forward to age 65 for each executive with interest credited at 3.5% which is the rate a terminated participant would be given and then discounted back to the respective year at the discount rate (4.90% for 2010, 5.50% for 2009, and 6.25% for 2008) required under Accounting Standards Codification Topic 960. The present value of the accrued pension benefits for Mr. Cassidy increased by $1.3 million in 2010, due to increases in his service eligible pay, and after service-related credits. Additionally, a drop in the applicable discount rate and an updated mortality table yielded an increase of approximately $700,000 in present value. The increase in the amounts in 2010 compared to 2009 for Messrs. Wojtaszek, Wilson, and Ross, is substantially due to the change in the discount rate as mentioned above. The Company froze its qualified pension plan for management employees in 2009; therefore, Ms. Khoury and Mr. Torbeck are not entitled to any benefits under this plan. None of the executives receive any preferential treatment or above-market interest under the Company's retirement plans.

(e) The table below shows the components of the "All Other Compensation" column.

Name	Year	401(k) Match ($) (1)	Flexible Perquisite Program Reimbursements ($) (2)	Other Expenses ($) (3)	Total "All Other Compensation" ($)
John F. Cassidy	2010	8,800	35,000	—	43,800
	2009	9,200	37,004	—	46,204
	2008	9,000	40,986	—	49,986
Gary J. Wojtaszek	2010	9,800	21,368	—	31,168
	2009	7,402	17,743	14,542	39,687
	2008	3,231	5,750	237,147	246,128
Theodore H. Torbeck	2010	1,615	4,126	—	5,741
Tara L. Khoury	2010	7,350	22,260	—	29,610
	2009	763	6,900	—	7,663
Christopher J. Wilson	2010	9,324	15,695	—	25,019
	2009	9,200	13,000	—	22,200
	2008	9,000	13,000	—	22,000
Brian A. Ross	2010	9,800	26,659	405,680	442,139
	2009	9,200	23,000	—	32,200
	2008	9,000	23,000	—	32,000

(1) Under the terms of the Cincinnati Bell Inc. Savings Retirement Plan, the Company's matching contribution is equal to 100% on the first 3% and 50% on the next 2% of contributions made to the plan by the participant. Eligible compensation includes base wages plus any incentive paid to eligible participants. The maximum company matching contribution is $9,800.

(2) For more detail about the Company's Flexible Perquisite Reimbursement Program, see the discussion in the Compensation Discussion and Analysis beginning on page 32. The following program benefits were utilized by the executives in 2010: Mr. Cassidy – automobile expenses, legal/financial planning fees, and club dues; Mr. Wojtaszek – automobile expenses, club dues, and life insurance premiums; Mr. Torbeck – automobile expenses and club dues; Ms. Khoury – automobile expenses, legal/financial planning fees, club dues, and life insurance; Mr. Wilson – automobile expenses, club dues, life insurance premiums and legal/financial planning fees; and Mr. Ross – automobile expenses, club dues, security system and legal/financial planning fees. The Flexible Perquisite Reimbursement Program was terminated effective January 27, 2011.

As described on page 50, each executive was provided an annual allowance to use in connection with participation in the Company's Flexible Perquisite Program. The amount for Mr. Ross for 2010 in the table above is greater than his respective annual allowance because such amounts include the reimbursement for expenses incurred in 2009. The Company reimbursed Mr. Ross in 2010 against the 2009 annual allowances. The amount for Mr. Cassidy for 2009 in the table above is greater than his respective annual allowance because such amounts include the reimbursement for expenses incurred in 2008. The Company reimbursed Mr. Cassidy in 2009 against the 2008 annual allowance. The amount for Mr. Cassidy for 2008 in the table above is greater than his respective annual allowance because such amounts include the reimbursement for expenses incurred in 2007. The Company reimbursed Mr. Cassidy in 2008 against the 2007 annual allowance.

(3) The amounts in 2008 and 2009 for Mr. Wojtaszek includes amounts paid for moving his household goods and personal effects as well as costs related to the acquisition and maintenance of his former residence. Mr. Ross's amount includes payments received pursuant to his consulting agreement, which became effective upon his resignation on August 8, 2010. Mr. Ross is entitled in 2010 to receive an additional amount of $359,320 in 2011 pursuant to the remaining term of his consulting agreement.

(f) During 2009, the Company implemented a mandatory one-week furlough without pay for certain executives. As a result, the actual annual salary received and identified in this table is less than previously approved by the Board.

(g) Effective August 8, 2010, Mr. Ross resigned from the Company.

(h) Amount includes $100,000 related to a signing bonus awarded to Mr. Wojtaszek on his date of hire, August 1, 2008.

(i) On September 7, 2010, Mr. Torbeck joined the Company as President and General Manager for the Cincinnati Bell Communications Group.

(j) On March 23, 2009, Ms. Khoury joined the Company as Senior Vice President and Chief Marketing Officer.

(k) Includes $2,100,000 retention bonus paid in 2010. If Mr. Cassidy retires, resigns or is terminated for "cause" (as defined in his employment agreement) (each, a "Repayment Event") prior to December 31, 2012, he will be required to repay a portion of his retention bonus. The amount that Mr. Cassidy will be required to repay is equal to $50,000 multiplied by the number of months remaining between the occurrence of the Repayment Event and December 31, 2012, and would be payable back to the Company over a 120 month period.

Grants of Plan-Based Awards

The following table sets forth information concerning equity grants to the Named Executive Officers, with the exception of Mr. Ross who was excluded as his awards expired prior to December 31, 2010 due to his resignation, during the year ended December 31, 2010 as well as estimated future payouts under cash incentive plans:

Grant of Plan-Based Awards in 2010 Fiscal Year

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (a)			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#) (b)	Exercise or Base Price of Option Awards ($/Sh)	Closing Price of Company Shares on Grant Date ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($) (c)
		Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)					
John F. Cassidy												
Performance-based award (d)	01/29/10	654,375	872,500	5,000,000	—	—	—	—	—	—	—	—
Stock option	01/29/10								304,703	2.91	2.91	360,068
SARs	01/29/10	—	—	—	—	—	—	—	304,703	2.91	2.91	360,068
Annual incentive		726,000	968,000	1,452,000	—	—	—	—	—	—	—	—
Gary J. Wojtaszek												
Performance-based award	01/29/10	—	—	—	77,964	103,952	155,928	—	—	—	—	302,500
Stock option	01/29/10	—	—	—	—	—	—	—	211,284	2.91	2.91	249,674
SARs	12/07/10	—	—	—	—	—	—	—	266,311	2.54	2.54	332,622
Annual incentive		288,750	385,000	577,500	—	—	—	—	—	—	—	—
Theodore H. Torbeck												
Common stock grant	09/07/10	—	—	—	—	—	—	300,000	—	—	—	792,000
Annual incentive		525,000	700,000	1,050,000	—	—	—	—	—	—	—	—
Tara L. Khoury												
Performance-based award	01/29/10	—	—	—	25,773	34,364	51,546	—	—	—	—	99,999
Stock option	01/29/10	—	—	—	—	—	—	—	69,846	2.91	2.91	82,537
SARs	12/07/10	—	—	—	—	—	—	—	63,827	2.54	2.54	79,720
Annual incentive		144,885	192,780	289,170	—	—	—	—	—	—	—	—
Christopher J. Wilson												
Performance-based award	01/29/10	—	—	—	76,031	101,375	152,063	—	—	—	—	295,001
Stock option	01/29/10	—	—	—	—	—	—	—	206,046	2.91	2.91	243,485
SARs	12/07/10	—	—	—	—	—	—	—	176,074	2.54	2.54	219,916
Annual incentive		153,660	204,880	307,320	—	—	—	—	—	—	—	—

(a) For more detail about the annual incentive program, see the discussion in the Compensation Discussion and Analysis beginning on page 32.

(b) The material terms of the options and SARs granted are: grant type — non-incentive; exercise price — fair market value of common stock on grant date; vesting — 28% on the first anniversary of the original grant date and thereafter at the rate of 3% per month for the next 24 months; term of grant — 10 years; termination — except in the case of death, disability or retirement, any unvested awards will be cancelled 90 days following termination of employment.

(c) For amounts related to option and SAR awards, the amounts reflect the grant-date fair values as determined using the Black-Scholes option-pricing model. The amounts related to the performance-based awards granted for the 2010 – 2012 performance period reflect the grant-date fair value assuming the target numbers of shares are earned and the executive remains with the Company through the applicable vesting dates. In the case of Messrs. Wojtaszek, Wilson and Ross and Ms. Khoury the grant date fair value was based on the Company's closing stock price of $2.91. The amount related to the common share grant for Mr. Torbeck is based on the Company's closing stock price on the date of grant of $2.64. For further discussion of assumptions and valuation, refer to Note 13 to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2010.

(d) Represents potential amounts payable related to the cash-payment performance award for the 2010 – 2012 performance cycle that was granted in January 2010. The cash- payment performance award provides for a target award, with the final award payment indexed to the percentage change in the Company's stock price from the date of grant. Although the cash-payment performance award is subject to a $5 million limit under the terms of the 2007 Long Term Incentive Plan, the maximum would only be obtained if the Company's closing stock price on January 30, 2012 would equal or exceed $16.67 and the adjusted free cash flow targets were achieved. See the Summary Compensation Table for the amount earned in 2010 and paid in 2011 related to this award for the 2010 performance period.

Discussion of Summary Compensation Table and Grants of Plan-Based Awards Table

Employment Agreements

During 2010, all of the Named Executive Officers were employed pursuant to agreements with the Company. Each employment agreement sets forth, among other things, the Named Executive Officer's base salary, bonus opportunities, entitlement to participate in the Company's benefit and pension plans and to receive equity awards and post-termination benefits and obligations. The employment agreements of Messrs. Cassidy, Wojtaszek, Wilson, and Ross were amended and restated effective as of January 1, 2009, to comply with statutory requirements under Section 409A and Section 162(m) of the Internal Revenue Code, and such amendments did not materially impact the value of any payments that might become due if the executive's employment was terminated. In addition, the Company entered into an employment agreement with Ms. Khoury effective as of July 30, 2010 and with Mr. Torbeck effective as of September 7, 2010, and amended the employment agreement of Mr. Wojtaszek effective as of January 27, 2011.

Mr. Cassidy's employment agreement provides for the employment and retention of Mr. Cassidy for a one-year term subject to automatic one-year extensions. Mr. Cassidy's employment agreement provides for a minimum base salary of $645,000 per year, a minimum bonus target of $968,000 per year and a nonqualified supplemental retirement plan.

Mr. Cassidy's nonqualified supplemental retirement plan benefit has vested and is equal to the portion of his accrued pension under the Cincinnati Bell Management Pension Plan that is attributable to his first ten years of service. Mr. Cassidy's supplemental pension shall be paid to him (or his estate if his employment terminates by reason of his death) in a single lump sum within thirty days after the earlier of six months after his termination date or the date of his death.

Mr. Wojtaszek's employment agreement provides for the employment and retention of Mr. Wojtaszek for a one-year term subject to automatic one-year extensions. Mr. Wojtaszek's employment agreement provides for both a minimum base salary and a minimum bonus target of $550,000 per year.

Mr. Torbeck's employment agreement provides for the employment and retention of Mr. Torbeck for a one-year term subject to automatic one-year extensions. Mr. Torbeck's employment agreement provides for both a minimum base salary and a minimum bonus target of $700,000 per year. In addition, Mr. Torbeck's employment agreement provided for a grant of 300,000 common shares as of his start date, and provides for a grant of restricted stock valued of $1,800,000 in January 2011, a grant of restricted stock valued of $1,800,000 as of January 2012 and a grant of restricted stock valued at $900,000 as of January 2013.

Mr. Wilson's employment agreement provides for the employment and retention of Mr. Wilson for a one-year term subject to automatic one-year extensions. Mr. Wilson's employment agreement provides for a minimum base salary of $309,000 per year and a minimum bonus target of $200,850 per year.

Ms. Khoury's employment agreement provides for the employment and retention of Ms. Khoury for a one-year term subject to automatic one-year extensions. Ms. Khoury's employment agreement provides for a minimum base salary of $321,300 per year and a minimum bonus target of $192,780 per year.

Prior to Mr. Ross's resignation his employment agreement provided for a minimum base salary and a minimum bonus target of $425,000 per year. Upon Mr. Ross's resignation, effective August 8, 2010, he entered into a consulting agreement with the Company.

Each of the Named Executive Officers, except for Ms. Khoury and Mr. Torbeck, participates in the Cincinnati Bell Management Pension Plan (the "Management Pension Plan"), which contains both a qualified defined benefit plan, and a nonqualified excess benefit plan (the provision for this excess benefit is contained in the qualified defined benefit pension plan document), which applies the same benefit formula to that portion of the base wages and annual bonus payment that exceeds the maximum compensation that can be used in determining benefits under a qualified defined benefit pension plan. All eligible salaried employees of the Company participate in the Management Pension Plan on the same basis with benefits being earned after a three-year cliff-vesting period. Covered compensation for purposes of calculating benefits include base wages — including any applicable overtime wages paid — plus annual bonus payments. Upon separation from

employment, vested benefits are payable either as a lump-sum, a single life annuity or, for married participants, a 50% joint and survivor, which provides a reduced benefit for the employee in order to provide a benefit equal to 50% of that amount if the employee dies before his/her spouse. The Management Pension Plan is described in further detail on page 54.

Finally, Mr. Cassidy is also covered under a nonqualified Cincinnati Bell Pension Program ("SERP"). The SERP provides covered participants with a benefit equal to 50% of their average monthly compensation, which is the average monthly compensation for the highest thirty-six month period during the participants last five years of employment, less an offset for any benefits payable from the qualified and nonqualified provisions of the Management Pension Plan and the participant's projected age 65 social security benefit. Benefits are reduced 2.5% per point for age and service to the extent the sum of the participant's age plus years of service equals less than 75. Participants are also provided with an additional payment equal to their estimated age 62 social security benefit until they reach age 62. Benefits are normally payable as an annuity — either single life or 50% joint and survivor for married participants — or as a 15-year installment. Under the terms of the Program, a participant must be at least age 55 and have attained at least 10 years of service to be vested in their benefit.

Each of the employment agreements also provide for severance payments upon termination of employment as a result of death or disability, termination by the Company without cause or termination upon a change in control. The payments to the Named Executive Officers upon termination or a change in control are described on page 57.

Long-term Incentives

The Compensation Committee has divided the total long-term incentives granted to the Named Executive Officers approximately equally between stock option grants and performance unit grants because such an allocation (i) prevents an excessive portion of long-term compensation being aligned solely on the achievement of stock price appreciation and (ii) provides an equivalent opportunity for an executive to be rewarded based on the Company achieving its more objective quantitative operating results that are consistent with its long-term business strategy. The long-term incentives granted to the Named Executive Officers are described in the Compensation Discussion and Analysis that begins on page 32.

In order to preserve shares available under the 2007 Long Term Incentive Plan, Mr. Cassidy was granted a cash-payment performance award for the 2010-2012 performance cycle subject to attaining adjusted free cash flow targets. In order to ensure this award was aligned with shareholder interests, the final award payment is indexed to the percentage change in the Company's stock price from the date of grant. The award is discussed in more detail on page 38.

Other Benefits

Prior to its termination by the Compensation Committee on January 27, 2011, each Named Executive Officer was eligible to participate in the Cincinnati Bell Inc. Flexible Perquisite Reimbursement Program and to receive the Company's matching contribution under the qualified defined contribution plan in which all salaried employees of the Company are eligible to participate. The flexible perquisite program provided each eligible executive with an annual allowance (Mr. Cassidy — $35,000, Mr. Wojtaszek — $23,000, Mr. Torbeck — $23,000, Ms. Khoury — $23,000, Mr. Wilson — $13,000 and Mr. Ross — $23,000) that could be used to cover a variety of expenses, including:

- automobiles (up to 60% of their annual allowance),
- tax planning and preparation,
- financial and estate planning,
- legal fees (excluding legal fees incurred in connection with an action against the Company),
- additional life and disability insurance that the executive may maintain on himself or herself,
- initiation fees and monthly dues in connection with social clubs,

- installation and monthly fees for home security,
- adoption fees,
- purchase of software designed to provide or assist with tax planning/preparation, and
- financial, estate and legal planning/documents.

Executives had to pay first for eligible services and submit an invoice and evidence of payment in order to be reimbursed. In addition, the Company believed these executives should have annual, extensive physical examinations and, to encourage the executive to do so, provided an additional amount equal to $3,000 annually exclusively to defray the cost of such physical exams. This additional amount could not be used for any other purpose. Executives could submit requests for reimbursements for any given year until March 31 of the year following the year in which the expense was incurred. Any unused amounts, both the annual allowance and the additional amount for executive physicals, could not be carried over to the next year and were forfeited by the executive.

Salary and Cash Incentive Awards in Proportion to Total Compensation

The percentage of total compensation in 2010 for each named executive represented by the sum of their salary plus bonus is as follows: Mr. Cassidy — 55%, Mr. Wojtaszek — 56%, Mr. Torbeck — 59%, Ms. Khoury — 66%, Mr. Wilson — 42%, and Mr. Ross — 38%.

Outstanding Equity Awards at Fiscal Year End

The following table sets forth information concerning options and other equity awards held by the Named Executive Officers at December 31, 2010:

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Option (#) Exercisable	Number of Securities Underlying Unexercised Option (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date (a)	Number of Shares or Units of Stocks That Have Not Vested (#)	Market Value of Shares or Units of Stocks That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) (b)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) (c)
John F. Cassidy	80,000	—		22.84	1/2/2011				
	400,000	—		9.65	12/4/2011				
	600,000	—		3.48	12/5/2012				
	801,000	—		5.66	12/4/2013				
	666,100	—		3.70	12/3/2014				
	425,000	—		4.00	12/1/2015				
	85,000	—		3.49	1/27/2016				
	574,350	—		4.74	12/8/2016				
	559,355	—		4.91	12/7/2017				
	435,200	244,800		1.67	12/5/2018				
	610,000	390,000		1.39	1/30/2019				
	—	609,406		2.91	1/29/2020				
						—	—	—	—
Gary J. Wojtaszek	152,000	48,000		3.75	8/1/2018				
	207,568	116,756		1.67	12/5/2018				
	46,963	30,026		1.39	1/30/2019				
	79,521	50,842		1.39	1/30/2019				
	—	211,284		2.91	1/29/2020				
	—	266,311		2.54	12/7/2020				
						—	—	236,216	661,405
Theodore H. Torbeck	—	—		—	—	—	—	—	—
Tara L. Khoury	110,000	90,000		2.21	3/23/2019				
	—	69,846		2.91	1/29/2020				
	—	63,827		2.54	12/7/2020				
						—	—	159,364	446,219
Christopher J. Wilson	7,250	—		22.84	1/2/2011				
	1,000	—		16.43	9/5/2011				
	7,400	—		9.65	12/4/2011				
	20,000	—		3.48	12/5/2012				
	51,000	—		5.66	12/4/2013				
	75,000	—		3.70	12/3/2014				
	77,400	—		4.00	12/1/2015				
	100,000	—		4.74	12/8/2016				
	100,000	—		4.91	12/7/2017				
	134,919	75,891		1.67	12/5/2018				
	45,442	29,053		1.39	1/30/2019				
	3,785	49,195		1.39	1/30/2019				
	—	206,046		2.91	1/29/2020				
	—	176,074		2.54	12/7/2020				
						—	—	202,011	565,631

(a) All options and SARs granted are for a maximum period of ten years from the date of grant and vest over a three year period. These awards vest 28% on the first anniversary of the original date of grant and, thereafter, at the rate of 3% per month for the next 24 months.

(b) Amounts in the column include performance units granted for the 2008 – 2010 performance cycle less performance units earned and vested for (i) the 2008 period on February 27, 2009 and (ii) the 2008 – 2009 cumulative period on February 28, 2010. Amounts also include performance units granted for the 2009 – 2011 performance cycle less performance units earned and vested for the 2009 period on February 28, 2010. The amount also includes the performance unit grant made to each of the executives, except for Mr. Cassidy who was awarded a cash payment performance award, for the 2010 – 2012 performance cycle on January 29, 2010.

(c) Assuming the target number of shares are earned, amounts represent the equity incentive plan awards not yet vested. The value is based on the closing price of the Company's common shares on December 31, 2010 ($2.80).

Option Exercises and Stock Vested

The following table sets forth information concerning the exercise of options and the vesting of stock held by the Named Executive Officers during the year ended December 31, 2010:

Option Exercises and Stock Vested in 2010

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($) (a)
John F. Cassidy	—	—	303,139	879,103
Gary J. Wojtaszek	—	—	132,364	383,856
Theodore H. Torbeck	—	—	300,000	792,000
Tara L. Khoury	—	—	125,000	362,500
Christopher J. Wilson	37,867	112,425	154,053	446,754
Brian A. Ross	243,825	754,912	236,860	686,894

(a) For Messrs. Cassidy, Wojtaszek, Wilson, and Ross and Ms. Khoury the amounts represent the closing price of the shares acquired by each of the executives on February 1, 2010 ($2.90), which was the date such awards vested. For Mr. Torbeck the amounts represent the closing price of the shares acquired on September 27, 2010 ($2.64), which was the date his awards were granted.

Pension Benefits

In February 2009, the Company made significant changes to the Management Pension Plan. The Company froze pension benefits for certain management employees below 50 years of age and provide a 10-year transition period for those employees over the age of 50 after which the pension benefit would be frozen. In addition, any employee hired on or after January 1, 2009 was not eligible for the Management Pension Plan. As a result, neither Ms. Khoury nor Mr. Torbeck are eligible to participate in the Management Pension Plan.

Of the Named Executive Officers, only Messrs. Cassidy, Wojtaszek, Wilson and Ross, participated in the Management Pension Plan. The following table sets forth information regarding pension benefits:

Pension Benefits for 2010

Name	Plan Name	Number of Years Credited Service (#) (e)	Present Value of Accumulated Benefit ($) (f)(g)	Payments During Last Fiscal Year ($)
John F. Cassidy	Qualified Defined Benefit Plan (a)	15	376,572	—
	Non-Qualified Excess Plan (b)	15	1,648,715	
	Non-Qualified Supplemental Plan (c)	15	7,352,550	
	Employment Agreement (d)	15	968,996	
	Total		10,346,833	
Gary J. Wojtaszek	Qualified Defined Benefit Plan (a)	2	23,344	—
	Non-Qualified Excess Plan (b)	2	—	
	Total		23,344	
Christopher J. Wilson	Qualified Defined Benefit Plan (a)	12	151,268	—
	Non-Qualified Excess Plan (b)	12	68,715	
	Total		219,983	
Brian A. Ross	Qualified Defined Benefit Plan (a)	13	268,356	—
	Non-Qualified Excess Plan (b)	13	391,282	
	Total		659,638	

(a) Management Pension Plan.
(b) Nonqualified ERISA Excess Provisions of the Cincinnati Bell Management Pension Plan.
(c) See page 41 for further details on the SERP.
(d) Additional pension benefit from employment agreement between the Company and Mr. Cassidy.
(e) None of the executive officers have been granted additional years of service under any of the plans, and this column reflects the actual years of service of each executive officer.
(f) Amounts in this column represent the accumulated benefit obligations computed using the same assumptions as used for financial reporting purposes, described in more detail in Note 10 to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2010.
(g) If any of the executive officers had retired on December 31, 2010, they would have been entitled to a benefit equal to the balance then credited to them, without any reduction, under the Cincinnati Bell Management Pension Plan (both the Qualified Defined Benefit Plan portion and the Non-Qualified Excess Plan portion) as of that date. They may elect a lump-sum or equivalent annuity form of payment. In addition, Mr. Cassidy would have been eligible to receive the benefit under his employment agreement as well any benefits under the SERP described above.

The Management Pension Plan is a tax-qualified defined benefit pension plan and is the same plan that was available to all other eligible salaried and certain non-union hourly employees. Mr. Cassidy also participates in the SERP. Contributions to the Management Pension Plan and the SERP were made only by the Company.

The Management Pension Plan is a cash balance plan. Under this plan, each participant has an account to which pension credits were allocated at the end of each year based upon the participant's attained age and plan compensation for the year (with such plan compensation being subject to a maximum legal annual compensation limit, which limit was $245,000 for 2010). A participant's plan compensation for the year generally equaled the participant's base salary plus any commissions or bonuses received. To the extent that a participant's plan compensation exceeded the aforementioned annual compensation limitation, additional pension credits were given for such additional compensation under a non-tax-qualified retirement plan that is operated in conjunction with the Management Pension Plan (the "Excess Benefit Plan"). Based on the changes to the Management Pension Plan in 2009, the following chart shows the annual pension credits provided at the ages indicated:

Attained Age	Pension Credits *
50 but less than 55 years	6.50% of total plan compensation plus 6.50% of excess compensation for 2010
55 or more years	8.00% of total plan compensation plus 8.00% of excess compensation for 2010

* For purposes of the above table, "excess compensation" means the portion of a plan participant's total plan compensation for 2010 that exceeds the Social Security old-age retirement taxable wage base for 2010.

A participant's account under the Management Pension Plan is also generally credited with assumed interest for each calendar year at a certain interest rate. Such interest rate was 4.0% per annum for 2010 with respect to a participant while still employed by the Company and 3.5% (or 4.0% if a participant elects out of a pre-retirement death benefit) for a participant while not employed by the Company. In the case of a participant who was a participant in the Management Pension Plan on December 31, 1993 or who has benefits transferred from other plans to the Management Pension Plan, the participant's account also was credited with pension credits equivalent to the participant's accrued benefit under the plan or such other plans on that date or when such benefits are transferred, as the case may be.

After retirement or other termination of employment, a participant under the Management Pension Plan is entitled to elect to receive a benefit under the plan in the form of a lump sum payment or as an annuity, generally based on the balance credited to the participant's cash balance account under the plan when the benefit begins to be paid (but also subject to certain transition or special benefit formula rules in certain situations).

Under the SERP, each current active participant's pension at retirement, if paid in the form of a single life annuity, generally will be an amount equal to the difference between 50% of the participant's average monthly compensation (for the highest 36-month period of compensation that occurs during the 60-month period preceding retirement) and the sum of the participant's benefits payable under the Management Pension Plan (including for this purpose amounts payable under the Excess Benefit Plan and any other amounts which are intended to supplement or be in lieu of benefits under the Management Pension Plan) and Social Security benefits. Also, there is a reduction in such pension amount of 2.5% for each year by which the sum of the participant's years of age and years of service at retirement total less than 75, and no benefits are payable if the participant terminates employment (other than by reason of his or her death) prior to attaining age 55 and completing at least 10 years of service credited for the purposes of the plan.

In addition, Mr. Cassidy's employment agreement with the Company provides an additional retirement benefit. Pursuant to such employment agreement, Mr. Cassidy is entitled to an additional non-qualified retirement benefit equal to a portion of his accrued pension under the Management Pension Plan that is attributable to his first ten years of service. This benefit shall be paid to Mr. Cassidy (or his estate if his employment terminates by reason of his death) in a single lump sum within ninety days after the termination of his employment.

Nonqualified Deferred Compensation

The following table sets forth information concerning compensation deferred by the Named Executive Officers:

Nonqualified Deferred Compensation for 2010 Fiscal Year

Name	Executive Contributions in Last Fiscal Year ($)	Company Contributions in Last Fiscal Year ($)	Aggregate Earnings in Last Fiscal Year ($) (a)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at December 31, 2010 ($)
John F. Cassidy	—	—	(176,082)	—	758,509
Gary J. Wojtaszek	—	—	—	—	—
Theodore H. Torbeck	—	—	—	—	—
Tara L. Khoury	—	—	—	—	—
Christopher J. Wilson	—	—	(65,000)	—	280,000
Brian A. Ross	—	—	(10,726)	—	422,370

(a) For Messrs. Cassidy, Ross and Wilson, the amount shown includes the difference between the closing price of the Company's stock ($3.45) on December 31, 2009 and the closing price of the Company's stock ($2.80) on December 31, 2010 with respect to deferrals made prior to 2010.

The 1997 Cincinnati Bell Inc. Executive Deferred Compensation Plan (the "Executive Deferred Compensation Plan") generally permits under its current policies, for any calendar year, each employee who has an annual base rate of pay and target bonus above a certain high dollar amount and has been designated by the Company or a subsidiary of the Company as a "key employee" for purposes of the plan (currently a key employee for purposes of the plan generally has annual pay of more than $245,000) to defer receipt of up to 75% of his or her base salary, up to 100% of his or her cash bonuses (including annual incentive awards and non-performance-based cash awards under the Cincinnati Bell Inc. 2007 Long Term Incentive Plan (collectively with predecessor plans, the "Long Term Incentive Plans")) and up to 100% of any performance-based common share awards (not including awards of stock options or restricted stock after 2005) provided under the Long Term Incentive Plans.

For all key employees who participate in the Executive Deferred Compensation Plan, there is also a Company "match" on the amount of base salary and cash bonuses deferred under the plan for any calendar year. In general, the match is equal to the lesser of 66⅔% of the base salary and cash bonuses deferred or 4% of the base salary and cash bonuses that exceed the annual compensation limit.

Amounts deferred by any participating key employee under the Executive Deferred Compensation Plan and any related Company "match" are credited to the account of the participant under the plan and are assumed to be invested in various mutual funds or other investments (including common shares) as designated by the participant.

The accounts under the Executive Deferred Compensation Plan are not funded in a manner that would give any participant a secured interest in any funds, and benefits are paid from the assets of the Company and its subsidiaries (or from a trust that the Company has established and that remains subject to the Company's creditors).

The amounts credited to the account of any participant under the Executive Deferred Compensation Plan are generally distributed, as so elected by the participant, in a lump sum or in two to ten annual installments (in cash and/or common shares), that begin at some date after his or her termination of employment with the Company and its subsidiaries or a fixed date that occurs at least six years after the start of the first calendar year in which he or she participates in the plan. In addition, as a special rule, in the event of a change in control of the Company, all of the amounts then credited under the plan to a participant's account under the plan are generally paid in a lump sum on the day after the change in control.

The Executive Deferred Compensation Plan must comply with the requirements of the American Jobs Creation Act of 2004 in order to retain its ability to defer federal income tax on certain amounts credited to a

participant's account under the plan. The Company has amended the plan to meet the requirements of the American Jobs Creation Act of 2004 and will make further amendments as necessary to comply with the regulations adopted by the IRS to implement the Act and the regulations adopted by the IRS.

Potential Payments upon Termination of Employment or a Change-in-Control

The following table shows potential payments to our Named Executive Officers directly and indirectly on their behalf under existing contracts, agreements, plans or arrangements, whether written or unwritten, for various scenarios involving a change-in-control or termination of employment, assuming a December 31, 2010 termination or change-in-control date and, where applicable, using the closing price of our common shares on December 31, 2010 of $2.80.

Potential Payments upon Termination of Employment or a Change-in-Control: 2010

Name	Executive Payment on Termination	Involuntary Not for Cause Termination ($)	Change in Control ($)	Death ($)	Disability ($)
John F. Cassidy	Base Salary	4,699,337	1,928,550	—	—
	Annual Incentive Target Opportunity	—	2,894,320	968,000	968,000
	Long Term Incentives — Options	826,524	826,524	826,524	826,524
	Long Term Incentives — Performance Restricted Shares	—	—	—	—
	Long Term Incentives — Non-Equity Incentive Compensation (d)	2,095,819	2,095,819	2,095,819	2,095,819
	Basic Benefits	20,308	20,308	—	40,616
	Retiree Benefits	1,594,759	1,594,759	—	—
	Other Contractual Payments	—	—	—	—
	Excise — Tax Gross-up (a)(b)	—	3,323,717	—	—
	TOTAL	9,236,747	12,683,997	3,890,343	3,930,959
Gary J. Wojtaszek	Base Salary	770,000	770,000	—	—
	Annual Incentive Target Opportunity	—	770,000	385,000	385,000
	Long Term Incentives — Options	261,925	315,199	315,199	315,199
	Long Term Incentives — Performance Restricted Shares (e)	403,609	661,405	661,405	661,405
	Basic Benefits	10,969	10,969	—	238,137
	Retiree Benefits	—	—	—	—
	Other Contractual Payments	—	—	—	—
	Excise — Tax Gross-up (a)(b)	—	936,335	—	—
	TOTAL	1,446,503	3,463,908	1,361,604	1,599,741
Theodore H. Torbeck	Base Salary (c)	2,800,000	1,400,000	—	2,800,000
	Annual Incentive Target Opportunity	—	1,400,000	700,000	—
	Long Term Incentives — Options	—	—	—	—
	Long Term Incentives — Performance Restricted Shares	—	—	—	—
	Basic Benefits	10,429	10,429	—	—
	Retiree Benefits	—	—	—	—
	Other Contractual Payments	—	—	—	—
	Excise — Tax Gross-up (a)(b)	—	—	—	—
	TOTAL	2,810,429	2,810,429	700,000	2,800,000

Name	Executive Payment on Termination	Involuntary Not for Cause Termination ($)	Change in Control ($)	Death ($)	Disability ($)
Tara L. Khoury	Base Salary	514,080	642,600	—	—
	Annual Incentive Target Opportunity	—	385,560	192,780	192,780
	Long Term Incentives — Options	53,332	70,995	70,995	70,995
	Long Term Incentives — Performance Restricted Shares (e)	274,164	446,219	446,219	446,219
	Basic Benefits	10,660	10,660	—	—
	Retiree Benefits	—	—	—	—
	Other Contractual Payments	—	—	—	—
	Excise — Tax Gross-up (a)(b)	—	—	—	—
	TOTAL	852,236	1,556,034	709,994	709,994
Christopher J. Wilson	Base Salary	520,080	630,400	—	—
	Annual Incentive Target Opportunity	—	409,760	204,880	204,880
	Long Term Incentives — Options	205,595	241,866	241,866	241,866
	Long Term Incentives — Performance Restricted Shares (e)	353,718	565,631	565,821	565,631
	Basic Benefits	10,753	10,753	—	165,811
	Retiree Benefits	—	—	—	—
	Other Contractual Payments	—	—	—	—
	Excise — Tax Gross-up (a)(b)	—	621,376	—	—
	TOTAL	1,090,146	2,479,786	1,012,567	1,178,188

(a) These amounts are meant to defray related tax liabilities related to a change in control. The discount rate used for retiree benefit parachute values was 4.90%, consistent with the rate determined for the Company's financial statements under Accounting Standards Codification Topic 960. On April 27, 2010, the Compensation Committee adopted a policy that the Company would no longer enter into new or materially alter employment agreements with named executive officers providing for excise tax gross-ups upon a change of control. As a result, the employment agreements of Mr. Torbeck and Ms. Khoury do not contain any excise tax gross-up provisions, and Mr. Wojtaszek will not have an excise tax gross-up provision beginning in 2011.

(b) The executives are subject to restrictive covenants post-termination that were, in part, consideration for compensation of benefits. The value of these restrictive covenants would be favorable and were not considered for this calculation.

(c) If Mr. Torbeck's employment is terminated due to disability or an involuntary not for cause termination, then he is entitled to a lump sum cash payment equal to four times his salary. The payment decreases to three times his salary in calendar year 2012, two times his salary in calendar year 2013, and equal to his accrued salary and accrued incentive award in calendar year 2014 and beyond.

(d) Non-equity incentive compensation payment is contingent on the Company's attainment of target performance metrics for the 2011 and 2012 performance years and is indexed to the Company's stock price at the end of each performance year. The table includes the target payout, but the actual payout based on performance metric attainment and the Company's stock price could range from zero to $5 million.

(e) Performance restricted shares include shares that are based on the attainment of target performance metrics in the 2011 performance year. These awards have been included in the table at target; however, the actual payouts based on attainment of the metrics could range from zero to 200% of the target amount.

If any of the executives elects to voluntarily terminate employment with the Company, or if they are terminated by the Company for cause, they are entitled to no payments from the Company other than those benefits which they have a non-forfeitable vested right to receive, which include any shares of stock they own outright, vested options which may be exercisable for a period of 90 days following termination, deferred compensation amounts and vested amounts under the Company's pension and savings plans. Mr. Cassidy is entitled to receive payment of the nonqualified retirement benefit of $968,996 provided for in his employment agreement in which he is already vested. Payment of such accrued, vested and non-forfeitable amounts is also applicable to each of the other four termination scenarios detailed in the above table and discussed below, and each executive is still bound by the non-disclosure, non-compete and non-solicitation provisions of their agreements.

If an executive is terminated by the Company without cause (an involuntary not for cause termination), the executive will be entitled to the following:

- A payment equal to two times of his base salary in the case of Mr. Wojtaszek, 1.65 times of his base salary in the case of Mr. Wilson, and 1.60 times her base salary in the case of Ms. Khoury. If the

Company terminates Mr. Torbeck he would be owed: in Calendar year 2011 a payment equal to four times of his base salary, in Calendar year 2012 a payment equal to three times his base salary, in Calendar year 2013 a payment equal to two times his base salary, and in 2014 and beyond a payment equal to his accrued salary and annual incentive award.

- For Mr. Cassidy only, a payment equal to five times his base salary plus the product obtained by multiplying the fair market value of the Company's common share on the date of termination times 526,549;
- A payment equal to the present value of an additional one year (two years for Mr. Cassidy) of participation in the Company's Management Pension Plan and SERP, if applicable, as though the executive had remained employed at the same base rate of pay and target bonus;
- Continued medical, dental, vision and life insurance benefits during the one-year period (or two-year period for Mr. Cassidy) following the executive's termination of employment on the same basis as any active salaried employee provided any required monthly contributions are made;
- Except for Mr. Cassidy, continued treatment as an active employee during the one-year period following termination with respect to any outstanding long-term incentive cycles the executive may be participating in and any unvested stock options will continue to vest under the normal vesting schedule as though the executive was still an active employee; and
- The ability to exercise any vested options for an additional 90 days after the end of the one-year period, or, in the case of Mr. Cassidy, the ability to exercise any vested options (which are all fully vested upon his termination of employment) during the two-year period following his termination.

If an executive is terminated within the one-year period (or a two-year period for Mr. Cassidy) following a change-in-control, the executive will be entitled to the following:

- A payment equal to two times the sum of their base salary plus target bonus (2.99 times for Mr. Cassidy);
- If eligible to participate in the Management Pension Plan, a payment equal to the present value of an additional one year (two years for Mr. Cassidy) of participation in the Plan as though the executive had remained employed at the same base rate of pay and target bonus;
- Continued medical, dental, vision and life insurance coverage during the one-year period (or two-year period for Mr. Cassidy) following the executive's termination of employment on the same basis as other active employees provided any required monthly contributions are made;
- Full vesting of any options, restricted shares and/or other equity awards and the ability to exercise such options for the one-year period (or two-year period for Mr. Cassidy) following termination;
- Full vesting and payout at target amounts of any awards granted under long-term incentive plans; and
- To the extent that any of the executives are deemed to have received an excess parachute payment, an additional payment sufficient to pay any taxes imposed under section 4999 of the Internal Revenue Code plus any federal, state and local taxes applicable to any taxes imposed under section 4999 of the Internal Revenue Code.

In addition, Mr. Cassidy's SERP benefit would be fully vested and he would receive a lump sum payment without adjustment for age and service.

If an executive is "terminated" because of his or her death, the executive's beneficiary will be entitled to the following:

- A payment equal to the bonus accrued and payable to the deceased executive for the current year;
- Full vesting of all options held by the deceased executive and the ability to exercise such options for the one-year period following the date of the executive's death; and
- Full vesting and payout at target amounts of any awards granted to the deceased executive under long-term incentive plans.

If an executive is terminated by reason of disability, the executive will be entitled to the following:

- A payment equal to the bonus accrued and payable to the disabled executive for the current year completed;
- Continued vesting of all options held by the disabled executive on their normal schedule and the ability to exercise such vested options so long as the disabling conditions exists;
- Continued participation by the disabled executive in any outstanding long-term incentive plans; and
- Continued consideration of the disabled executive as an employee for all other benefits so long as the disabling condition that resulted in the disability-based termination is present.

In the case of Mr. Cassidy, in the event of termination because of disability, he would also become eligible at some future date for retiree medical benefits provided the Company is still offering such retiree benefits at that time. In February 2009, the Company announced that it will stop offering retiree medical benefits in 2018. In addition, Mr. Cassidy would become vested under the SERP and be eligible to commence receiving annuity payments.

Under all of the termination scenarios in the preceding table, Messrs. Cassidy, Wojtaszek, and Wilson have certain accrued, vested and non-forfeitable amounts, which are determined as of December 31, 2010, to which they are entitled as follows: Mr. Cassidy — $16,228,131, Mr. Wojtaszek — $565,577, Mr. Wilson — $1,189,423, Mr. Torbeck — $581,591, and Ms. Khoury — $298,577. These amounts represent stock they own outright, vested in-the-money stock options, pension benefits and, in the case of Messrs. Cassidy and Wilson, nonqualified deferred compensation amounts.

OTHER MATTERS

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's directors, executive officers and persons who own more than 10% of a registered class of the Company's equity securities to file reports of ownership and changes in ownership with the SEC. Directors, executive officers and greater than 10% shareholders are required by regulations of the SEC to furnish the Company with copies of all Section 16(a) reports that they file. Such reports are filed on Forms 3, 4 and 5 under the Exchange Act. Based solely on the Company's review of the copies of such forms received by it, the Company believes that, during the period commencing January 1, 2010 and ending December 31, 2010, all such persons complied on a timely basis with the filing requirements of Section 16(a), except as follows: equity awards granted to Messrs. Wojtaszek, Wilson, and Freyberger and Ms. Khoury on December 7, 2010 were inadvertently reported late by the Company on January 11, 2011.

Shareholder Proposals for Next Year's Annual Meeting

Shareholder proposals intended for inclusion in next year's Proxy Statement should be sent to Christopher J. Wilson, Vice President, General Counsel and Secretary, Cincinnati Bell Inc., 221 East Fourth Street, Cincinnati, Ohio 45202, and must be received by November 23, 2011. Any such proposal must comply with Rule 14a-8 promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended. Any shareholder, who intends to propose any other matter to be acted upon at the 2012 Annual Meeting of Shareholders without inclusion of such proposal in the Company's Proxy Statement, must inform the Company no later than February 6, 2012. If notice is not provided by that date, the persons named in the Company's proxy for the 2012 Annual Meeting will be allowed to exercise their discretionary authority to vote upon any such proposal without the matter having been discussed in the Proxy Statement for the 2012 Annual Meeting of Shareholders.

Shareholders may propose director candidates for consideration by the Governance and Nominating Committee of the Board of Directors. Any such recommendations should be directed to Christopher J. Wilson, Vice President, General Counsel and Secretary, Cincinnati Bell Inc., 221 East Fourth Street, Cincinnati, Ohio 45202, and must be received no later than November 23, 2011 for the 2012 Annual Meeting of Shareholders.

Other Matters to Come Before the Meeting

At the time this Proxy Statement was released for printing on March 21, 2011, the Company knew of no other matters that might be presented for action at the meeting. If any other matters properly come before the meeting, it is intended that the voting shares represented by proxies will be voted with respect thereto in accordance with the judgment of the persons voting them.

Financial Statements and Corporate Governance Documents Available

The Company has elected to provide access to its Proxy Statement, Annual Report on Form 10-K and Summary Annual Report over the internet. We sent the Notice to our shareholders and beneficial owners, which provides information and instructions on how to access our proxy materials over the internet or to request printed copies of our proxy materials. You may also obtain a copy of any of the following corporate governance documents from the Company's website identified below:

Corporate Governance Document	Website
Audit and Finance Committee Charter	*www.cincinnatibell.com/aboutus/corporate_governance/af_charter*
Compensation Committee Charter	*www.cincinnatibell.com/aboutus/corporate_governance/compensation_committee_charter*
Governance and Nominating Committee Charter	*www.cincinnatibell.com/aboutus/corporate_governance/gn_committee_charter*
Code of Business Conduct	*www.cincinnatibell.com/aboutus/corporate_governance/code_of_conduct*
Code of Ethics for Senior Financial Officers	*www.cincinnatibell.com/aboutus/corporate_governance/code_of_ethics*
Code of Ethics for Directors	*www.cincinnatibell.com/aboutus/corporate_governance/code_of_ethics*
Corporate Governance Guidelines	*www.cincinnatibell.com/aboutus/corporate_governance/corporate_governance_guidelines*

Proxy Statements for Shareholders Sharing the Same Household Mailing Address

As part of the Company's efforts to reduce costs and increase efficiency, when possible, only one copy of the Notice of Internet Availability and, as appropriate, the proxy materials has been delivered to multiple shareholders sharing the same household mailing address, unless the Company has received contrary instructions from one or more of the shareholders at that address.

Upon written or oral request, the Company will promptly provide a separate copy of the Notice of Internet Availability and, as appropriate, the proxy materials to a shareholder at a shared address to which a single copy was delivered. If your household mailing address is shared with other shareholders and you did not receive a Notice of Internet Availability or, as appropriate, the proxy materials, but would like to receive a separate copy of this item as well as future Company communications, please contact the following:

For beneficial owners, please contact your broker.

For shareholders of record, please contact our transfer agent, Computershare, at the following address:

Computershare Investor Services, LLC
Shareholder Services
7550 Lucerne Drive, Suite 103
Cleveland, Ohio 44130-6503
Phone: (888) 294-8217

If shareholders residing at the same household mailing address are currently receiving multiple copies of Company communications but would like to receive only one in the future, please send written notice to your broker (for beneficial owners) or to Computershare (for shareholders of record) at the above address. In the written notice, please indicate the names of all accounts in your household, and you will be forwarded the appropriate forms for completion.

Each shareholder participating in the householding program will, however, continue to receive a separate proxy card or voting instruction card.

Electronic Delivery of Materials

Shareholders can also enroll for electronic delivery of the Company's future proxy materials by registering directly or with your broker through our website, *investor.cincinnatibell.com* in the Electronic Shareholder Communications Enrollment section of the Company's Investor Relations webpage.

Each shareholder participating in the electronic delivery of materials will, however, continue to receive a separate Notice, proxy card or voting instruction card.

Shareholder Communications with the Board of Directors

Shareholders or other interested parties may communicate with the Board, any individual director, the non-management directors as a group, or the director who presides at meetings of the non-management directors. The Company has established procedures for such shareholder communications. Shareholders and other interested parties should send any communications to Christopher J. Wilson, Vice President, General Counsel and Secretary, Cincinnati Bell Inc., 221 East Fourth Street, Cincinnati, Ohio 45202, and identify the intended recipient or recipients. All communications addressed to the Board or any identified director or directors will be forwarded to the identified person or persons.

By Order of the Board of Directors

Christopher J. Wilson
Vice President, General Counsel and Secretary

March 21, 2011

Appendix A

CINCINNATI BELL INC.
2011 SHORT TERM INCENTIVE PLAN

(As adopted effective as of April 1, 2011)

1. Introduction to Plan.

1.1 Name and Sponsor of Plan. The name of this Plan is the Cincinnati Bell Inc. 2011 Short Term Incentive Plan, and its sponsor is CBI.

1.2 Purposes of Plan. The purposes of this Plan are (i) to further the growth of the Company by offering Key Employees of the Company competitive incentive compensation related to annual company and individual performance goals and (ii) to aid the Company in attracting and retaining Key Employees of outstanding abilities.

1.3 Effective Date, Duration of Plan, and Replacement of Prior Plan.

(a) The Plan is effective as of the Effective Date (April 1, 2011), subject to the Plan's approval by a majority of the voting shares present or represented and entitled to vote on the Plan at the 2011 annual meeting of CBI's shareholders.

(b) The Plan shall remain in effect thereafter until the date on which the Plan is terminated in accordance with section 13 hereof. Upon the termination of the Plan, no awards may be granted under the Plan after the date of such termination but any award granted under the Plan on or prior to the date of such termination shall remain outstanding in accordance with the terms of the Plan and the terms of the award.

(c) The Plan replaces the Cincinnati Bell Inc. Short Term Incentive Plan (for purposes of this paragraph (c), the "Prior Short Term Incentive Plan"), as such plan was in effect before the Effective Date. The Prior Short Term Incentive Plan was terminated effective as of March 31, 2011, but any award granted under the Prior Short Term Incentive Plan on or prior to the date of such plan's termination shall remain outstanding in accordance with the terms of the Prior Short Term Incentive Plan and the terms of the award.

2. General Definitions. For all purposes of the Plan and in addition to other definitions of terms that are contained in other sections of the Plan, the following terms shall have the meanings indicated below when used in the Plan, unless the context clearly indicates otherwise.

2.1 "Board" means the Board of Directors of CBI.

2.2 "CBI" means Cincinnati Bell Inc. (and, except for purposes of determining whether a Change in Control has occurred, any legal successor to Cincinnati Bell Inc. that results from a merger or similar transaction).

2.3 "CBI Tax Year" means any tax year of CBI for Federal income tax purposes. As of the Effective Date and until changed by CBI, a CBI Tax Year is a calendar year.

2.4 "CEO" means, as of any point in time, the person then designated by CBI as its Chief Executive Officer.

2.5 "Change in Control" means the occurrence of any of the events described in subsection 10.2 hereof.

2.6 "Code" means the Internal Revenue Code of 1986, as it exists as of the Effective Date and as it may thereafter be amended. A reference to a specific section of the Code shall be deemed to be a reference both (i) to the provisions of such section as it exists as of the Effective Date and as it is subsequently amended, renumbered, or superseded (by future legislation) and (ii) to the provisions of any government regulation that is issued under such section as of the Effective Date or as of a later date.

2.7 "Committee" means the committee appointed to administer the Plan under the provisions of subsection 3.1 hereof.

2.8 "Company" means, collectively, (i) CBI, (ii) each other corporation that is part of a controlled group of corporations (within the meaning of Section 1563(a) of the Code, but determined without regard to Code

Section 1563(a)(4) and (e)(3)(C)) that includes CBI, and (iii) each other organization (a partnership, sole proprietorship, etc.) that is under common control (within the meaning of Section 414(b) of the Code) with CBI.

2.9 "Effective Date" means April 1, 2011.

2.10 "Key Employee" means any person who is both (i) employed and classified as an employee by the Company and (ii) an officer of the Company subject to the disclosure requirements of Section 16 of the Exchange Act.

2.11 "Exchange Act" means the Securities Exchange Act of 1934, as it exists as of the Effective Date and as it may thereafter be amended. A reference to a specific section of the Exchange Act shall be deemed to be a reference both (i) to the provisions of such section as it exists as of the Effective Date and as it is subsequently amended, renumbered, or superseded (by future legislation) and (ii) to the provisions of any government regulation or rule that is issued under such section as of the Effective Date or as of a later date.

2.12 "Participant" means a person who, as a Key Employee, was granted an award under the Plan.

2.13 "Plan" means this document, named the "Cincinnati Bell Inc. 2011 Short Term Incentive Plan," as set forth herein and as it may be amended.

3. Administration of Plan.

3.1 Committee To Administer Plan. The Plan shall be administered by the Committee. The Committee shall be the Compensation Committee of the Board, unless and until the Board appoints a different committee to administer the Plan. The Committee shall in any event consist of at least three members of the Board (i) who are neither officers nor employees of the Company and (ii) who are outside directors within the meaning of Section 162(m)(4)(C)(i) of the Code.

3.2 Committee's Authority. Subject to the limitations and other provisions of the Plan, the Committee shall have the sole and complete authority:

(a) to select, from all of the Key Employees, those Key Employees who shall participate in the Plan;

(b) to make awards to Key Employees at such times, in such forms, and in such amounts as it shall determine and to cancel, suspend, or amend any such awards;

(c) to impose such limitations, restrictions, and conditions upon awards as it shall deem appropriate;

(d) to interpret the Plan and to adopt, amend, and rescind administrative guidelines and other rules and regulations relating to the Plan;

(e) to appoint certain employees of the Company to act on its behalf as its representatives (including for purposes of signing agreements which reflect awards granted under the Plan); and

(f) to make all other determinations and to take all other actions it deems necessary or advisable for the proper administration of the Plan.

Except to the extent otherwise required by applicable law, the Committee's determinations on any matter within its authority shall be conclusive and binding on the Company, all Participants, and all other parties.

3.3 Flexibility in Granting Awards. Notwithstanding any other provision of the Plan which may be read to the contrary, the Committee may set different terms and conditions applicable to each and any award granted under the Plan, even when issued to the same Participant, and there is no obligation that the awards made with respect to any CBI Tax Year must contain the same terms and conditions for all Participants or any group of Participants.

3.4 Board Approval Needed for CEO Awards. Notwithstanding the foregoing provisions of this section 3, any award set by the Committee for issuance to the Key Employee who is the CEO must be approved by the Board in order to become effective.

4. Class of Key Employees Eligible for Plan. Awards may be granted under the Plan to, and only to, Key Employees. As is indicated in section 3 hereof, the specific Key Employees to whom awards will be granted under the Plan, and who thereby will be Participants under the Plan, shall be chosen by the Committee in its sole discretion.

5. Awards.

5.1 CBI Tax Year Awards. Awards may be granted under the Plan at any time while the Plan is in effect by the Committee to any Key Employee or Key Employees (with any person who, as a Key Employee, is granted an award under the Plan being referred to herein as a Participant). Any award granted under the Plan to a Participant shall be made with respect to a specific CBI Tax Year (for all purposes of the Plan, the award's "Award Year") and shall be composed of one or more parts. No more than one award may be granted to a Participant under the Plan with respect to any CBI Tax Year. Also, the grant of any award under the Plan to a Participant with respect to any CBI Tax Year shall not entitle the Participant to an award for any subsequent CBI Tax Year.

5.2 Award Parts and Payment of Award Amount.

(a) As is indicated in subsection 5.1 hereof, any award granted under the Plan to a Participant shall be composed of one or more parts. Each part of an award granted under the Plan to a Participant shall be referred to herein, for all purposes of the Plan, as an "award part" and shall, subject to the following subsections of this section 5 and the provisions of section 8 hereof, provide for an amount to be paid to the Participant if and only if either Company performance goals or individual performance goals are determined to have been met in accordance with rules described in the following subsections of this section 5 and in sections 6 and 7 hereof.

(b) Further, subject to the following subsections of this section 5 and the provisions of section 8 hereof, the total amount to be paid by reason of any award granted to a Participant under the Plan shall equal the sum of the amounts, if any, payable under each award part of the award and shall be paid in a lump sum, in cash, to the Participant after the end of the award's Award Year but no later than the 15th day of the third month of the CBI Tax Year that next follows the award's Award Year.

5.3 Determination of Amount Payable under Award.

(a) Any award granted under the Plan to a Participant shall indicate a target payment amount (for all purposes of the Plan, the award's "Target") and assign a percent of the award's Target to each award part of the award (with the percent of the award's Target so assigned to any such award part being referred to herein, for all purposes of the Plan, as such award part's "Target Share").

(b) Subject to the other provisions of this section 5, the amount payable under an award that relates to any award part of the award shall be equal to such award part's Target Share if certain (or a certain level) of the Company performance goals or the individual performance goals (as the case may be) applicable to the award part are determined to be met and may also specify a payment amount more or less than such Target Share if additional or fewer (or if a higher or lower level) of the performance goals applicable to the award part are determined to be met.

(c) In no event may the amount payable by reason of any award part of an award granted under the Plan exceed 200% of the award part's Target Share, and in no event may the total amount payable under any award (including all of its award parts) exceed $3,000,000.

5.4 Discretion To Reduce Award Amount.

(a) Notwithstanding the foregoing subsections of this section 5 and with respect to any award granted under the Plan to a Participant, the Committee (or, when the award was granted to the CEO, the Board) may, prior to any payment being made under the award and in its sole and unrestricted discretion and for any reason (including its determination of the Participant's performance of his or her duties for the Company), reduce the amount that is otherwise payable under the award by reason of any award part of the award that determines an amount payable based on satisfaction of Company performance goals.

(b) The Committee (or, when the applicable award is granted to the CEO, the Board) may set, in the terms of an award granted under the Plan to a Participant, a limit on the reduction that can be made under

this subsection 5.4 to the amount otherwise payable under the award by reason of any award part that determines an amount payable based on satisfaction of Company performance goals.

(c) The discretion granted the Committee (or, if applicable, the Board) under this subsection 5.4 shall not in any manner allow it to increase the amount that would otherwise be payable under any award granted under the Plan by reason of any award part that determines an amount payable based on satisfaction of Company performance goals.

5.5 Effect on Award Amount of Mid-Year Eligibility, Retirement, Death, Disability, or Leave of Absence. Notwithstanding the foregoing subsections of this section 5, if a situation that is described in any of the following paragraphs of this subsection 5.5 applies to a Participant to whom an award is granted under the Plan, then the amount that is payable under the award shall be deemed to be equal to the product obtained by multiplying (i) the amount that would otherwise be payable under the award based on all of the foregoing subsections of this section 5 (without regard to the provisions of this subsection 5.5) by (ii) a fraction, the numerator of which is equal to the difference between the total number of days in the award's Award Year and the number of days that are to be excluded from such fraction's numerator pursuant to whichever of the following paragraphs of this subsection 5.5 are applicable to the Participant and the denominator of which is the total number of days in such Award Year.

(a) If the Participant becomes a Key Employee during but after the first day of the award's Award Year, and/or if the Participant ceases to be a Key Employee during but prior to the last day of the award's Award Year because of his or her retirement or death, then the numerator of the fraction referred to above shall exclude the number of the days in such Award Year on which the Participant is not a Key Employee. For all purposes of the Plan, a Participant's "retirement" shall be deemed to have occurred only if the Participant ceases to be an employee of the Company after either (i) both attaining age 60 and completing at least ten years of continuous service as an employee with the Company or (ii) completing at least 30 years of continuous service as an employee with the Company.

(b) If the Participant receives disability benefits under the Company's Sickness and Accident Disability Benefits Plan or any similar type of disability plan for more than three months of the award's Award Year, the numerator of the fraction referred to above shall exclude the number of the days in the period of such Award Year for which benefits are payable to the Participant under such plan.

(c) If the Participant is on a leave of absence (approved by the Company) for more than three months of the award's Award Year, the numerator of the fraction referred to above shall exclude the number of the days in such Award Year on which the Participant is on such leave of absence.

5.6 Employment Requirements for Receipt of Award Amount. Notwithstanding the foregoing subsections of this section 5, a Participant to whom an award has been granted under the Plan shall not in any event be entitled to receive any amount by reason of the award unless he or she both:

(a) either (i) is an employee of the Company on the last day of the award's Award Year or (ii) had his or her employment with the Company end during such Award Year because of his or her disability (for which the Participant will be entitled to receive or has received disability benefits under the Company's Sickness and Accident Disability Benefits Plan or any similar type of disability plan), his or her retirement (as defined in subsection 5.5(a) hereof), or his or her death; and

(b) has had at least three months of active service for the Company during the award's Award Year (not including any time the Participant was absent from active service during such Award Year by reason of any leave of absence or for any other reason, including an absence on account of disability).

5.7 Maximum Amount of Award. As is noted in subsection 5.3(c) hereof and notwithstanding any other provision of the Plan to the contrary, the amount to be received by a Participant by reason of any award that is granted to the Participant under the Plan with respect to any CBI Tax Year shall not in any event exceed $3,000,000.

5.8 Award Agreements. Each award granted under the Plan to a Participant (and the terms of such award) may be evidenced in such manner as the Committee determines, including but not limited to written resolutions of the Committee or an agreement, notice, or similar document that is provided in any manner to the Participant.

6. **Company Performance Goals.**

6.1 Criteria for Company Performance Goals. To the extent the meeting of "Company performance goals" set by the Committee may be a condition to an amount being determined with respect to an award part of an award granted under the Plan, the Committee may base such Company performance goals on, and only on, one or more of the following criteria applicable to the Company:

(a) free cash flow (defined as cash generated by operating activities, minus capital expenditures and other investing activities, dividend payments and proceeds from the issuance of equity securities, and proceeds from the sale of assets);

(b) earnings before interest, taxes, depreciation, and amortization;

(c) earnings per share;

(d) operating income;

(e) total shareholder returns;

(f) profit targets;

(g) revenue targets;

(h) profitability targets as measured by return ratios;

(i) net income;

(j) return on sales;

(k) return on assets;

(l) return on equity; and

(m) corporate performance indicators (indices based on the level of certain services provided to customers).

6.2 Method By Which Performance Criteria Can Be Measured.

(a) Any performance criteria described in subsection 6.1 hereof that is used to determine the Company performance goals applicable to an award part of an award granted under the Plan shall be measured or determined on the basis of the award's Award Year, shall be set by the Committee either prior to the start of such year or within its first 90 days (provided that the performance criteria is not in any event set after 25% or more of the applicable Award Year has elapsed), and shall be criteria that will be able to be objectively determined by the Committee.

(b) Further, the Committee may provide in the terms of an award granted under the Plan that any factor used to help determine any performance criteria identified in subsection 6.1 hereof shall be taken into account only to the extent it exceeds or, conversely, is less than a certain amount. The Committee may also provide in the terms of an award granted under the Plan that, in determining whether any performance criteria identified in subsection 6.1 hereof has been attained, certain special or technical factors shall be ignored or, conversely, taken into account, in whole or in part, including but not limited to any one or more of the following factors:

(1) a gain, loss, income, or expense resulting from changes in generally accepted accounting principles that become effective during the award's Award Year;

(2) a gain, loss, income, or expense that is extraordinary in nature;

(3) an impact of other specified nonrecurring events;

(4) a gain or loss resulting from, and the direct expense incurred in connection with, the disposition of a business, in whole or in part, the sale of investments or non-core assets, or discontinued operations, categories, or segments of businesses;

(5) a gain or loss from claims and/or litigation and insurance recoveries relating to claims or litigation;

(6) an impact of impairment of tangible or intangible assets;

(7) an impact of restructuring activities, including, without limitation, reductions in force;

(8) an impact of investments or acquisitions made during the applicable Award Year;

(9) a loss from political and legal changes that impact operations, as a consequence of war, insurrection, riot, terrorism, confiscation, expropriation, nationalization, deprivation, seizure, business interruption, or regulatory requirements;

(10) retained and uninsured losses from natural catastrophes;

(11) currency fluctuations;

(12) an expense relating to the issuance of stock options and/or other stock-based compensation;

(13) an expense relating to the early retirement of debt; and/or

(14) an impact of the conversion of convertible debt securities.

Each of the adjustments described in this paragraph (b) shall be determined in accordance with generally accepted accounting principles and standards, unless another objective method of measurement is designated by the Committee.

(c) In addition, any performance criteria identified in subsection 6.1 hereof, and any adjustment in the factors identified in paragraph (b) of this subsection 6.2 that are used to determine any such performance criteria, may: (i) be measured or determined for CBI, for any organization other than CBI that is part of the Company, for the entire Company in the aggregate, or for any group of corporations or organizations that are included in the Company; and (ii) be measured and determined in an absolute sense and/or in comparison to the analogous performance criteria of other publicly-traded companies (that are selected for such comparison purposes by the Committee).

6.3 Verification That Company Performance Goals Are Met. In order for any amount to become payable under the Plan when such amount is attributable to an award part of an award granted under the Plan that required the meeting of any Company performance goals, the Committee shall and must verify that such Company performance goals have been met by the latest date by which such amount must be paid under the other provisions of the Plan.

6.4 Award Parts That Require Company Performance Goals To Be Met Intended To Constitute Performance-Based Compensation. To the extent any amount that becomes payable under an award granted under the Plan is attributable to an award part of such award that required that certain Company performance goals had to be determined to be met, such amount is intended to constitute "performance-based compensation," within the meaning of Treasury Regulations Section 1.162-27(c) as issued under Code Section 162(m), and thereby, provided all other conditions of Code Section 162(m)(4)(C) are satisfied, to be able to be deductible by the Company for Federal income tax purposes without regard to the deduction limits of Section 162(m)(1) of the Code.

7. Individual Performance Goals. To the extent the meeting of "individual performance goals" may be a condition to an amount being determined with respect to an award part of an award granted under the Plan to a Participant, the Committee may base such individual performance goals on any criteria it determines is appropriate for judging the performance of the Participant in fulfilling his or her duties for the Company. Such individual performance goals may be set at any time by the Committee, including after the end of the Award Year applicable to the award, and can be criteria that is either objectively or subjectively determinable by the Committee. When the applicable award is issued to the CEO, the Board shall have final approval as to the determination of whether the CEO has met any such individual performance goals.

8. Beneficiary Rules.

8.1 Payment to Beneficiary. Notwithstanding any of the foregoing provisions of the Plan, if a Participant is entitled to receive a payment under any award granted to him or her under the Plan by reason of the foregoing

provisions of the Plan, but he or she dies before such payment is made to him or her, then such payment shall be made to the Participant's beneficiary (as determined under the provisions of subsection 8.2 hereof) at the same time as such payment would be made if the Participant had not died. No beneficiary of a Participant shall be entitled to any amount under the Plan that is greater than the amount to which the Participant is entitled under the foregoing provisions of the Plan.

8.2 Beneficiary Designation. For purposes of the Plan, a Participant's "beneficiary" shall mean the person(s), trust(s), and/or other entity(ies) whom or which the Participant designates as his or her beneficiary for the purposes of the Plan in any writing or form which is signed by the Participant and acceptable to the Committee, provided that such writing or form is filed with the Committee prior to the Participant's death. The determination of a Participant's beneficiary under the Plan shall also be subject to the following paragraphs of this subsection 8.2.

(a) If the Participant names more than one person, trust, and/or other entity as part of his or her beneficiary with respect to the Plan, each person, trust, and other entity designated as part of the Participant's beneficiary shall be entitled to an equal share of any amount payable to the Participant's beneficiary under any award granted under the Plan (unless the Participant otherwise designates in the writing or form by which he or she names his or her beneficiary for purposes of the Plan).

(b) The Participant may revoke or change his or her beneficiary designation by signing and filing with the Committee at any time prior to his or her death a new writing or form acceptable to the Committee.

(c) Notwithstanding the foregoing provisions of this subsection 8.2, if no beneficiary designation of the Participant has been filed with the Committee prior to his or her death, or if the Committee in good faith determines either that any beneficiary designation made by the Participant prior to his or her death is for any reason not valid or enforceable under applicable law or that there is a valid question as to the legal right of the designated beneficiary to receive the applicable payment, then the applicable payment shall be paid to the estate of the Participant (in which case none of the Company, the Committee, or any of their personnel, agents, or representatives shall have any further liability to anyone with respect to such payment).

9. Nonassignability of Awards. Except as may be required by applicable law, no award granted under the Plan or any part thereof may be assigned, transferred, pledged, or otherwise encumbered by a Participant otherwise than by designation of a beneficiary under the provisions of section 8 hereof.

10. Provisions Upon Change in Control.

10.1 Effect of Change in Control on Awards. In the event a Change in Control occurs on or after the Effective Date, then, unless otherwise prescribed by the Committee in the terms of an applicable award, the following paragraphs of this subsection 10.1 shall apply notwithstanding any other provision of the Plan to the contrary.

(a) The amount payable under any award that was granted under the Plan with respect to the CBI Tax Year that immediately precedes the CBI Tax Year in which the Change in Control occurs shall, if such amount has not yet been paid (or if such amount has not been determined) by the date of the Change in Control, be paid within five business days after the date of such Change in Control (and, if the amount of such award has not yet been determined by the date of the Change in Control, its amount shall be deemed to be equal to the award's Target).

(b) A pro rata portion of any award granted under the Plan with respect to the CBI Tax Year in which the Change in Control occurs shall be paid within five business days after the date of the Change in Control, with the pro rata portion of such award being deemed to be equal to such award's Target multiplied by a fraction, the numerator of which shall equal the number of full and partial months (including the month in which the Change in Control occurs) since the first day of the CBI Tax Year in which the Change in Control occurs and the denominator of which shall equal the number of months in such CBI Tax Year.

10.2 Definition of Change in Control. For purposes of the Plan, a "Change in Control" means the occurrence of any one of the events described in the following paragraphs of this subsection 10.2.

(a) A majority of the Board as of any date not being composed of Incumbent Directors. For purposes of this subsection 10.2, as of any date, the term "Incumbent Director" means any individual who is a director

of CBI as of such date and either: (i) who was a director of CBI at the beginning of the 24 consecutive month period ending on such date; or (ii) who became a CBI director subsequent to the beginning of such 24 consecutive month period and whose appointment, election, or nomination for election was approved by a vote of at least two-thirds of the CBI directors who were, as of the date of such vote, Incumbent Directors (either by a specific vote or by approval of the proxy statement of CBI in which such person is named as a nominee for director). It is provided, however, that no individual initially appointed, elected, or nominated as a director of CBI as a result of an actual or threatened election contest with respect to directors or as a result of any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall ever be deemed to be an Incumbent Director.

(b) Any "person," as such term is defined in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act, being or becoming "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of CBI representing 20% or more of the combined voting power of CBI's then outstanding securities eligible to vote for the election of the Board (for purposes of this subsection 10.2, the "CBI Voting Securities"). It is provided, however, that the event described in this paragraph (b) shall not be deemed to be a Change in Control if such event results from any of the following: (i) the acquisition of any CBI Voting Securities by the Company, (ii) the acquisition of any CBI Voting Securities by any employee benefit plan (or related trust) sponsored or maintained by the Company, (iii) the acquisition of any CBI Voting Securities by any underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a Non-Qualifying Transaction (as defined in paragraph (c) of this subsection 10.2).

(c) The consummation of a merger, consolidation, statutory share exchange, or similar form of corporate transaction involving the Company (for purposes of this paragraph (c), a "Reorganization") or sale or other disposition of all or substantially all of the assets of CBI to an entity that is not an affiliate of CBI (for purposes of this paragraph (c), a "Sale"), that in each case requires the approval of CBI's shareholders under the law of CBI's jurisdiction of organization, whether for such Reorganization or Sale (or the issuance of securities of CBI in such Reorganization or Sale), unless immediately following such Reorganization or Sale:

(1) more than 60% of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of (i) the entity resulting from such Reorganization or the entity which has acquired all or substantially all of the assets of CBI (for purposes of this paragraph (c) and in either case, the "Surviving Entity"), or (ii) if applicable, the ultimate parent entity that directly or indirectly has beneficial ownership of more than 50% of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the Surviving Entity (for purposes of this paragraph (c), the "Parent Entity"), is represented by CBI Voting Securities that were outstanding immediately prior to such Reorganization or Sale (or, if applicable, is represented by shares into which such CBI Voting Securities were converted pursuant to such Reorganization or Sale), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such CBI Voting Securities among the holders thereof immediately prior to the Reorganization or Sale;

(2) no person (other than any employee benefit plan sponsored or maintained by the Surviving Entity or the Parent Entity or the related trust of any such plan) is or becomes the beneficial owner, directly or indirectly, of 20% or more of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the outstanding voting securities of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity); and

(3) at least a majority of the members of the board of directors (or similar officials in the case of an entity other than a corporation) of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity) following the consummation of the Reorganization or Sale were, at the time of the approval by the Board of the execution of the initial agreement providing for such Reorganization or Sale, Incumbent Directors (any Reorganization or Sale which satisfies all of the criteria specified in subparagraphs (1), (2), and (3) of this paragraph (c) being deemed to be a "Non-Qualifying Transaction" for purposes of this subsection 10.2).

(d) The shareholders of CBI approving a plan of complete liquidation or dissolution of CBI. Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires beneficial ownership of more than 20% of the CBI Voting Securities as a result of the acquisition of CBI Voting Securities by CBI which reduces the number of CBI Voting Securities outstanding; provided that, if after such acquisition by CBI such person becomes the beneficial owner of additional CBI Voting Securities that increases the percentage of outstanding CBI Voting Securities beneficially owned by such person, a Change in Control shall then occur.

11. Adjustments. The Committee shall be authorized to correct any defect, supply any omission, or reconcile any inconsistency in the Plan or any award granted under the Plan in the manner and to the extent it shall determine is needed to reflect the intended provisions of the Plan or that award or to meet any law that is applicable to the Plan.

12. Withholding. The Company shall retain from the payment of any award granted under the Plan a sufficient amount of cash applicable to the award to satisfy all withholding tax obligations that apply to the payment.

13. Amendment or Termination of Plan.

13.1 Right of Board To Amend or Terminate Plan. Subject to the provisions of subsection 1.3(b) hereof but notwithstanding any other provision hereof to the contrary, the Board may amend or terminate the Plan or any portion or provision thereof at any time, provided that no such action shall materially impair the rights of a Participant with respect to a previously granted Plan award without the Participant's consent. Notwithstanding the foregoing, the Board may not in any event, without the approval of CBI's shareholders, adopt an amendment to the Plan which shall make any change in the Plan that is required by applicable law to be approved by CBI's shareholders in order to be effective.

13.2 Rules When Shareholder Approval for Amendment Is Required. If approval of CBI's shareholders is required to a Plan amendment pursuant to the provisions of subsection 13.1 hereof, then such approval must comply with all applicable provisions of CBI's corporate charter, bylaws and regulations and any applicable state law. If the applicable state law fails to prescribe a method and degree in such cases, then such approval must be made by a method and degree that would be treated as adequate under applicable state law in the case of an action requiring shareholder approval of an amendment to the Plan.

14. Miscellaneous.

14.1 Deferrals of Award Payments. The Committee may, in its discretion and if performed in accordance with the terms and conditions of an award granted under the Plan or of any plan maintained by CBI, permit Participants to elect to defer the payment otherwise required under all or part of any award granted under the Plan. Such deferral shall not be permitted by the Committee unless such deferral terms and conditions meet all of the conditions of Section 409A of the Code.

14.2 No Right To Employment. Nothing contained in the Plan or any award granted under the Plan shall confer on any Participant any right to be continued in the employment of the Company or interfere in any way with the right of the Company to terminate the Participant's employment at any time and in the same manner as though the Plan and any awards granted under the Plan were not in effect.

14.3 No Advance Funding of Plan Benefits. All payments required to be made under awards granted under the Plan shall be made by the Company out of its general assets. In this regard, the Plan shall not be funded and the Company shall not be required to segregate any assets to reflect any awards granted under the Plan. Any liability of the Company to any person with respect to any award granted under the Plan shall be based solely upon the contractual obligations that apply to such award, and no such liability shall be deemed to be secured by any pledge of or other lien or encumbrance on any property of the Company.

14.4 Plan Benefits Generally Not Part of Compensation for Other Company Benefit Plans. Any payments or other benefits provided to a Participant with respect to an award granted under the Plan shall not be deemed a part of the Participant's compensation for purposes of any termination or severance pay plan, or any

other pension, profit sharing, or other benefit plan, of the Company unless such plan expressly or clearly indicates that the payments or other benefits provided under an award granted under the Plan shall be considered part of the Participant's compensation for purposes of such plan or unless applicable law otherwise requires.

14.5 Applicable Law. Except to the extent preempted by any applicable Federal law, the Plan shall be subject to and construed in accordance with the laws of the State of Ohio.

14.6 Counterparts and Headings. The Plan may be executed in any number of counterparts, each of which shall be deemed an original. The counterparts shall constitute one and the same instrument, which shall be sufficiently evidenced by any one thereof. Headings used throughout the Plan are for convenience only and shall not be given legal significance.

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

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

☐ **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: 1-8519

CINCINNATI BELL INC.

Ohio	31-1056105
(State of Incorporation)	(I.R.S. Employer Identification No.)

221 East Fourth Street, Cincinnati, Ohio 45202
Telephone: 513-397-9900

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares (par value $0.01 per share)	New York Stock Exchange
$6^{3}/_{4}$% Convertible Preferred Shares	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the voting common shares owned by non-affiliates of the registrant was $0.6 billion, computed by reference to the closing sale price of the common stock on the New York Stock Exchange on June 30, 2010, the last trading day of the registrant's most recently completed second fiscal quarter. The Company has no non-voting common shares.

At February 1, 2011, there were 198,771,550 common shares outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement relating to the Company's 2011 Annual Meeting of Shareholders are incorporated by reference into Part III of this report to the extent described herein.

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This report contains trademarks, service marks and registered marks of Cincinnati Bell Inc., as indicated.

Part I

Item 1. Business

General

Cincinnati Bell Inc. and its consolidated subsidiaries (the “Company”) is a full-service regional provider of data and voice communications services over wireline and wireless networks, a full-service provider of data center colocation and related managed services, and a reseller of information technology (“IT”) and telephony equipment. The Company provides telecommunications service to businesses and consumers in the Greater Cincinnati and Dayton areas primarily on its owned wireline and wireless networks with a well-regarded brand name and reputation for service. The Company also provides business customers with outsourced data center colocation operations and related managed services in world class, state-of-the-art data center facilities, primarily located in Cincinnati, Houston, Dallas, and Austin.

The Company operates in four segments: Wireline, Wireless, Data Center Colocation, and IT Services and Hardware. In the fourth quarter of 2010, the Company realigned its reportable business segments to be consistent with changes to its management reporting. The segment formerly known as the Technology Solutions segment was separated into the Data Center Colocation segment and the IT Services and Hardware segment. The changes to the Company’s management reporting have been made primarily as a result of the June 2010 acquisition of Cyrus Networks, LLC (“CyrusOne”). Prior year amounts have been reclassified to conform to the current segment reporting.

The Company is an Ohio corporation, incorporated under the laws of Ohio in 1983. Its principal executive offices are at 221 East Fourth Street, Cincinnati, Ohio 45202 (telephone number (513) 397-9900 and website address *http://www.cincinnatibell.com*). The Company files annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the “SEC”) under the Exchange Act. These reports and other information filed by the Company may be read and copied at the Public Reference Room of the SEC, 100 F Street N.E., Washington, D.C. 20549. Information about the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains an internet site that contains reports, proxy statements, and other information about issuers, like the Company, which file electronically with the SEC. The address of that site is *http://www.sec.gov*. The Company makes available its reports on Form 10-K, 10-Q, and 8-K (as well as all amendments to these reports), proxy statements and other information, free of charge, at the Investor Relations section of its website.

Wireline

The Wireline segment provides local voice, data, long-distance, entertainment, voice over internet protocol (“VoIP”), security monitoring, and other services over its owned and other wireline networks. Local voice services include local telephone service, switched access, and value-added services such as caller identification, voicemail, call waiting, and call return. Data services include high-speed internet using digital subscriber line (“DSL”) technology, fiber to the home, dial-up internet access, dedicated network access, and Gigabit Ethernet (“Gig-E”) and Asynchronous Transfer Mode (“ATM”) data transport, which businesses principally utilize to transport large amounts of data over a private network. Cincinnati Bell Telephone Company LLC (“CBT”), a subsidiary of the Company, is the incumbent local exchange carrier (“ILEC”) for the approximate 25-mile radius around Cincinnati, Ohio which includes parts of northern Kentucky and southeastern Indiana. CBT has operated this ILEC franchise for approximately 135 years, and approximately 95% of Wireline voice and data revenue for 2010 was generated within this ILEC territory. Long distance and VoIP services include long distance voice, audio conferencing, VoIP and other broadband services including private line and multi-protocol label switching (“MPLS”), a technology that enables a business customer to privately interconnect voice and data services at its locations. Entertainment services are comprised of television over fiber optic cable and coaxial cable in limited areas, and DirecTV© commissioning over the Company’s entire operating area. Other services primarily include security monitoring services, inside wire installation for business enterprises, rental revenue of space, public payphones and clearinghouse services.

The Company has expanded its voice and data services beyond its ILEC territory, particularly in Dayton and Mason, Ohio, through the operations of Cincinnati Bell Extended Territories LLC ("CBET"), a competitive local exchange carrier ("CLEC") subsidiary of CBT. CBET provides voice and data services on either its own network or through purchasing unbundled network elements ("UNE-L" or "loops") from various incumbent local carriers. The ILEC and CLEC territories are linked through a Synchronous Optical Fiber Network ("SONET"), which provides route diversity between the two territories via two separate paths.

The Wireline segment produced revenue of $742.5 million, $763.1 million, and $795.8 million and after intersegment eliminations constituted approximately 52%, 55%, and 55% of consolidated revenue in 2010, 2009, and 2008, respectively. The Wireline segment produced operating income of $233.5 million, $255.6 million, and $258.4 million in 2010, 2009, and 2008, respectively.

Voice services

The Wireline segment provides voice services over a digital circuit switch-based network to end users via access lines. In recent years, the Company's voice access lines have decreased as its customers have increasingly employed wireless technologies in lieu of wireline voice services ("wireless substitution"), have migrated to competitors, including cable companies that offer VoIP solutions, or have been disconnected due to credit problems. The Wireline segment had 674,100 voice access lines in service on December 31, 2010, which is a 6.8% and 13.5% reduction in comparison to 723,500 and 779,700 access lines in service at December 31, 2009 and 2008, respectively.

In order to minimize access line losses and to provide greater value to its customers, the Company provides bundled offerings that enable customers to bundle two or more of the Company's services, such as wireless and a phone line, at a lower price than if the services were purchased individually. The Company believes its ability to provide voice, high-speed internet, wireless, and entertainment services to its customers allows it to compete effectively against national communications companies in Greater Cincinnati, most of which either are not able to provide or have not effectively provided these bundled offerings of products to consumers. The Company has approximately 460,000 residential customers in Greater Cincinnati and Dayton, 51% of which bundle two Company products and 17% of which bundle three or more Company products.

The Wireline segment has been able to partially offset the effect of access line losses on revenue in recent years by:

(1) increasing high-speed internet penetration, particularly with its Fioptics fiber-to-the-home service;

(2) increasing the sale of high capacity data circuits to business customers;

(3) increasing the sale of VoIP services; and

(4) increasing entertainment revenue with more Fioptics fiber-to-the-home subscribers and higher commissions from more DirecTV© subscribers.

Data

Data revenue consists of data transport, DSL high-speed internet access, Fioptics high-speed internet access, dial-up internet access, and local area network ("LAN") interconnection services. The Company's wireline network includes the use of fiber optic cable, with SONET rings linking Cincinnati's downtown with other area business centers. These SONET rings offer increased reliability and redundancy to CBT's major business customers. CBT has an extensive business-oriented data network, offering high-speed and high capacity data transmission services over an interlaced ATM — Gig-E backbone network. Data transmission revenues represented 65% of Wireline data revenue in 2010.

The Company had 228,900, 233,800, and 233,200 DSL high-speed internet subscribers at December 31, 2010, 2009, and 2008, respectively. In addition, the Company also had 27,200 and 13,800 Fioptics high-speed internet customers at December 31, 2010 and 2009, respectively. The Company was able to provide DSL high-speed internet service to 96% of ILEC addressable lines as of the end of 2010. High-speed internet revenue represented 34% of Wireline data revenue in 2010. The remaining Wireline data revenue in 2010 consisted mainly of dial-up internet access.

Long distance and VoIP services

The Company provides long distance and VoIP services primarily through its Cincinnati Bell Any Distance Inc. ("CBAD") and eVolve Business Solutions LLC ("eVolve") subsidiaries. These entities provide long distance and audio conferencing services to business and residential customers in the Greater Cincinnati and Dayton, Ohio areas as well as VoIP and other broadband services, including private line and MPLS, beyond its traditional territory to business customers. Residential customers can choose from a variety of long distance plans, which include unlimited long distance for a flat fee, purchase of minutes at a per-minute-of-use rate, or a fixed number of minutes for a flat fee. At December 31, 2010, CBAD had approximately 482,800 long distance subscribers, consisting of 309,600 residential and 173,200 business subscribers, compared to 508,300 and 531,600 long distance subscribers at December 31, 2009 and 2008, respectively. The decrease in long distance subscribers from 2009 was primarily driven by a 7% decline in residential subscribers, consistent with the CBT access line loss.

VoIP services are provided to business customers in the Company's traditional Greater Cincinnati and Dayton operating territory and also to businesses outside of this area, primarily in Ohio, Indiana, Illinois, and Kentucky. The Company believes its VoIP operations will expand as business customers continue to look for alternatives to traditional ILEC-based operations and as the VoIP technology continues to improve. VoIP access line equivalents totaled 33,400 at December 31, 2010.

In 2010, long distance and VoIP services produced $104.4 million in revenue for the Wireline segment compared to $97.1 million in 2009 and $98.3 million in 2008.

Entertainment

The Company's improvement of its wireline network over the last several years has included capital expenditures for fiber optic cable in limited areas. The large bandwidth of fiber optic cable allows the Company to provide customers with its Fioptics product suite of services, which include entertainment, high-speed internet and voice services, in areas that the fiber optic cable is laid. The Company has first focused its fiber network expenditures on high traffic areas, such as apartments and condominium complexes as well as business office parks, and, as of December 31, 2010, the Company now "passes" and is able to provide its Fioptics services to 79,000 homes. As of December 31, 2010, the Company had 28,100 Fioptics entertainment subscribers.

The success of the fiber investment is based in large part on the ability to attract a high percentage of customers that are passed with the fiber very quickly after fiber is made available to particular neighborhoods. The Company's penetration rate of homes passed with Fioptics was about 30% within twelve months of deploying Fioptics in a particular area.

Fioptics offers the following as of December 31, 2010:

- 325 entertainment channels, including digital music, local, movie, and sports programming, as well as Indian and Spanish-language packages;
- 66 high-definition channels;
- Parental controls, HD DVR and Video-on-Demand;
- High-speed internet from 10 mbps to 100 mbps; and
- Local voice and long distance services.

In addition to providing entertainment over fiber optic cable and coaxial cable in limited areas, the Company also is an authorized sales agent and offers DirecTV© satellite programming to customers in substantially all of its operating territory through its retail distribution outlets. The Company does not deliver satellite television services. Instead, DirecTV© pays the Company a commission for each subscriber and offers a bundle price discount directly to the Cincinnati Bell customers subscribing to its satellite television service. At December 31, 2010 and 2009, the Company had 36,900 and 30,000 customers, respectively, that were subscribers to DirecTV©.

Other

The Company provides building wiring installation services to businesses in Greater Cincinnati and Dayton on a project basis. Revenue from these projects totaled $7.2 million, $7.6 million, and $8.2 million, in 2010, 2009, and 2008, respectively.

Cincinnati Bell Complete Protection Inc. ("CBCP") provides surveillance hardware and monitoring services to residential and business customers in the Greater Cincinnati area. At December 31, 2010, CBCP had approximately 15,000 monitoring subscribers in comparison to 13,600 and 11,800 monitoring subscribers at December 31, 2009 and 2008, respectively. CBCP produced $5.5 million, $4.9 million, and $4.5 million in revenue in 2010, 2009, and 2008, respectively, for the Wireline segment.

The Company's public payphone business ("Public") provides public payphone services primarily within the ILEC operating territory. Public had approximately 1,650, 1,800, and 1,900 stations in service as of December 31, 2010, 2009, and 2008, respectively, and generated approximately $0.8 million, $1.0 million, and $1.3 million in revenue in 2010, 2009, and 2008, respectively, or less than 1% of consolidated revenue in each year. The revenue decrease results primarily from wireless substitution, as usage of payphones continues to decrease in favor of wireless products, and a targeted reduction in unprofitable lines.

CBT's subsidiary, Cincinnati Bell Telecommunications Services LLC, operates the National Payphone Clearinghouse ("NPC") in an agency function, facilitating payments from inter-exchange carriers to payphone service providers ("PSPs") relating to the compensation due to PSPs for originating access code calls, subscriber 800 calls, and other toll free and qualifying calls pursuant to the rules of the Federal Communications Commission ("FCC") and state regulatory agencies. As the NPC agent, the Company does not take title to any funds to be paid to the PSPs, nor does the Company accept liability for the payments owed to the PSPs.

Wireless

Cincinnati Bell Wireless LLC ("CBW") provides advanced digital wireless voice and data communications services through the operation of a Global System for Mobile Communications/General Packet Radio Service ("GSM") network with a 3G Universal Mobile Telecommunications System ("3G") network overlay, which is able to provide high-speed data services such as streaming video. Wireless services are provided to customers in the Company's licensed service territory, which includes Greater Cincinnati and Dayton, Ohio, and areas of northern Kentucky and southeastern Indiana. The Company's customers are also able to place and receive wireless calls nationally and internationally due to roaming agreements that the Company has with national and international carriers. The Company's digital wireless network utilizes approximately 455 cell sites in its operating territory. The Company's digital wireless network also utilizes 50 MHz of licensed wireless spectrum in the Cincinnati Basic Trading Area and 40 MHz of licensed spectrum in the Dayton Basic Trading Area. The Company owns the licenses for the spectrum that it uses in its network operations. As of December 31, 2010, the Wireless segment served approximately 509,000 subscribers, of which 351,200 were postpaid subscribers who are billed monthly in arrears and 157,800 were prepaid i-wireless℠ subscribers who purchase service in advance.

The Company's 3G network is the fastest in its market, as verified by Company tests conducted in March 2010. Similar to its national wireless competitors, the Company is upgrading its network to "4G" (fourth generation), which provides for even faster network speeds. The increased network speeds provide for a better user experience when a large quantity of data is passed through the wireless network, such as for streaming video applications and gaming applications. The Company intends to begin upgrading its wireless network to 4G in 2011 largely through software upgrades and additional fiber optic cable installations. The full implementation of this network will likely take several years, and the Company will likely lag behind the national competitors in construction of the 4G network and the speeds associated with this network.

The Wireless segment competes against all of the U.S. national wireless carriers by offering strong network quality, unique rate plans, which may be bundled with the Company's wireline services, and extensive and conveniently located retail outlets. The Company's unique rate plans and products include its "Unlimited Everyday Calling Plan" to any Cincinnati Bell local voice, wireless or business customer and Fusion WiFi, which utilizes Unlicensed Mobile Access technology for enhanced in-building wireless voice reception and faster rates

of data transmission compared to alternative wireless data services. In addition, the Company also offers several family plans, which allows the first subscriber to get a wireless plan at the regular price and then each additional family member can be added at a lower price.

In December 2009, the Company sold 196 wireless towers, which represented substantially all of its owned towers, for $99.9 million in cash. CBW continues to use these towers in its operations under a 20-year lease agreement. See Note 7 to the Consolidated Financial Statements for further discussion regarding the sale of these wireless towers. Also during 2009, the Company sold almost all of its owned wireless licenses for areas outside of its Cincinnati and Dayton operating territories. These licenses, which were primarily for the Indianapolis, Indiana region, were sold for $6.0 million, resulting in a loss on sale of the spectrum assets of $4.8 million.

The Wireless segment contributed revenues of $289.2 million, $307.0 million, and $316.1 million and after intersegment eliminations constituted approximately 21%, 23%, and 22% of consolidated revenue in 2010, 2009, and 2008, respectively. The Wireless segment produced operating income of $56.3 million in 2010, $33.0 million in 2009, and $46.8 million in 2008.

Service revenue

Postpaid subscriber service revenue generated approximately 74% of 2010 segment revenue. A variety of monthly rate plans are available to postpaid subscribers, and these plans can include a fixed or unlimited number of national minutes, an unlimited number of Cincinnati Bell mobile-to-mobile (calls to and from the Company's other Wireless subscribers), an unlimited number of calls to and from a CBT access line, and/or local minutes for a flat monthly rate. For plans with a fixed number of minutes, postpaid subscribers can purchase additional minutes at a per-minute-of-use rate. Postpaid subscribers are billed monthly in arrears.

Prepaid i-wireless℠ subscribers, which accounted for 19% of 2010 segment revenue, pay in advance for use with pay per minute, pay by day, pay by week, or pay by month rate plans. Weekly and monthly smartphone plans are also available for prepaid i-wireless℠ subscribers.

A variety of data plans are also available as bolt-ons to voice rate plans for both postpaid and prepaid subscribers. The Company has focused its efforts for the past several years on increasing its subscribers that use smartphones, which are able to browse the internet and use high-speed data services and high-level operating platforms. These smartphones require that subscribers purchase data plans, and, as a result, the Company's 2010 data plan revenue per subscriber has increased by 17% for postpaid subscribers compared to 2009. Smartphone subscribers have increased from 85,000 at December 31, 2009 to 105,000 at December 31, 2010, and represent 21% of total subscribers at the end of 2010. Data offerings provided by the Company include text and picture messaging, mobile broadband, multi-media offerings, and location-based services.

Revenue from other wireless service providers for use of the Company's wireless networks to satisfy the roaming requirements of the carrier's own subscribers and reciprocal compensation for other carriers' subscribers who terminate calls on CBW's network, accounted for less than 1% of total 2010 segment revenue. Prior to the sale of wireless towers in December 2009, Wireless also recognized colocation revenue, which is rent received for the placement of other carriers' radios on CBW towers.

Equipment revenue

Sales of handsets and accessories generated the remaining 7% of 2010 Wireless revenue. As is typical in the wireless communications industry, CBW sells wireless handset devices at or below cost to entice customers to use its wireless services, for which a recurring monthly fee is charged. The Company is increasingly using equipment contracts for its postpaid subscribers. These contracts require the customer to use the CBW monthly service for a minimum period of two years in exchange for a deeply discounted wireless handset. As of December 31, 2010, 46% of postpaid customers were under contract. Sales take place at Company retail stores, on the Company's website, via business sales representatives, and in independent distributors' retail stores pursuant to agency agreements. CBW purchases handsets and accessories from a variety of manufacturers and maintains an inventory to support sales.

Data Center Colocation

The Data Center Colocation segment provides data center colocation services to businesses worldwide, with a particular focus on serving large global enterprises. At December 31, 2010, the Company serves 43 U.S. customers in the Fortune 1000, and an additional 20 international customers that are of a comparable size to the Fortune 1000. The Company operates 17 data centers with 639,000 square feet of total data center space in Texas, Ohio, Kentucky, Indiana, Michigan, and Illinois. At December 31, 2010, 563,000 square feet were under contract with customers, resulting in an 88% utilization rate of the available data center space.

Data Center Colocation services are offered through the Company's Cincinnati Bell Data Center Inc., GramTel, Inc., and Cyrus Networks, LLC subsidiaries. On June 11, 2010, the Company purchased CyrusOne, a data center operator based in Texas, for approximately $526 million, net of cash acquired. CyrusOne is the largest data center colocation provider in Texas, serving primarily large global businesses. The Company's data centers provide customers a secure and reliable environment, with sufficient available power to run almost any IT hardware product and application, and sufficient cooling capacity to maintain optimal temperature in the data center despite the heat produced by the IT equipment. Customers place their owned equipment in the data center environment provided by the Company and are able to interconnect data processed from the data center to other customer locations through the numerous carriers that connect to the Company's data centers.

Data Center Colocation produced total revenue of $125.3 million, $71.8 million, and $55.8 million and after intersegment eliminations constituted approximately 9%, 5%, and 4% of consolidated revenue in 2010, 2009, and 2008, respectively. Data Center Colocation produced operating income of $34.2 million in 2010, $17.0 million in 2009, and $8.0 million in 2008.

Customers have several choices for colocating their network, service and storage IT equipment. Customers can place their owned equipment in a shared or private cage or customize their space. As customers' colocation requirements increase, they can expand within their original cage or upgrade into a cage that meets their needs. Cabinets and cage space are typically priced with an initial installation fee and an ongoing recurring monthly charge.

All customers sign contracts, which typically range between 3-7 years. Though rare, some contracts are as short as one year, and some are as long as 15 years. The contracts typically define the space and power being provided, pricing for the recurring monthly colocation services, as well as pricing for non-recurring items such as power/data whips installation, smart hands or project managers. Generally, contracts contain service level agreements that require the Company to maintain the data center environment (e.g., temperature, humidity, and power service) at specified levels and contain penalties if these levels are not maintained. Payments made by the Company for breakage of service level agreements have been negligible.

Data Center Colocation offers power circuits at various amperages and phases customized to a customer's power requirements. Power is typically priced with an initial installation fee and an ongoing recurring monthly charge that is fixed as long as the customer stays within the contractual limits for power consumption. In certain cases, large enterprise customers contract for metered power where the power component of their monthly bill is only for the power consumed by their environment, both to power and cool their infrastructure.

The Company intends to continue to pursue additional customers and growth specific to its data center colocation business and is prepared to commit additional resources, including resources for capital expenditures, acquisitions and working capital both within and outside its traditional operating territory, to support this growth.

IT Services and Hardware

IT Services and Hardware provides a full range of managed IT solutions, including managed infrastructure services, IT and telephony equipment sales, and professional IT staffing services. These services and products are provided in multiple states through the Company's subsidiaries, Cincinnati Bell Technology Solutions Inc. ("CBTS"), CBTS Canada Inc. and CBTS Software LLC. By offering a full range of equipment and outsourced services in conjunction with the Company's wireline network services, the IT Services and Hardware segment provides end-to-end IT and telecommunications infrastructure management designed to reduce cost and mitigate risk while optimizing performance for its customers.

In 2009, for a combined acquisition price of $2.5 million in two separate transactions, CBTS purchased the assets of Toronto, Canada-based Virtual Blocks Inc., a leading software developer in the area of data center virtualization, and Cincinnati, Ohio-based Cintech LLC, a hosted provider of an outbound notification service.

The IT Services and Hardware segment produced total revenue of $254.7 million, $231.3 million, and $267.2 million and after intersegment eliminations constituted approximately 18%, 17%, and 19% of consolidated revenue in 2010, 2009, and 2008, respectively. The IT Services and Hardware segment produced operating income of $4.3 million in 2010, $10.7 million in 2009, and $13.4 million in 2008.

Telecom and IT equipment

The Company's telecom and IT equipment distribution product line is a value-added equipment reseller operation. The Company maintains premium resale relationships with approximately ten branded technology vendors, which allow it to competitively sell and install a wide array of telecommunications and computer equipment to meet the needs of its customers. This unit also manages the maintenance of a large base of local customers with traditional voice systems as well as converged VoIP systems. Revenue from telecom and IT equipment distribution was $174.9 million in 2010, $161.1 million in 2009, and $201.2 million in 2008.

Managed services

Managed services include products and services that combine assets, either customer-owned or owned by the Company, with management and monitoring from its network operations center, and skilled technical resources to provide a suite of offerings around voice and data infrastructure management. Service offerings include but are not limited to network management, electronic data storage management, disaster recovery, data security management, and telephony management. These services can be bundled and contracted in several ways, either as separate services around a specific product such as storage backups, or by combining multiple products, services and assets into a utility or 'as a service' model for enterprise customers. Revenue from managed services was $55.1 million in 2010, $49.4 million in 2009, and $49.7 million in 2008.

Professional services

The professional services product line provides staff augmentation and professional IT consulting by highly technical, certified employees. These engagements can be short-term IT implementation and project-based work as well as longer term staffing and permanent placement assignments. The Company utilizes a team of experienced recruiting and hiring personnel to provide its customers a wide range of skilled IT professionals at competitive hourly rates. Professional services revenue was $24.7 million in 2010, $20.8 million in 2009, and $16.3 million in 2008.

Sales and Distribution Channels

The Company's Wireline and Wireless segments utilize a number of distribution channels to acquire customers. The Company operates 20 retail stores in its operating territory. The retail stores are a core component of the Company's distribution strategy, and the Company works to locate in high traffic but affordable areas, with a distance between each store that considers optimal returns per store and customer convenience. As stores are added or closed from time to time, certain stores may be transitioned to local agents for their marketing of our products and services.

Wireline and Wireless also utilize a business-to-business sales force and its call center organization to reach business customers in its operating territory. Larger business customers are often supported by sales account representatives, who may go to the customer premises to understand the business needs and recommend solutions that the Company offers. Smaller business customers are supported through a telemarketing sales force and store locations. The Company also offers fully-automated, end-to-end web-based sales of wireless phones, accessories and various other Company services.

Additionally, there are 140 third-party agent locations that sell Wireline and Wireless products and services at their retail locations. The Company supports these agents with discounted prices for wireless handsets and other equipment and commission structures. The Company also sells wireline and wireless capacity on a wholesale basis to independent companies, including competitors that resell these services to end-users.

The Company's Data Center Colocation and IT Services and Hardware segments primarily sell to customers through its business-to-business sales force. Sales representatives develop customer leads through existing relationships with IT leaders of businesses, referrals from existing customers, and IT hardware vendors. To a lesser extent, leads are also developed from marketing sources, including web-based efforts.

Suppliers and Product Supply Chain

Wireline's primary materials purchases are for copper cable, fiber cable, and network electronics. Wireless primarily purchases handsets and accessories, and wireless cell site and network equipment. Wireless often partners with other regional carriers to build a larger request for handsets in order to provide appropriate volume for the handset manufacturers. The Company generally subjects these purchases to competitive bid involving at least three vendors, and selects its vendors based on price, service level, and quality of product.

The Company maintains facilities and operations for storing cable, handsets and other equipment, product distribution and customer fulfillment.

Data Center Colocation primarily purchases building materials and infrastructure components to construct data center facilities, such as generators, computer room air conditioner (CRAC) cooling units, power distribution units, wiring, and environment monitoring equipment. The Company has long-standing relationships with contractors and building suppliers and works closely with these suppliers as the data center facilities are being constructed.

IT Services and Hardware purchases are primarily for the IT and telephony equipment that is either being sold to a customer or used to provide service to the customer. The Company is a certified distributor of Cisco, EMC, Avaya, and Sun Microsystems equipment. For the most part, this equipment is shipped directly to the Company's customer from the vendor manufacturing location, but the Company does maintain warehouse facilities for certain equipment that is inventoried for future sale.

Competition

The telecommunications industry is very competitive, and the Company competes against larger and better-funded national providers. The Company has lost, and will likely continue to lose, access lines as a part of its customer base utilizes the services of competitive wireline or wireless providers in lieu of the Company's local wireline service.

The Wireline segment faces competition from other local exchange carriers, wireless service providers, inter-exchange carriers, and cable, broadband, and internet service providers. Wireless providers, particularly those that provide unlimited wireless service plans with no additional fees for long distance, offer customers a substitution service for the Company's access lines. The Company believes this is the reason for the largest portion of the Company's access line losses. Also, cable competitors that have existing service relationships with CBT's customers also offer substitution services. Insight Cable, which provides cable service in the northern Kentucky portion of the Company's operating territory, offers VoIP and long distance services. Time Warner Cable, AT&T, Verizon, and others offer VoIP and long distance services in Cincinnati and Dayton. Partially as a result of wireless substitution and increased competition, the Company's access lines decreased by 7% and long distance subscribers decreased by 5% in 2010 compared to 2009. In addition, the high-speed internet market is saturated in the Company's operating area, and competition will continue to be fierce for market share against competitors and alternative services.

Wireless competitors include national wireless service providers such as Verizon, AT&T, Sprint Nextel, T-Mobile and Leap. The Company anticipates that continued competition could compress its margins for wireless products and services as carriers continue to offer more voice minutes and data usage for equivalent or lower service fees. The Company also faces the challenge that the newest wireless handsets are often not available to the Company due to exclusivity agreements between the national carriers and handset vendors, such as for the iPhone™.

The Data Center Colocation and IT Services and Hardware segments compete against numerous other data center colocation, information technology consulting, web-hosting, and computer system integration companies, many of which are larger, national or international in scope, and well-financed. This highly competitive market is rapidly growing and evolving, and may be characterized in the future by over-capacity and industry consolidation. The Company believes that participants in this market must grow rapidly and achieve significant scale to compete effectively. Other competitors may consolidate with one another or acquire software application vendors or technology providers, enabling them to more effectively compete. This consolidation could affect prices and other competitive factors in ways that could impede the ability of these segments to compete successfully in the market.

Customers

As the Company's growth products and services, such as data center services and wireline entertainment, continue to grow, revenue from the Company's legacy products, such as wireline residential voice service and wireless voice services, continues to decrease. The Company's revenue portfolio is becoming more diversified than in the past, as the following comparison between 2010 revenue and 2005 revenue demonstrates.

Percentage of revenue	2010	2005	Change
Wireline local voice	22%	41%	(19) pts
Wireless	21%	20%	1
Data Center Colocation	9%	1%	8
IT Services and Hardware	18%	13%	5
Wireline data	20%	18%	2
Wireline entertainment	1%	0%	1
Other Wireline, including long distance	9%	7%	2
Total	100%	100%	

While total Wireless revenue has remained a consistent percent of total Company revenue, the mix of customer demand for Wireless services is trending toward more data services and less voice services. For 2005, Wireless service revenues were comprised of 90% of voice services and 10% of data services. In 2010 data services increased 16 points to 26% of total Wireless service revenues.

Additionally, the Company's mix of business and consumer customers is changing, as many of the Company's growth products, such as data center services and data transport services, are geared primarily toward business customers. In 2010, the Company's revenues were comprised of 63% to business customers and 37% to residential customers. By comparison, the Company's 2005 revenues were comprised of 53% to business customers and 47% to residential customers.

The Company has receivables with one large customer that exceed 10% of the Company's outstanding accounts receivable balance at December 31, 2010 and 2009.

As noted in the Data Center Colocation section above, the Company has focused its data center colocation marketing efforts toward large enterprise customers. At December 31, 2010, the Data Center Colocation segment has 43 U.S. customers that are included in the Fortune 1000 largest companies, and 20 international customers that are of a comparable size to the Fortune 1000.

Employees

At December 31, 2010, the Company had approximately 3,000 employees, and approximately 35% of its employees are covered under a collective bargaining agreement with the Communications Workers of America ("CWA"), which is affiliated with the AFL-CIO, that expires in May 2011.

Executive Officers

Refer to Part III, Item 10. "Directors, Executive Officers and Corporate Governance" of this Annual Report on Form 10-K for information regarding executive officers of the registrant.

Business Segment Information

The amounts of revenue, intersegment revenue, operating income, expenditures for long-lived assets, and depreciation and amortization attributable to each of the Company's business segments for the years ended December 31, 2010, 2009, and 2008, and assets as of December 31, 2010 and 2009, are set forth in Note 14 to the Consolidated Financial Statements.

Item 1A. Risk Factors

The Company's substantial debt could limit its ability to fund operations, raise additional capital, and have a material adverse effect on its ability to fulfill its obligations and on its business and prospects generally.

The Company has a substantial amount of debt and has significant debt service obligations. As of December 31, 2010, the Company and its subsidiaries had outstanding indebtedness of $2.5 billion on which it incurred $185.2 million of interest expense in 2010, and had total shareowners' deficit of $667.8 million. In addition, at December 31, 2010, the Company had the ability to borrow additional amounts under its revolving credit facility of $186.9 million and $100.0 million under its accounts receivable facility, subject to compliance with certain conditions. The Company may incur additional debt from time to time, subject to the restrictions contained in its credit facilities and other debt instruments.

The Company's substantial debt could have important consequences, including the following:

- the Company will be required to use a substantial portion of its cash flow from operations to pay principal and interest on its debt, thereby reducing the availability of cash flow to fund working capital, capital expenditures, strategic acquisitions, investments and alliances, and other general corporate requirements;
- the Company's interest rate on its revolving credit facility depends on the level of the Company's specified financial ratios, and therefore could increase if the Company's specified financial ratios require a higher rate;
- the Company's substantial debt will increase its vulnerability to general economic downturns and adverse competitive and industry conditions and could place the Company at a competitive disadvantage compared to those of its competitors that are less leveraged;
- the Company's debt service obligations could limit its flexibility to plan for, or react to, changes in its business and the industry in which it operates;
- the Company's level of debt and shareowners' deficit may restrict it from raising additional financing on satisfactory terms to fund working capital, capital expenditures, strategic acquisitions, investments and joint ventures, and other general corporate requirements;
- the Company's debt instruments require maintenance of specified financial ratios and other restrictive covenants. Failure to comply with these covenants, if not cured or waived, could limit the cash required to fund operations and its general obligations and could result in the Company's dissolution, bankruptcy, liquidation, or reorganization.

The Company's creditors and preferred stockholders have claims that are superior to claims of the holders of Cincinnati Bell common stock. Accordingly, in the event of the Company's dissolution, bankruptcy, liquidation, or reorganization, payment is first made on the claims of creditors of the Company and its subsidiaries, then preferred stockholders and finally, if amounts are available, to holders of Cincinnati Bell common stock.

The credit facilities and other indebtedness impose significant restrictions on the Company.

The Company's debt instruments impose, and the terms of any future debt may impose, operating and other restrictions on the Company. These restrictions affect, and in many respects limit or prohibit, among other things, the Company's ability to:

- incur additional indebtedness;
- create liens;
- make investments;
- enter into transactions with affiliates;
- sell assets;
- guarantee indebtedness;

- declare or pay dividends or other distributions to shareholders;
- repurchase equity interests;
- redeem debt that is junior in right of payment to such indebtedness;
- enter into agreements that restrict dividends or other payments from subsidiaries;
- issue or sell capital stock of certain of its subsidiaries; and
- consolidate, merge, or transfer all or substantially all of its assets and the assets of its subsidiaries on a consolidated basis.

In addition, the Company's credit facilities and debt instruments include restrictive covenants that may materially limit the Company's ability to prepay debt and preferred stock. The agreements governing the credit facilities also require the Company to achieve and maintain compliance with specified financial ratios.

The restrictions contained in the terms of the credit facilities and its other debt instruments could:

- limit the Company's ability to plan for or react to market conditions or meet capital needs or otherwise restrict the Company's activities or business plans; and
- adversely affect the Company's ability to finance its operations, strategic acquisitions, investments or alliances, or other capital needs, or to engage in other business activities that would be in its interest.

A breach of any of these restrictive covenants or the Company's inability to comply with the required financial ratios would result in a default under some or all of the debt agreements. During the occurrence and continuance of a default, lenders may elect to declare all outstanding borrowings, together with accrued interest and other fees, to be immediately due and payable. Additionally, under the credit facilities, the lenders may elect not to provide loans until such default is cured or waived. The Company's debt instruments also contain cross-acceleration provisions, which generally cause each instrument to be subject to early repayment of outstanding principal and related interest upon a qualifying acceleration of any other debt instrument. Failure to comply with these covenants, if not cured or waived, could limit the cash required to fund operations and its general obligations and could result in the Company's dissolution, bankruptcy, liquidation, or reorganization.

The Company depends on its revolving credit facility and accounts receivable facility to provide for its financing requirements in excess of amounts generated by operations.

The Company depends on its revolving credit facility and accounts receivable securitization facility ("Receivables Facility") to provide for temporary financing requirements in excess of amounts generated by operations. As of December 31, 2010, the Company had no outstanding borrowings under its revolving credit facility and outstanding letters of credit totaling $23.1 million, leaving $186.9 million in additional borrowing availability under its $210 million revolving credit facility. The revolving credit facility is funded by 11 different financial institutions, with no financial institution having more than 15% of the total facility. If one or more of these banks is not able to fulfill its funding obligations, the Company's financial condition could be adversely affected. As of December 31, 2010, the Company had no outstanding borrowings under its Receivables Facility with a borrowing capacity of $100 million. The available capacity is calculated monthly based on the quantity and quality of outstanding accounts receivable. If the quality of the Company's accounts receivables deteriorates, this will negatively impact the available capacity under this facility.

In addition, the Company's ability to borrow under the revolving credit facility and accounts receivable facility is subject to the Company's compliance with covenants, including covenants requiring compliance with specified financial ratios. Failure to satisfy these covenants would constrain or prohibit its ability to borrow under these facilities.

The servicing of the Company's indebtedness requires a significant amount of cash, and its ability to generate cash depends on many factors beyond its control.

The Company's ability to generate cash is subject to general economic, financial, competitive, legislative, regulatory, and other factors, many of which are beyond its control. The Company cannot provide assurance that its business will generate sufficient cash flow from operations, additional sources of debt financing will be

available, or future borrowings will be available under its credit or receivables facilities, in each case, in amounts sufficient to enable the Company to service its indebtedness or to fund other liquidity needs. If the Company cannot service its indebtedness, it will have to take actions such as reducing or delaying capital expenditures, strategic acquisitions, investments and joint ventures, or selling assets, restructuring or refinancing indebtedness, or seeking additional equity capital, which may adversely affect its shareholders, debt holders, and customers. The Company may not be able to negotiate remedies on commercially reasonable terms, or at all. In addition, the terms of existing or future debt instruments may restrict the Company from adopting any of these alternatives. The Company's inability to generate the necessary cash flows could result in its dissolution, bankruptcy, liquidation, or reorganization.

The Company depends on the receipt of dividends or other intercompany transfers from its subsidiaries.

Certain of the Company's material subsidiaries are subject to regulatory authority that may potentially limit the ability of a subsidiary to distribute funds or assets. If the Company's subsidiaries were to be prohibited from paying dividends or making distributions to Cincinnati Bell Inc. ("CBI"), the parent company, CBI may not be able to make the scheduled interest and principal repayments on its $2.5 billion of debt. This would have a material adverse effect on the Company's liquidity and the trading price of CBI's common stock, preferred stock, and debt instruments, which could result in its dissolution, bankruptcy, liquidation, or reorganization.

The Company's access lines, which generate a significant portion of its cash flows and profits, are decreasing. If the Company continues to experience access line losses similar to the past several years, its revenues, earnings and cash flows from operations may be adversely impacted.

The Company's business generates a substantial portion of its revenues by delivering voice and data services over access lines. This part of the Company has experienced substantial access line losses over the past several years due to a number of factors, including increased competition and wireless and broadband substitution. The Company expects access line losses to continue for an unforeseen period of time. Failure to retain access lines could adversely impact the Company's revenues, earnings and cash flow from operations.

The Company operates in highly competitive industries, and its customers may not continue to purchase services, which could result in reduced revenue and loss of market share.

The telecommunications industry is very competitive, and the Company competes against larger and better-funded national providers. Competitors may reduce pricing, create new bundled offerings, or develop new technologies, products, or services. If the Company cannot continue to offer reliable, competitively priced, value-added services, or if the Company does not keep pace with technological advances, competitive forces could adversely affect it through a loss of market share or a decrease in revenue and profit margins. The Company has lost, and will likely continue to lose, access lines as a part of its customer base utilizes the services of competitive wireline or wireless providers in lieu of the Company's local wireline service.

The Wireline segment faces competition from other local exchange carriers, wireless service providers, inter-exchange carriers, and cable, broadband, and internet service providers. Wireless providers, particularly those that provide unlimited wireless service plans with no additional fees for long distance, offer customers a substitution service for the Company's access lines. The Company believes this is the reason for the largest portion of the Company's access line losses. Also, cable competitors that have existing service relationships with CBT's customers also offer substitution services. Insight Cable, which provides cable service in the northern Kentucky portion of the Company's operating territory, offers VoIP and long distance services. Time Warner Cable, AT&T, Verizon, and others offer VoIP and long distance services in Cincinnati and Dayton. Partially as a result of wireless substitution and increased competition, the Company's access lines decreased by 7% and long distance subscribers decreased by 5% in 2010 compared to 2009. In addition, the high-speed internet market is saturated in the Company's operating area, and competition will continue to be fierce for market share against competitors and alternative services. If the Company is unable to effectively implement strategies to retain access lines and long distance subscribers, or replace such access line loss with other sources of revenue, the Company's Wireline business will be adversely affected.

Wireless competitors include national wireless service providers such as Verizon, AT&T, Sprint Nextel, T-Mobile and Leap. The Company anticipates that continued competition could compress its margins for wireless products and services as carriers continue to offer more voice minutes and data usage for equivalent or lower service fees. The wireless industry continues to experience rapid and significant technological changes and a dramatic increase in usage, in particular demand for and usage of data and other non-voice services. Increased network capacity could be required to meet increased customer demand. Should the resources required to fund the necessary network enhancements not be available, and the Company is unable to maintain its network quality level, then the Company's ability to attract and retain customers, and therefore maintain and improve our operating margins, could be materially adversely affected. The Company also faces the challenge that the newest wireless handsets are often not available to the Company due to exclusivity agreements between the national carriers and handset vendors, such as for the iPhone™. CBW's ability to compete will depend, in part, on its ability to anticipate and respond to various competitive factors affecting the telecommunications industry.

The Data Center Colocation and IT Services and Hardware segments compete against numerous other data center colocation, information technology consulting, web-hosting, and computer system integration companies, many of which are larger, national and/or international in scope, and better financed. This market is rapidly evolving, highly competitive, and may be characterized by over-capacity and industry consolidation. Other competitors may consolidate with one another or acquire software application vendors or technology providers, enabling them to more effectively compete with Data Center Colocation and IT Services and Hardware. The Company believes that many of the participants in this market must grow rapidly and achieve significant scale to compete effectively. This consolidation could affect prices and other competitive factors in ways that could impede the ability of these segments to compete successfully in the market.

The competitive forces described above could have a material adverse impact on the Company's business, financial condition, results of operations, and cash flows.

The Company generates a substantial portion of its revenue by serving a limited geographic area.

The Company generates a substantial portion of its revenue by serving customers in the Greater Cincinnati and Dayton, Ohio areas. An economic downturn or natural disaster occurring in this limited operating territory could have a disproportionate effect on the Company's business, financial condition, results of operations, and cash flows compared to similar companies of a national scope and similar companies operating in different geographic areas.

The regulation of the Company's businesses by federal and state authorities may, among other things, place the Company at a competitive disadvantage, restrict its ability to price its products and services, and threaten its operating licenses.

Several of the Company's subsidiaries are subject to regulatory oversight of varying degrees at both the state and federal levels, which may differ from the regulatory scrutiny faced by the Company's competitors. A significant portion of CBT's revenue is derived from pricing plans that require regulatory overview and approval. These regulated pricing plans limit the rates CBT charges for some services while its competition has typically been able to set rates for its services with limited restriction. In the future, regulatory initiatives that would put CBT at a competitive disadvantage or mandate lower rates for its services could result in lower profitability and cash flow for the Company. In addition, different regulatory interpretations of existing regulations or guidelines may affect the Company's revenues and expenses in future periods.

At the federal level, CBT is subject to the Telecommunications Act of 1996, including the rules subsequently adopted by the FCC to implement the 1996 Act, which has impacted CBT's in-territory local exchange operations in the form of greater competition. At the state level, CBT conducts local exchange operations in portions of Ohio, Kentucky, and Indiana, and, consequently, is subject to regulation by the Public Utilities Commissions in those states. Various regulatory decisions or initiatives at the federal or state level may from time to time have a negative impact on CBT's ability to compete in its markets.

CBW's FCC licenses to provide wireless services are subject to renewal and revocation. Although the FCC has routinely renewed wireless licenses in the past, the Company cannot be assured that challenges will not be brought against those licenses in the future. Revocation or non-renewal of CBW's licenses could result in a cessation of CBW's operations and consequently lower operating results and cash flows for the Company.

From time to time, different regulatory agencies conduct audits to ensure that the Company is in compliance with the respective regulations. The Company could be subject to fines and penalties if found to be out of compliance with these regulations, and these fines and penalties could be material to the Company's financial statements.

There are currently many regulatory actions under way and being contemplated by federal and state authorities regarding issues that could result in significant changes to the business conditions in the telecommunications industry. Assurances cannot be given that changes in current or future regulations adopted by the FCC or state regulators, or other legislative, administrative, or judicial initiatives relating to the telecommunications industry, will not have a material adverse effect on the Company's business, financial condition, results of operations, and cash flows.

If the Company fails to extend or renegotiate its collective bargaining agreements with its labor union when they expire, or if its unionized employees were to engage in a strike or other work stoppage, the Company's business and operating results could be materially harmed.

The Company is a party to collective bargaining agreements with its labor union, which represents a significant number of its employees, and these collective bargaining agreements are set to expire in May 2011. No assurance can be given that the Company will be able to successfully extend or renegotiate its collective bargaining agreements when they expire. If the Company fails to extend or renegotiate its collective bargaining agreements, if disputes with its union arise, or if its unionized workers engage in a strike or a work stoppage, the Company could experience a significant disruption of operations or incur higher ongoing labor costs, either of which could have a material adverse effect on the business.

Maintaining the Company's networks and data centers requires significant capital expenditures, and its inability or failure to maintain its networks and data centers would have a material impact on its market share and ability to generate revenue.

Capital expenditures in 2010 totaled $149.7 million, and the Company expects to spend over $200 million in 2011.

The Company currently operates 17 data centers and any further data center expansion will involve significant capital expenditures for data center construction. In order to provide guaranteed levels of service to our data center customers, the network infrastructure must be protected against damage from human error, natural disasters, unexpected equipment failure, power loss or telecommunications failures, terrorism, sabotage, or other intentional acts of vandalism. The Company's disaster recovery plan may not address all of the problems that may be encountered in the event of a disaster or other unanticipated problem, which may result in disruption of service to data center customers.

Verizon is currently in the process of constructing its 4G wireless network. AT&T plans to deploy its 4G wireless network starting in 2011. Other national and regional wireless carriers are continuously upgrading their networks with various technologies. The Company expects to begin construction of its 4G wireless network in 2011; however, the full implementation of this network will likely take several years, and the Company will likely lag behind the national competitors in construction of the 4G network and the speeds associated with this network.

The Company may also incur significant additional capital expenditures as a result of unanticipated developments, regulatory changes, and other events that impact the business.

If the Company is unable or fails to adequately maintain or expand its networks to meet customer needs, there could be a material adverse impact on the Company's market share and its ability to generate revenue.

Maintenance of CBW's wireless network, growth in the wireless business, or the addition of new wireless products and services may require CBW to obtain additional spectrum and transmitting sites which may not be available or be available only on less than favorable terms.

CBW uses spectrum licensed to the Company for its GSM network. Introduction of new wireless products and services, as well as maintenance of the existing wireless business, may require CBW to obtain additional spectrum either to supplement or to replace the existing spectrum. Furthermore, the Company's network depends

on the deployment of radio frequency equipment on towers and on buildings. The Company, after the sale of its owned towers in December 2009, now leases substantially all the towers used in its wireless network operations, and the use of the towers under these leases is more restrictive than if these towers were owned by the Company. There can be no assurance that spectrum or the appropriate transmitting locations will be available to CBW or will be available on commercially favorable terms. Failure to obtain or retain any needed spectrum or transmitting locations could have a materially adverse impact on the wireless business as a whole, the quality of the wireless networks, and the ability to offer new competitive products and services.

Failure to anticipate the need for and introduce new products and services or to compete with new technologies may compromise the Company's success in the telecommunications industry.

The Company's success depends, in part, on being able to anticipate the needs of current and future business, carrier, and consumer customers. The Company seeks to meet these needs through new product introductions, service quality, and technological superiority. New products are not always available to the Company, as other competitors may have exclusive agreements for those new products. New products and services are important to the Company's success as its industry is technologically driven, such that new technologies can offer alternatives to the Company's existing services. The development of new technologies and products could accelerate the Company's loss of access lines and increase wireless customer churn, which could have a material adverse effect on the Company's revenue, results of operations, and cash flows.

The Company may encounter difficulties implementing its expansion plan for the data center colocation business.

Potential challenges and difficulties in implementing the Company's data center colocation expansion plan include: identifying and obtaining the use of locations in which the Company believes there is sufficient demand for its data center colocation services; generating sufficient cash flow from operations or through additional debt financings to support these expansion plans; recruiting and maintaining a motivated work force; and installing and implementing new financial and other systems, procedures and controls to support this expansion plan with minimal delays.

If the Company encounters greater than anticipated difficulties in implementing its expansion plan, it may be necessary to take additional actions, which could divert management's attention and strain operational and financial resources. The Company may not successfully address any or all of these challenges, and failure to do so would adversely affect its strategy of becoming a global data center colocation business.

The Company's data center colocation strategy includes international expansion, which has inherent risk not previously encountered by the Company.

The Company's operations are primarily based in the United States with minimal presence in Canada and Europe. Expanding international operations includes inherent risks such as: regulatory, tax, legal, and other items specific to particular foreign jurisdictions not previously encountered by the Company and for which the Company has no or limited expertise; unexpected changes in regulatory, tax and political environments; the Company's ability to secure and maintain the necessary physical and telecommunications infrastructure; challenges in staffing and managing foreign operations; fluctuations in foreign currency exchange rates; longer payment cycles and problems collecting accounts receivable; and laws and regulations on content distributed over the Internet that are more restrictive than those currently in place in the United States. Any one or more of the aforementioned risks could materially and adversely affect the Company's business and strategy for becoming a global data center colocation provider.

If the markets for outsourced information technology services decline, there may be insufficient demand for the Company's services and, as a result, the Company's business strategy and objectives may fail.

The Company's solutions are designed to enable a customer to focus on its core business while it manages and ensures the quality of its information technology infrastructure. Businesses may believe the risk of outsourcing is greater than the risk of managing their IT operations themselves. If businesses do not continue to recognize the high cost and inefficiency of managing IT themselves, including the difficulties of upgrading technology, training and retaining skilled personnel with domain expertise, and matching IT cost with actual

benefits, they may not continue to outsource their IT infrastructure to companies within the Company's industry. Additionally, outsourcing may be associated with larger companies than Cincinnati Bell, and the Company may not be as successful as these larger companies. As a result of these risks, the Company's business may suffer and it could adversely affect its business strategy and objectives and its ability to generate revenues, profits and cash flows.

The long sales cycle for data center services may materially affect the data center business and results of its operations.

A customer's decision to lease cabinet space in one of the Company's data centers and to purchase additional services typically involves a significant commitment of resources, significant contract negotiations regarding the service level commitments, and significant due diligence on the part of the customer regarding the adequacy of the Company's facilities, including the adequacy of carrier connections. As a result, the sale of data center space has a long sales cycle. Furthermore, the Company may expend significant time and resources in pursuing a particular sale or customer that may not result in revenue. Delays in the length of the data center sales cycle may have a material adverse effect on the Data Center Colocation segment and results of its operations.

The Company's failure to meet performance standards under its agreements could result in customers terminating their relationships with the Company or customers being entitled to receive financial compensation, which could lead to reduced revenues and/or increased costs.

The Company's agreements with its customers contain various requirements regarding performance and levels of service. If the Company fails to provide the levels of service or performance required by its agreements, customers may be able to receive service credits for their accounts and other financial compensation, and also may be able to terminate their relationship with the Company. In addition, any inability to meet service level commitments or other performance standards could reduce the confidence of customers and could consequently impair the Company's ability to obtain and retain customers, which would adversely affect both the Company's ability to generate revenues and operating results.

Data center business could be harmed by prolonged electrical power outages or shortages, increased costs of energy, or general lack of availability of electrical resources.

Data centers are susceptible to regional costs of power, planned or unplanned power outages and shortages, and limitations on the availability of adequate power resources. The Company attempts to limit exposure to system downtime by using backup generators and power supplies. As a result of these data center redundancies, the Company's data center customers incurred only minimal downtime during the aftermath of the Hurricane Ike windstorm that caused severe disruption to power sources in the Cincinnati area for approximately two weeks in September 2008. However, the Company may not be able to limit the exposure entirely in future occurrences even with those protections in place. In addition, global fluctuations in the price of power can increase the cost of energy, and although contractual price increase clauses may exist and, in some cases, the data center customer pays directly for the cost of power, the Company may not be able to pass all of these increased costs on to customers, or the increase in power costs may impact additional sales of data center space.

The Company's failure to effectively integrate its recently completed acquisition of CyrusOne could result in an inability to realize the anticipated benefits of the purchase and adversely affect the Company's business and operating results.

The Company's recent acquisition of CyrusOne will involve the integration of two companies that had previously operated independently, which is challenging and time-consuming. The process of integrating CyrusOne, a previously privately held company, into the Company, a publicly traded company, could result in the loss of key employees, the disruption of its ongoing businesses, or inconsistencies in the respective standards, controls, procedures, and policies of the two companies, any of which could adversely affect the Company's ability to maintain relationships with customers, suppliers, and employees. In addition, the successful combination of the companies will require the Company to dedicate significant management resources and to potentially expend additional funds for additional staffing, resources and control procedures, all of which could temporarily divert attention from the day-to-day business of the combined company. If the Company fails to

complete an effective integration of CyrusOne into the Company, anticipated growth in revenue, profitability, and cash flow resulting from the purchase of CyrusOne could be adversely affected.

The Company's future cash flows could be adversely affected if it is unable to realize fully its deferred tax assets.

As of December 31, 2010, the Company had net deferred income taxes of $451.8 million, which are primarily composed of deferred tax assets associated with U.S. federal net operating loss carryforwards of $385.3 million and state and local net operating loss carryforwards of $60.5 million. The Company has recorded valuation allowances against deferred tax assets related to certain state and local net operating losses and other deferred tax assets due to the uncertainty of the Company's ability to utilize the assets within the statutory expiration period. For more information concerning the Company's net operating loss carryforwards, deferred tax assets, and valuation allowance, see Note 12 to the Consolidated Financial Statements. The use of the Company's deferred tax assets enables it to satisfy current and future tax liabilities without the use of the Company's cash resources. If the Company is unable for any reason to generate sufficient taxable income to fully realize its deferred tax assets, or if the use of its net operating loss carryforwards is limited by Internal Revenue Code Section 382 or similar state statute, the Company's net income, shareowners' equity, and future cash flows could be adversely affected.

A few large customers account for a significant portion of the Company's revenues and accounts receivable. The loss or significant reduction in business from one or more of these large customers could cause operating revenues to decline significantly and have a materially adverse long-term impact on the Company's business.

The Company has receivables with one large customer that exceeds 10% of the Company's outstanding accounts receivable balance. Contracts with customers may not sufficiently reduce the inherent risk that customers may terminate or fail to renew their relationships with the Company. As a result of customer concentration, the Company's results of operations and financial condition could be materially affected if the Company lost one or more large customers or if services purchased were significantly reduced. If one or more of the Company's larger customers were to default on its accounts receivable obligations the Company could be exposed to potentially significant losses in excess of the provisions established. This could also negatively impact the available capacity under the accounts receivable facility.

The Company depends on a number of third-party providers, and the loss of, or problems with, one or more of these providers may impede our growth or cause us to lose customers.

The Company depends on third-party providers to supply products and services. For example, many of the Company's information technology functions and call center functions are performed by third-party providers, network equipment is purchased from and maintained by vendors, and data center space is leased from landlords. In addition, with the recent sale of the Company-owned wireless towers, almost half of the towers are managed by a single independent service provider. Any failure on the part of suppliers to provide the contracted services, additional required services, additional products, or additional leased space could impede the growth of the Company's business and cause financial results to suffer.

A failure of back-office information technology systems could adversely affect the Company's results of operations and financial condition.

The efficient operation of the Company's business depends on back-office information technology systems. The Company relies on back-office information technology systems to effectively manage customer billing, business data, communications, supply chain, order entry and fulfillment and other business processes. A failure of the Company's information technology systems to perform as anticipated could disrupt the Company's business and result in a failure to collect accounts receivable, transaction errors, processing inefficiencies, and the loss of sales and customers, causing the Company's reputation and results of operations to suffer. In addition, information technology systems may be vulnerable to damage or interruption from circumstances beyond the Company's control, including fire, natural disasters, systems failures, security breaches and viruses. Any such damage or interruption could have a material adverse effect on the Company's business.

The Company could be subject to increased operating costs, as well as claims, litigation or other potential liability, in connection with risks associated with internet security and system security.

A significant barrier to the growth of e-commerce and communications over the internet has been the need for secure transmission of confidential information. Several of the Company's infrastructure systems and application services use encryption and authentication technology licensed from third parties to provide the protections necessary for secure transmission of confidential information, including credit card information from customers. We also rely on personnel in our network operations centers, data centers, and retail stores to follow Company policies when handling sensitive information. Any unauthorized access, computer viruses, accidental or intentional actions and other disruptions could result in increased operating costs.

The loss of any of the senior management team or attrition among key sales associates could adversely affect the Company's business, financial condition, results of operations, and cash flows.

The Company's success will continue to depend to a significant extent on its senior management team and key sales associates. Senior management has specific knowledge relating to the Company and the industry that would be difficult to replace. The loss of key sales associates could hinder the Company's ability to continue to benefit from long-standing relationships with customers. The Company cannot provide any assurance that it will be able to retain the current senior management team or key sales associates. The loss of any of these individuals could adversely affect the Company's business, financial condition, results of operations, and cash flows.

Future declines in the fair value of the Company's wireless licenses could result in future impairment charges.

The market values of wireless licenses have varied dramatically over the last several years and may vary significantly in the future. In 2009, the Company incurred a loss of $4.8 million on the sale of spectrum it was not using in Indianapolis, Indiana. Further valuation swings could occur if:

- consolidation in the wireless industry allows or requires carriers to sell significant portions of their wireless spectrum holdings;
- a sudden large sale of spectrum by one or more wireless providers occurs;
- market prices decline as a result of the sale prices in recent and upcoming FCC auctions; or
- significant technology changes occur.

In addition, the price of wireless licenses could decline as a result of the FCC's pursuit of policies designed to increase the number of wireless licenses available in each of the Company's markets. For example, the FCC auctioned an additional 90 MHz of spectrum in the 1700 MHz to 2100 MHz band in the Advanced Wireless Services ("AWS") spectrum auction in 2006. In 2008, the FCC auctioned 62 MHz of 700 MHz wireless spectrum, another 70 MHz of spectrum in the 1710 MHz to 2155 MHz AWS band, and certain broadband PCS bands. If the market value of wireless licenses were to decline significantly, the value of the Company's wireless licenses could be subject to non-cash impairment charges.

The Company reviews for potential impairments to indefinite-lived intangible assets, including wireless licenses and trademarks, annually and when there is evidence that events or changes in circumstances indicate that an impairment condition may exist. A significant impairment loss, most likely resulting from reduced cash flow, could have a material adverse effect on the Company's operating income and on the carrying value of the wireless licenses on the balance sheet.

Uncertainty in the U.S. and world securities markets and adverse medical cost trends could cause the Company's pension and postretirement costs to increase.

Investment returns of the Company's pension funds depend largely on trends in the U.S. and world securities markets and the U.S. and world economies in general. For example, during the credit and financial crisis experienced in 2008, pension investment losses equaled 23%, which resulted in an $11 million increase to 2009 pension expense compared to 2008 and has continued to result in higher levels of pension expense in 2010 since investment balances have not returned to levels prior to the 2008 financial crisis. Future investment losses could cause a further decline in the value of plan assets, which the Company would be required to recognize over

the next several years under generally accepted accounting principles. Additionally, the Company's postretirement costs are adversely affected by increases in medical and prescription drug costs. If the Company incurs future investment losses or future investment gains that are less than expected, or if medical and prescription drug costs increase significantly, the Company would expect to face even higher annual net pension and postretirement costs. Refer to Note 10 to the Consolidated Financial Statements for further information.

Adverse changes in the value of assets or obligations associated with the Company's employee benefit plans could negatively impact shareowners' deficit and liquidity.

The Company sponsors three noncontributory defined benefit pension plans: one for eligible management employees, one for non-management employees, and one supplemental, nonqualified, unfunded plan for certain senior executives. The Company's consolidated balance sheets indirectly reflect the value of all plan assets and benefit obligations under these plans. The accounting for employee benefit plans is complex, as is the process of calculating the benefit obligations under the plans. Further adverse changes in interest rates or market conditions, among other assumptions and factors, could cause a significant increase in the Company's benefit obligations or a significant decrease of the asset values, without necessarily impacting the Company's net income. In addition, the Company's benefit obligations could increase significantly if it needs to unfavorably revise the assumptions used to calculate the obligations. These adverse changes could have a further significant negative impact on the Company's shareowners' deficit. In addition, with respect to the Company's pension plans, the Company expects to make approximately $246 million of estimated cash contributions to fully fund its qualified pension plans for the years 2011 to 2017, of which $23.4 million is currently expected to be paid in 2011. Further, adverse changes to plan assets could require the Company to contribute additional material amounts of cash to the plan or could accelerate the timing of required payments.

Third parties may claim that the Company is infringing upon their intellectual property, and the Company could suffer significant litigation or licensing expenses or be prevented from selling products.

Although the Company does not believe that any of its products or services infringe upon the valid intellectual property rights of third parties, the Company may be unaware of intellectual property rights of others that may cover some of its technology, products, or services. Any litigation growing out of third-party patents or other intellectual property claims could be costly and time-consuming and could divert the Company's management and key personnel from its business operations. The complexity of the technology involved and the uncertainty of intellectual property litigation increase these risks. Resolution of claims of intellectual property infringement might also require the Company to enter into costly license agreements. Likewise, the Company may not be able to obtain license agreements on acceptable terms. The Company also may be subject to significant damages or injunctions against development and sale of certain of its products. Further, the Company often relies on licenses of third-party intellectual property for its businesses. The Company cannot ensure these licenses will be available in the future on favorable terms or at all.

Third parties may infringe upon the Company's intellectual property, and the Company may expend significant resources enforcing its rights or suffer competitive injury.

The Company's success depends in significant part on the competitive advantage it gains from its proprietary technology and other valuable intellectual property assets. The Company relies on a combination of patents, copyrights, trademarks and trade secrets protections, confidentiality provisions, and licensing arrangements to establish and protect its intellectual property rights. If the Company fails to successfully enforce its intellectual property rights, its competitive position could suffer, which could harm its operating results.

The Company may also be required to spend significant resources to monitor and police its intellectual property rights. The Company may not be able to detect third-party infringements and its competitive position may be harmed before the Company does so. In addition, competitors may design around the Company's technology or develop competing technologies. Furthermore, some intellectual property rights are licensed to other companies, allowing them to compete with the Company using that intellectual property.

The Company could incur significant costs resulting from complying with, or potential violations of, environmental, health, and human safety laws.

The Company's operations are subject to laws and regulations relating to the protection of the environment, health, and human safety, including those governing the management and disposal of, and exposure to, hazardous materials and the cleanup of contamination, and the emission of radio frequency. While the Company believes its operations are in substantial compliance with environmental, health, and human safety laws and regulations, as an owner or operator of property, and in connection with the current and historical use of hazardous materials and other operations at our sites, the Company could incur significant costs resulting from complying with or violations of such laws, the imposition of cleanup obligations, and third-party suits. For instance, a number of the Company's sites formerly contained underground storage tanks for the storage of used oil and fuel for back-up generators and vehicles. In addition, a few sites currently contain underground fuel tanks for back-up generator use, and many of the Company's sites have aboveground fuel tanks for similar purposes.

Terrorist attacks and other acts of violence or war may affect the financial markets and the Company's business, financial condition, results of operations, and cash flows.

Terrorist attacks may negatively affect the Company's operations and financial condition. There can be no assurance that there will not be further terrorist attacks against the U.S. and U.S. businesses, or armed conflict involving the U.S. Further terrorist attacks or other acts of violence or war may directly impact the Company's physical facilities or those of its customers and vendors. These events could cause consumer confidence and spending to decrease or result in increased volatility in the U.S. and world financial markets and economy. They could result in an economic recession in the U.S. or abroad. Any of these occurrences could have a material adverse impact on the Company's business, financial condition, results of operations, and cash flows.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Cincinnati Bell Inc. and its subsidiaries own or maintain facilities in Ohio, Texas, Kentucky, Indiana, Michigan, and Illinois. Principal office locations are in Cincinnati, Ohio and Houston, Texas.

The property of the Company comprises telephone plant and equipment in its local telephone franchise area (i.e., Greater Cincinnati), the infrastructure associated with its wireless business in the Greater Cincinnati and Dayton, Ohio operating areas, and 17 data center facilities. Each of the Company's subsidiaries maintains some investment in furniture and office equipment, computer equipment and associated operating system software, application system software, leasehold improvements, and other assets.

With regard to its local telephone operations, the Company owns substantially all of the central office switching stations and the land upon which they are situated. Some business and administrative offices are located in rented facilities, some of which are recorded as capital leases. The Company's out of territory Wireline network assets include a fiber network plant, internet protocol and circuit switches and integrated access terminal equipment.

In its wireless operations, CBW both owns and leases the locations that house its switching and messaging equipment. With the sale of 196 wireless towers in December 2009, CBW now leases substantially all of its tower sites, primarily from tower companies and other wireless carriers. CBW's tower leases are typically either for a fixed 20-year term ending in December 2029 or renewable on a long-term basis at CBW's option, both with predetermined rate escalations. In addition, CBW leases 20 Company-run retail locations.

The Data Center Colocation segment operates 17 data centers — 6 owned and 11 leased — in Texas, Ohio, Kentucky, Indiana, Michigan, and Illinois, as noted in the table below:

Market	Facilities Owned	Facilities Leased	Data Center Capacity (in sq. ft)
Cincinnati, OH	4	2	425,000
Houston, TX	1	2	118,000
Dallas, TX	0	3	57,000
Austin, TX	0	1	12,000
Chicago, IL	0	1	14,000
Other Markets	1	2	13,000
	6	11	639,000

The data centers provide 24-hour monitoring of the customer's computer equipment in the data center, power, environmental controls, and high-speed, high-bandwidth point-to-point optical network connections. The Company's lease of data center facilities represents the "lease of the building shell." The Company's capital expenditures to transform the leased building shells into Tier III data centers represents amounts that are several times the value of the leased building shells. The Data Center Colocation segment also has leased office space in Ohio, Texas, and Kentucky as of December 31, 2010.

The Company's gross investment in property, plant, and equipment was $3,399.8 million and $3,145.1 million at December 31, 2010 and 2009, respectively, and was divided among the operating segments as follows:

	December 31, 2010	December 31, 2009
Wireline	74.7%	77.5%
Wireless	10.6%	11.8%
Data Center Colocation	13.6%	9.8%
IT Services and Hardware	1.0%	0.8%
Corporate	0.1%	0.1%
Total	100.0%	100.0%

For additional information about the Company's properties, see Note 4 to the Consolidated Financial Statements.

Item 3. Legal Proceedings

The information required by this Item is included in Note 1 to the Consolidated Financial Statements contained in Item 8 of this Report.

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

(a) Market Information

The Company's common shares (symbol: CBB) are listed on the New York Stock Exchange. The high and low closing sale prices during each quarter for the last two fiscal years are listed below:

		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2010	High	$3.62	$3.74	$3.08	$2.81
	Low	$2.73	$2.98	$2.30	$2.34
2009	High	$2.30	$3.03	$3.56	$3.59
	Low	$1.30	$2.46	$2.60	$2.93

(b) Holders

As of February 1, 2011, the Company had 13,171 holders of record of the 198,771,550 outstanding common shares and the 155,250 outstanding shares of the 6 3/4% cumulative convertible preferred stock.

(c) Dividends

The Company paid dividends on the 6 3/4% cumulative preferred stock on a quarterly basis for each of 2010 and 2009. The Company did not pay any common stock dividends for the years ended December 31, 2010 and 2009 and does not currently intend to pay dividends in the future on its common stock.

(d) Securities Authorized For Issuance Under Equity Compensation Plans

The following table provides information as of December 31, 2010 regarding securities of the Company to be issued and remaining available for issuance under the equity compensation plans of the Company:

Plan Category	Number of securities to be issued upon exercise of outstanding stock options, awards, warrants and rights	Weighted-average exercise price of outstanding stock options, awards, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	20,686,570(1)	$5.55	8,085,969
Equity compensation plans not approved by security holders	216,330(2)	—	—
Total	20,902,900	$5.55	8,085,969

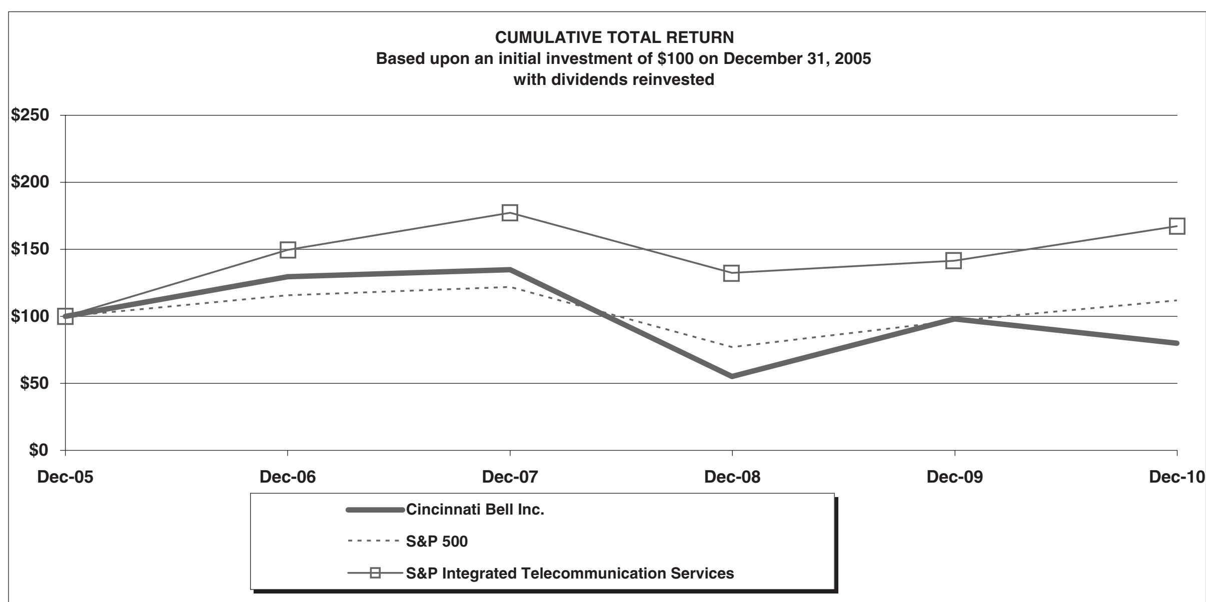
(1) Includes 17,816,621 outstanding stock options and stock appreciation rights not yet exercised, 229,436 shares of time-based restricted stock, and 2,640,513 shares of performance-based awards, restrictions on which have not expired as of December 31, 2010. Awards were granted under various incentive plans approved by Cincinnati Bell Inc. shareholders. The number of performance-based awards assumes the maximum awards that can be earned if the performance conditions are achieved.

(2) The shares to be issued relate to deferred compensation in the form of previously received special awards and annual awards to non-employee directors pursuant to the "Deferred Compensation Plan for Outside Directors." From 1997 through 2004, the directors received an annual award of phantom stock equivalent to a number of common shares. For years beginning after 2004, the annual award is the equivalent of 6,000 common shares. As a result of a plan amendment effective as of January 1, 2005, upon termination of Board

service, non-employee directors are required to take distribution of all annual phantom stock awards in cash. Therefore, the number of actual shares of common stock to be issued pursuant to the plan as of December 31, 2010 is approximately 16,000. This plan also provides that no awards are payable until such non-employee director completes at least five years of active service as a non-employee director, except if he or she dies while serving as a member of the Board of Directors.

(e) Stock Performance

The graph below shows the cumulative total shareholder return assuming the investment of $100 on December 31, 2005 (and the reinvestment of dividends thereafter) in each of (i) the Company's common shares, (ii) the S&P 500 ® Stock Index, and (iii) the S&P© Integrated Telecommunications Services Index.



	Dec-05	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10
Cincinnati Bell Inc.	$100	$130	$135	$55	$98	$80
S&P 500	$100	$116	$122	$77	$97	$112
S&P Integrated Telecommunication Services	$100	$150	$178	$133	$142	$168

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(f) Issuer Purchases of Equity Securities

The following table provides information regarding the Company's purchases of its common stock during the quarter ended December 31, 2010:

	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs*	Approximate Dollar Value of Shares that May Yet Be Purchased Under Publicly Announced Plans or Programs (in millions)*
12/1/2010 – 12/31/2010	3,982,903	2.51	3,982,903	140.0

* In February 2010, the Board of Directors approved an additional plan for the repurchase of the Company's outstanding common stock in an amount up to $150 million. The Company may repurchase shares, when management believes the share price offers an attractive value, and to the extent its available cash is not needed for data center growth and other opportunities. This new plan does not have a stated maturity.

Item 6. Selected Financial Data

The Selected Financial Data should be read in conjunction with the Consolidated Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this document.

(dollars in millions, except per share amounts)	2010	2009	2008	2007	2006
Operating Data					
Revenue	$1,377.0	$1,336.0	$1,403.0	$1,348.6	$1,270.1
Cost of services and products, selling, general and administrative, depreciation and amortization expense	1,054.9	1,030.7	1,078.7	1,026.4	955.5
Restructuring charges, acquisition costs, loss on sale of asset and asset impairments, operating tax settlement, and shareowner claim settlement (a)	22.8	9.8	19.1	39.8	2.1
Operating income	299.3	295.5	305.2	282.4	312.5
Interest expense (b)	185.2	130.7	139.7	154.9	162.1
Loss (gain) on extinguishment of debt (b)	46.5	10.3	(14.1)	0.7	0.1
Net income	$ 28.3	$ 89.6	$ 102.6	$ 73.2	$ 86.3
Earnings per common share					
Basic	$ 0.09	$ 0.37	$ 0.39	$ 0.25	$ 0.31
Diluted	$ 0.09	$ 0.37	$ 0.38	$ 0.24	$ 0.30
Dividends declared per common share	$ —	$ —	$ —	$ —	$ —
Weighted average common shares outstanding (millions)					
Basic	201.0	212.2	237.5	247.4	246.8
Diluted	204.0	215.2	242.7	256.8	253.3
Financial Position					
Property, plant and equipment, net (c)	$1,264.4	$1,123.3	$1,044.3	$ 933.7	$ 818.8
Total assets (d)	2,653.6	2,064.3	2,086.7	2,019.6	2,013.8
Total long-term obligations (e)	2,992.7	2,395.1	2,472.2	2,369.6	2,486.5
Other Data					
Cash flow provided by operating activities	$ 300.0	$ 265.6	$ 403.9	$ 308.8	$ 334.7
Cash flow used in investing activities	(675.5)	(93.8)	(250.5)	(263.5)	(260.0)
Cash flow provided by (used in) financing activities	429.8	(155.5)	(172.8)	(98.6)	(21.0)
Capital expenditures	(149.7)	(195.1)	(230.9)	(233.8)	(151.3)

(a) See Notes 1, 2, 9 and 14 to the Consolidated Financial Statements for discussion related to 2010, 2009, and 2008.

(b) See Note 6 to the Consolidated Financial Statements for discussion related to 2010, 2009, and 2008.

(c) See Note 4 to the Consolidated Financial Statements for discussion related to 2010 and 2009.

(d) See Notes 1, 2, 4, 5, 12 and 14 to the Consolidated Financial Statements for discussion related to 2010 and 2009.

(e) Total long-term obligations comprise long-term debt, less current portion, pension and postretirement benefit obligations, and other noncurrent liabilities. See Notes 6, 7, 9 and 10 to the Consolidated Financial Statements for discussion related to 2010 and 2009.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

"Management's Discussion and Analysis of Financial Condition and Results of Operations" should be read in conjunction with the "Private Securities Litigation Reform Act of 1995 Safe Harbor Cautionary Statement," "Risk Factors," and the Consolidated Financial Statements and accompanying Notes to Consolidated Financial Statements.

In the fourth quarter of 2010, the Company realigned its reportable business segments to be consistent with changes to its management reporting. The segment formerly known as the Technology Solutions segment was separated into the Data Center Colocation segment and the IT Services and Hardware segment. The changes to the Company's management reporting have been made primarily as a result of the June 2010 acquisition of CyrusOne. Prior year amounts have been reclassified to conform to the current segment reporting.

Executive Summary

The Company's strategy to become the preferred global colocation provider to the Fortune 1000 led to the acquisition of CyrusOne in June 2010. Since its acquisition, CyrusOne generated revenue of $45.0 million and operating income of $11.1 million. The Company's revenue increase of $41.0 million from 2009 resulted primarily from the CyrusOne acquisition and higher revenues from IT Services and Hardware, offset by revenue decreases due to continued access line loss in the Wireline segment and fewer subscribers in the Wireless segment.

Operating income increased $3.8 million to $299.3 million in 2010 compared to $295.5 million in 2009 primarily as a result of the CyrusOne acquisition and Wireless cost savings initiatives, offset by decreased operating income in the Wireline segment due to access line loss.

Net income of $28.3 million decreased by $61.3 million and diluted earnings per share of $0.09 decreased by $0.28 versus 2009 as a result of increased interest expense associated with the CyrusOne acquisition and debt refinancings, losses on extinguishment of debt and acquisition-related expenses.

With the debt refinancings completed in 2009 and 2010, the Company now has no bond or bank debt maturities until 2015, and approximately 90% of its debt maturities are due in 2017 and after. Given that the Company has no debt maturities to repay in the next several years, the Company plans to use a large portion of its cash flow from operations to invest further in its data center colocation operations, including capital expenditures, acquisitions, and working capital, both within and outside its traditional operating territory as it executes its strategic plan of becoming a global data center colocation provider.

Highlights for 2010 were as follows:

Data Center Colocation

Data Center Colocation revenue increased by 75% in 2010 to $125.3 million, primarily due to $45.0 million of revenue generated by CyrusOne. Operating income for the year totaled $34.2 million, an increase of $17.2 million over 2009, which was also primarily due to the operating income of $11.1 million generated by CyrusOne. The Cincinnati-based data center operations grew revenue by $8.5 million and operating income by $6.1 million as a result of the utilization of more data center space in 2010. Total data center capacity increased by 43% from the prior year to 639,000 square feet available as of December 31, 2010. The acquisition of CyrusOne added 187,000 square feet as compared to the prior year total of 446,000 square feet of available space. Utilization was 88% for 2010 compared with 87% in 2009.

Data Center Colocation spent $31.1 million on capital expenditures in 2010, primarily to support the continued growth of CyrusOne, which signed new contracts with customers for 41,000 additional square feet in the fourth quarter of 2010. These contracts, which had a negligible impact on 2010 results, will continue the significant growth trend of CyrusOne into 2011.

Wireline

Wireline revenue decreased 3% to $742.5 million due to reductions in voice revenue caused by continued ILEC access line losses. The Company was able to partially offset the access line losses through increased long distance and VoIP revenue and increased entertainment revenue. The Company ended the year with 674,100 total access lines, a loss of 7% compared to 723,500 access lines at December 31, 2009 and consistent with the 2009 losses.

In 2009, the Company launched its Fioptics fiber-to-the-home product suite of services that includes entertainment, high-speed internet and voice services. Fioptics continued to show strong growth during 2010, and, as of December 31, 2010, the Company now "passes" and is able to provide its Fioptics services to 79,000 homes. The Company had 28,100 entertainment customers as of December 31, 2010, an increase of 85% compared to the end of 2009. The Company also provided and bundled internet and voice service with Fioptics, resulting in 27,200 high-speed internet customers and 16,800 voice customers on Fioptics at the end of 2010. Importantly, the Company's penetration rate of homes passed with Fioptics was about 30% within twelve months of deploying Fioptics in a particular area.

The decreases in access lines and the Company's desire to maintain its high operating margin percentage in the face of declining revenue required additional cost reduction programs, resulting in restructuring charges of $8.2 million in 2010. These restructuring charges include future lease costs on abandoned office space and workforce reductions to address decreasing Wireline revenue and the integration of certain functions of the Wireline and IT Services and Hardware segments.

Wireline operating income of $233.5 million declined by $22.1 million compared to 2009 as the revenue decrease from access line losses more than offset the cost reduction initiatives.

Wireless

Wireless 2010 service revenue of $269.4 million decreased by 5% compared to 2009, primarily due to 24,000 fewer subscribers. The Company believes it continued to lose subscribers in 2010 due, in part, to handset exclusivity contracts obtained by the national carriers on premium handsets, which keeps the Company from being able to sell these popular handsets to its customers. During 2010, the Company continued to focus its marketing and other resources on acquiring new subscribers who use "smartphones." Wireless improved its handset line-up during the second half of 2010 which, in combination with aggressive marketing strategies in the fourth quarter, helped increase smartphone postpaid subscribers by 16% to 96,000 subscribers at December 31, 2010 compared to 83,000 subscribers at December 31, 2009. Smartphone subscribers now represent 27% of the Company's postpaid subscribers and have contributed to increased data revenue per subscriber (e.g., text messaging, emails, and internet service), which partly offset a decline in voice revenue. The Company earned $11.69 per month on average from postpaid subscribers for data service in 2010 compared to $10.00 in 2009.

The Company successfully implemented sustainable cost reduction initiatives during the year to offset the decline in its subscriber base by renegotiating roaming contracts to reduce roaming costs, implementing new credit policies aimed at reducing bad debt expense, and lowering call center and IT costs through outsourcing arrangements. The cost reductions more than offset the lower postpaid service revenue resulting in a $23.3 million increase of Wireless segment operating income over 2009.

IT Services and Hardware

Sales of telecom and IT equipment, a portion of which are generated from data center customers, totaled $174.9 million during 2010, a 9% increase from 2009. This increase was primarily due to increased capital spending by business customers as the economy continued to improve in 2010 versus 2009. Professional and managed service revenues increased by $9.6 million in 2010 as the Company continued to expand upon IT outsourcing and consulting projects.

Despite the increased revenue, operating income decreased $6.4 million in 2010, due to lower margins on equipment sales and additional labor costs required to support these operations. During 2010, the IT Services and Hardware segment incurred employee separation charges of $2.8 million associated with the headcount reductions in 2010 and planned integration in 2011 of certain functions with the Wireline segment.

Results of Operations

Consolidated Overview

The financial results for 2010, 2009, and 2008 referred to in this discussion should be read in conjunction with the Consolidated Statements of Operations and Note 14 to the Consolidated Financial Statements.

2010 Compared to 2009

Consolidated revenue totaled $1,377.0 million in 2010, an increase of $41.0 million compared to $1,336.0 million in 2009. The increase was primarily due to the following:

- $53.5 million higher revenues in the Data Center Colocation segment primarily due to the acquisition of CyrusOne in June 2010;
- $23.4 million higher revenue in the IT Services and Hardware segment primarily due to increased telecom and IT equipment sales;
- $20.6 million lower revenues in the Wireline segment primarily due to lower voice revenue from access line losses partially offset by increased revenue from more VoIP and Fioptics product suite subscribers; and
- $17.8 million lower revenues in the Wireless segment primarily due to decreases in postpaid subscribers.

Operating income for 2010 was $299.3 million, an increase of $3.8 million compared to 2009. The increase was primarily due to the following:

- $23.3 million increase in Wireless segment operating income primarily due to lower expense for handset subsidies, roaming, and third party service provider costs in addition to a loss on the sale of spectrum licenses recognized in 2009;
- $17.2 million increase in the Data Center Colocation segment due primarily to the acquisition of CyrusOne;
- $22.1 million decrease in Wireline segment operating income primarily due to lower revenue and higher restructuring charges;
- $6.4 million decrease in the IT Services and Hardware segment due to higher payroll related costs and restructuring charges; and
- $8.2 million increase in Corporate expenses primarily due to $9.1 million of acquisition costs related to the purchase of CyrusOne.

Interest expense increased to $185.2 million for 2010 compared to $130.7 million in 2009. The increase compared to last year is primarily attributable to higher debt balances to fund the acquisition of CyrusOne and to higher interest rates on recently refinanced debt.

The loss on extinguishment of debt of $46.5 million for 2010 was due to the redemption of the Company's $8\frac{3}{8}$% Senior Subordinated Notes due 2014 and the repayment of the Tranche B Term Loan. The loss on extinguishment of debt of $10.3 million for 2009 was primarily due to the redemption of the Company's $7^1/_4$% Senior Notes due 2013 and was partially offset by a gain on extinguishment of a portion of the Company's $7^1/_4$% Senior Notes due 2023 and Cincinnati Bell Telephone Notes at an average discount of 24%. See Note 6 to the Consolidated Financial Statements for further details.

Income tax expense decreased from $64.7 million in 2009 to $38.9 million in 2010 primarily due to lower pretax income and a $7.0 million tax benefit associated with a change in valuation allowance on state deferred tax assets that are expected to be utilized as a result of the CyrusOne acquisition. These decreases were partially offset by a $6.5 million charge related to tax matters associated with the refinancing of the $8^3/_8$% Subordinated Notes and an approximate $4 million charge related to a tax law change that now requires the application of federal income taxes against the retiree Medicare drug subsidy received by the Company.

The Company has certain non-deductible expenses, including interest on securities originally issued to acquire its broadband business (the "Broadband Securities") or securities that the Company has subsequently issued to refinance the Broadband Securities. In periods without tax law changes, the Company expects its effective tax rate to exceed statutory rates primarily due to the non-deductible expenses associated with the Broadband Securities. The Company used approximately $7 million of federal and state net operating loss carryforwards to substantially defray payment of federal and state tax liabilities. As a result, the Company had cash income tax payments of only $3.5 million in 2010.

2009 Compared to 2008

Consolidated revenue totaled $1,336.0 million in 2009, a decrease of $67.0 million compared to $1,403.0 million in 2008. The decrease was primarily due to the following:

- $32.7 million lower revenues in the Wireline segment due to lower voice revenue partially offset by higher data and Fioptics revenue;
- $35.9 million lower revenues in the IT Services and Hardware segment primarily due to lower telecom and IT equipment distribution revenue;
- $9.1 million lower revenues in the Wireless segment primarily due to lower postpaid service revenue and lower equipment revenue; and
- $16.0 million higher revenues in the Data Center Colocation segment primarily due to higher contracted amounts of data center space;

Operating income for 2009 was $295.5 million, a decrease of $9.7 million compared to 2008. The decrease was primarily due to the following:

- $13.8 million decrease in Wireless segment operating income primarily due to lower postpaid service revenue, higher subsidies to attract new smartphone subscribers, loss on sale of spectrum and higher depreciation partially offset by lower operating costs;
- $2.7 million decrease in IT Services and Hardware segment due to lower IT equipment distribution revenue; and
- $9.0 million increase in Data Center Colocation segment due to increased data center revenue.

Interest expense decreased to $130.7 million for 2009 compared to $139.7 million in 2008. The decrease was primarily attributable to lower interest rates.

The loss on extinguishment of debt of $10.3 million for 2009 was primarily due to the redemption of the Company's $7^{1}/_{4}$% Senior Notes due 2013 and was partially offset by a gain on extinguishment of a portion of the Company's $7^{1}/_{4}$% Senior Notes due 2023 and Cincinnati Bell Telephone Notes at an average discount of 24%. The gain on extinguishment of debt of $14.1 million for 2008 was due to the Company's purchase and retirement of $108.1 million of the Company's corporate bonds at an average discount of 14%. See Note 6 to the Consolidated Financial Statements for further details.

Other expense, net for 2008 of $3.4 million primarily resulted from unrealized losses on short-term interest rate swap contracts. The Company did not designate these swaps as hedging instruments, which resulted in the fair value loss on these instruments being recognized in earnings during each period that these instruments were outstanding.

Income tax expense decreased from $73.6 million in 2008 to $64.7 million in 2009 primarily due to lower pretax income. The Company used approximately $45 million of its federal and state net operating loss carryforwards to substantially defray payment of federal and state tax liabilities. As a result, the Company had cash income tax payments of only $6.0 million in 2009.

Discussion of Operating Segment Results

At December 31, 2010, the Company realigned its business segments to be consistent with changes to its management reporting system. These changes have been made primarily as a result of the acquisition of CyrusOne. All prior year periods have been recast for the revised business segment presentation. See Note 14 to the Consolidated Financial Statements for more information on Business Segments.

Wireline

The Wireline segment provides local voice telephone service and custom calling features, and data services, including high-speed internet access, dedicated network access, ATM — Gig-E based data transport, and dial-up internet access to customers in southwestern Ohio, northern Kentucky, and southeastern Indiana through the operations of CBT, an ILEC in its operating territory of an approximate 25-mile radius of Cincinnati, Ohio. CBT's network has full digital switching capability and can provide data transmission services to over approximately 96% of its in-territory access lines via DSL.

Outside of the ILEC territory, the Wireline segment provides these services through CBET, which operates as a CLEC in the communities north of CBT's operating territory including the greater Dayton market. CBET provides voice and data services for residential and business customers on its own network and by purchasing unbundled network elements from the ILEC. CBET provides service through UNE-L to its customer base in the Dayton, Ohio market. The Wireline segment links the Cincinnati and Dayton geographies through its SONET, which provides route diversity via two separate paths.

In 2010, the Company continued to expand its Fioptics product suite of services, which are fiber-to-the-home products that include entertainment, high-speed internet and voice services, to limited areas in Greater Cincinnati. Since the launch of Fioptics in 2009, the Company has passed 79,000 homes, or approximately 10% of Greater Cincinnati, and has 28,100 Fioptics entertainment customers. The components of Wireline revenue were revised in 2010 to reclassify Fioptics revenue from Wireline "Other" to more descriptive Wireline revenue captions, with no impact on total Wireline revenue. All financial information presented has been revised for the revenue classification change.

The Wireline segment also includes long distance, audio conferencing, other broadband services including private line and MPLS, VoIP services, security monitoring services, and payphone services.

Wireline, continued

(dollars in millions)	2010	2009	$ Change 2010 vs. 2009	% Change 2010 vs. 2009	2008	$ Change 2009 vs. 2008	% Change 2009 vs. 2008
Revenue:							
Voice — local service	$311.9	$347.7	$(35.8)	(10)%	$389.1	$(41.4)	(11)%
Data	283.3	284.3	(1.0)	0%	274.8	9.5	3%
Long distance and VoIP	104.4	97.1	7.3	8%	98.3	(1.2)	(1)%
Entertainment	16.7	7.7	9.0	117%	4.5	3.2	71%
Other	26.2	26.3	(0.1)	0%	29.1	(2.8)	(10)%
Total revenue	742.5	763.1	(20.6)	(3)%	795.8	(32.7)	(4)%
Operating costs and expenses:							
Cost of services and products	256.8	251.6	5.2	2%	262.3	(10.7)	(4)%
Selling, general and administrative	140.1	147.0	(6.9)	(5)%	155.8	(8.8)	(6)%
Depreciation	103.0	102.9	0.1	0%	100.0	2.9	3%
Amortization	0.9	1.0	(0.1)	(10)%	1.2	(0.2)	(17)%
Restructuring	8.2	5.0	3.2	n/m	27.1	(22.1)	n/m
Operating tax settlement	—	—	—	n/m	(10.2)	10.2	n/m
Asset impairment	—	—	—	n/m	1.2	(1.2)	n/m
Total operating costs and expenses	509.0	507.5	1.5	0%	537.4	(29.9)	(6)%
Operating income	$233.5	$255.6	$(22.1)	(9)%	$258.4	$ (2.8)	(1)%
Operating margin	31.4%	33.5%		(2.1) pts	32.5%		1.0 pts
Capital expenditures	$ 98.6	$133.0	$(34.4)	(26)%	$101.1	$ 31.9	32%
Metrics information (in thousands):							
Local access lines	674.1	723.5	(49.4)	(7)%	779.7	(56.2)	(7)%
High-speed internet subscribers							
DSL subscribers	228.9	233.8	(4.9)	(2)%	233.2	0.6	0%
Fioptics subscribers							
Fiber	23.4	10.2	13.2	129%	1.2	9.0	n/m
Cable	3.8	3.6	0.2	6%	3.3	0.3	9%
	256.1	247.6	8.5	3%	237.7	9.9	4%
Fioptics entertainment subscribers							
Fiber	24.0	11.1	12.9	116%	1.2	9.9	n/m
Cable	4.1	4.1	—	0%	4.1	—	0%
	28.1	15.2	12.9	85%	5.3	9.9	n/m
Long distance lines	482.8	508.3	(25.5)	(5)%	531.6	(23.3)	(4)%

2010 Compared to 2009

Revenue

Voice local service revenue includes local service, value added services, digital trunking, switched access, and information services. Voice revenue decreased in 2010 compared to 2009 primarily as a result of a 7% decrease in access lines. Access lines within the segment's ILEC territory decreased by 49,700, or 8%, from 650,200 at December 31, 2009 to 600,500 at December 31, 2010. The Company believes the access line loss resulted from several factors including customers electing to use wireless communication in lieu of the traditional local service, Company-initiated disconnections of customers with credit problems, and customers electing to use service from other providers. The Company had approximately 73,600 CLEC access lines at December 31, 2010, which is substantially equivalent to the prior year.

Data revenue consists of Fioptics high-speed internet access, DSL high-speed internet access, dial-up internet access, data transport, and local area network ("LAN") interconnection services. Revenue from Fioptics high-speed internet services increased $4.8 million in 2010 as compared to 2009 due to an increase in the subscriber base. As of December 31, 2010, the Company had 27,200 high-speed internet Fioptics customers, which is a 13,400, or 97%, increase from the December 31, 2009 total of 13,800 subscribers. These increases were primarily offset by lower DSL revenue resulting from a decline in average revenue per subscriber.

Long distance and VoIP revenue increased $7.3 million in 2010 compared to 2009. The increase was primarily attributable to an increase in VoIP and audio conferencing services provided to additional subscribers, as during 2010 the Company expanded VoIP services to Columbus, Ohio and Louisville, Kentucky. This increase was partially offset by a 7% decrease in long distance residential subscribers, which is consistent with the local voice access line loss.

Entertainment revenue increased $9.0 million in 2010 compared to 2009 primarily due to an increase in Fioptics entertainment services of $7.5 million. Fioptics entertainment subscribers increased 12,900, or 85% from 15,200 at December 31, 2009 to 28,100 at December 31, 2010. The remaining revenue increase is primarily from higher DirecTV® commissions compared to 2009.

Costs and Expenses

Cost of services and products increased $5.2 million in 2010 compared to 2009. The increase was primarily driven by higher network costs to support growth in VoIP and Fioptics revenues, $2.5 million in higher operating taxes and higher costs associated with employee health care benefits. These expenses were offset by a decrease in costs from lower wages and less pension and postretirement costs.

Selling, general and administrative expenses decreased $6.9 million in 2010 versus the prior year. The decrease for 2010 was primarily due to a $4.1 million decrease in bad debt expense, decreased costs from third party service providers and lower advertising expenses.

Restructuring charges in 2010 of $8.2 million represent $4.9 million of employee separation obligations and $3.3 million of charges for future lease costs on abandoned office space.

Restructuring expenses for 2009 primarily resulted from $10.5 million for employee separation obligations and amortization of pension and postretirement special termination benefits of $2.1 million related to the 2007 and 2008 early retirement offers, offset by a curtailment gain of $7.6 million due to changes in the pension and postretirement plans announced in February 2009. See Notes 9 and 10 to the Consolidated Financial Statements for further information.

2009 Compared to 2008

Revenue

Voice revenue decreased in 2009 compared to 2008 primarily as a result of a 7% decrease in access lines. Access lines within the segment's ILEC territory decreased by 58,300, or 8%, from 708,500 at December 31, 2008 to 650,200 at December 31, 2009. The Company partially offset its access line loss in its ILEC territory by continuing to target voice services to residential and business customers in its CLEC territory. The Company had approximately 73,300 CLEC access lines at December 31, 2009, which was a 3% increase from December 31, 2008.

Data revenue increased $9.5 million in 2009 compared to 2008 primarily from higher data transport revenue, which increased primarily due to increased usage by third party users, and higher revenue from Fioptics high-speed internet services. The Company's Fioptics high-speed internet subscriber base increased from 4,500 at December 31, 2008 to 13,800 at December 31, 2009.

Long distance and VoIP revenue decreased $1.2 million in 2009 compared to 2008. Lower minutes of use for long distance and audio conferencing equated to a $6.6 million decrease in revenue for 2009. The decrease in long distance subscribers was due to a 6% decline in residential lines, consistent with the access line loss. The revenue decrease from long distance and audio conferencing was partially offset by growth in revenue from VoIP and broadband services.

Entertainment revenue increased $3.2 million in 2009 versus the prior year. The increase in Fioptics entertainment subscribers from 5,300 at December 31, 2008 to 15,200 at December 31, 2009, contributed to a $3.7 million increase in revenue. This increase was partially offset by $0.5 million decrease in DirecTV® commission revenue.

Costs and Expenses

In light of the severe economic downturn that occurred in 2009, the Company implemented several cost reduction initiatives, which primarily affected the Wireline segment. These initiatives included significant changes to its management pension and postretirement plans, which froze pension benefits for certain management employees as well as phasing out the retiree healthcare plan for all management employees and certain retirees in 10 years, suspending matching contributions to the Company's defined contribution plan for 2009, outsourcing certain IT functions and headcount reductions. These initiatives reduced costs by approximately $25 million in 2009, comprised of $14 million in cost of services and products and $11 million in selling, general and administrative expenses.

Cost of services and products decreased by $10.7 million in 2009 compared to 2008. The decrease in cost of services and products as a result of the initiatives described above, additional payroll cost decreases related to initiatives implemented in 2008 and lower operating taxes of $3.4 million were partially offset by an increase in network costs of $5.6 million, primarily to support the growth in VoIP, broadband and Fioptics services, and additional pension expense of $7.2 million associated with pension asset losses.

Selling, general and administrative expenses decreased $8.8 million in 2009 versus the prior year. The decrease resulting from the initiatives as discussed above and additional payroll cost decreases were partially offset by an increase in pension expense of $3.9 million associated with pension asset losses and a $1.7 million increase in bad debt expense.

Restructuring charges of $5.0 million for 2009 resulted primarily from the following:

- employee separation obligations of $10.5 million resulting from the Company's determination of the need for additional workforce reductions in order to align Wireline costs with expected reductions in future revenue from access line losses;
- amortization of pension and postretirement special termination benefits of $2.1 million related to the 2007 and 2008 early retirement offers; and
- a curtailment gain of $7.6 million due to changes in the pension and postretirement plans announced in February 2009.

Restructuring expenses for 2008 resulted from restructuring plans announced in 2007 and the first quarter of 2008 to reduce costs and increase operational efficiencies. See Notes 9 and 10 to the Consolidated Financial Statements for further information.

The operating tax settlement for 2008 of $10.2 million resulted from the Company's resolution of a contingent liability from prior years related to exposures on past regulatory filing positions.

Wireless

The Wireless segment provides advanced digital voice and data communications services through the operation of a regional wireless network in the Company's licensed service territory, which surrounds Cincinnati and Dayton, Ohio and includes areas of northern Kentucky and southeastern Indiana. Although Wireless does not market to customers outside of its licensed service territory, it is able to provide service outside of this territory through roaming agreements with other wireless operators. The segment also sells wireless handset devices and related accessories to support its service business.

(dollars in millions, except for operating metrics)	2010	2009	$ Change 2010 vs. 2009	% Change 2010 vs. 2009	2008	$ Change 2009 vs. 2008	% Change 2009 vs. 2008
Revenue:							
Service	$269.4	$284.3	$(14.9)	(5)%	$290.5	$ (6.2)	(2)%
Equipment	19.8	22.7	(2.9)	(13)%	25.6	(2.9)	(11)%
Total revenue	289.2	307.0	(17.8)	(6)%	316.1	(9.1)	(3)%
Operating costs and expenses:							
Cost of services and products	137.4	161.6	(24.2)	(15)%	162.6	(1.0)	(1)%
Selling, general and administrative	61.1	68.2	(7.1)	(10)%	70.7	(2.5)	(4)%
Depreciation	32.4	37.9	(5.5)	(15)%	33.4	4.5	13%
Amortization	1.0	1.5	(0.5)	(33)%	2.1	(0.6)	(29)%
Restructuring	1.0	—	1.0	n/m	0.5	(0.5)	n/m
Loss on sale of asset	—	4.8	(4.8)	n/m	—	4.8	n/m
Total operating costs and expenses	232.9	274.0	(41.1)	(15)%	269.3	4.7	2%
Operating income	$ 56.3	$ 33.0	$ 23.3	71%	$ 46.8	$(13.8)	(29)%
Operating margin	19.5%	10.7%		8.8 pts	14.8%		(4.1) pts
Capital expenditures	$ 11.7	$ 34.9	$(23.2)	(66)%	$ 50.3	$(15.4)	(31)%
Metrics information:							
Postpaid ARPU*	$49.79	$48.56	$ 1.23	3%	$48.69	$(0.13)	0%
Prepaid ARPU*	$29.58	$28.64	$ 0.94	3%	$26.56	$ 2.08	8%
Postpaid subscribers (in thousands)	351.2	379.1	(27.9)	(7)%	403.7	(24.6)	(6)%
Prepaid subscribers (in thousands)	157.8	154.0	3.8	2%	146.9	7.1	5%
Average postpaid churn	2.1%	2.2%		(0.1) pts	2.1%		0.1 pts

* The Company has presented certain information regarding monthly average revenue per user ("ARPU") because the Company believes ARPU provides a useful measure of the operational performance of the wireless business. ARPU is calculated by dividing service revenue by the average subscriber base for the period.

2010 Compared to 2009

Revenue

Service revenue decreased by $14.9 million during 2010 as compared to last year primarily due to the following:

- Postpaid service revenue decreased $13.5 million primarily as a result of a 7% decrease in subscribers. The Company believes it continued to lose subscribers in 2010 due in part to its national competitors having handset exclusivity contracts, such as the iPhone™, which kept the Company from being able to sell these popular handsets to its customers. The Company continued to focus its marketing efforts on smartphones in 2010, which promotes increased data usage and resulting data ARPU. At December 31, 2010, the Company had 96,000 postpaid smartphone subscribers compared to 83,000 postpaid smartphone subscribers at December 31, 2009. The increase in smartphone subscribers increased data usage, and the Company earned $11.69 of data ARPU in 2010 compared to $10.00 in 2009. However, total ARPU remained steady as the decline in voice revenue per subscriber due to fewer minutes of use offset the 17% increase in data ARPU;
- Prepaid service revenue increased $2.9 million compared to 2009 primarily due to an increase in ARPU of $0.94, which resulted from the focus on marketing higher value rate plans; and

- Other service revenue decreased $4.3 million due to lower tower rent revenue resulting from the sale of wireless towers in December 2009. The lower rent revenue was offset by lower costs associated with the towers as discussed below.

Equipment revenue for 2010 decreased $2.9 million from $22.7 million in 2009 to $19.8 million in 2010 primarily due to lower subscriber activations and less handset upgrades.

Costs and Expenses

Cost of services and products consists largely of network operation costs, interconnection expenses with other telecommunications providers, roaming expense (which is incurred for subscribers to use their handsets in the territories of other wireless service providers), and cost of handsets and accessories sold. These expenses decreased $24.2 million during 2010 versus the prior year period. The decrease was primarily attributable to a $10.1 million decrease in roaming costs due to renegotiated rates and lower minutes of use, lower handset subsidies of $5.0 million primarily due to lower activations and less handset upgrades, a $4.3 million decrease in third party service provider and internal labor costs due to outsourcing and cost reduction initiatives, and lower costs due to the sale of wireless towers in December 2009.

Selling, general and administrative expenses decreased $7.1 million for 2010 compared to 2009, primarily due to a $2.9 million decrease in bad debt expense, a $2.9 million decrease in third party service provider and internal labor costs due to outsourcing and cost reduction initiatives, as well as lower commissions due to decreased revenues.

The decrease in depreciation expense of $5.5 million is primarily associated with the sale of wireless towers in the fourth quarter of 2009. The decrease in amortization expense from the prior year is due to the Company's accelerated amortization methodology.

In the fourth quarter of 2010, Wireless incurred a $1.0 million restructuring charge primarily for employee separation costs.

During 2009, the Company sold almost all of its owned wireless licenses for areas outside of its Cincinnati and Dayton operating territories. These licenses, which were primarily for the Indianapolis, Indiana region, were sold for $6.0 million, resulting in a loss on sale of the spectrum assets of $4.8 million.

2009 Compared to 2008

Revenue

Service revenue decreased by $6.2 million during 2009 as compared to 2008 primarily due to the following:

- Postpaid service revenue decreased $7.3 million primarily due to a decrease in subscribers. The Company's monthly subscriber churn increased from 2.1% in 2008 to 2.2% in 2009. The Company believes it lost subscribers in 2009 due to the Company's tightening of credit standards and increased competition in part driven by handset exclusivity contracts obtained by national competitors. ARPU remained steady as a decline in voice revenue offset a 25% increase in data ARPU, as more customers are using smartphones. At December 31, 2009, the Company had 83,000 smartphone subscribers, which represented 22% of its postpaid subscribers, compared to 11% at December 31, 2008; and
- Prepaid service revenue increased $1.1 million compared to 2008 primarily due to an increase in ARPU of $2.08, which resulted from the focus on marketing higher value rate plans.

Equipment revenue for 2009 decreased $2.9 million from $25.6 million in 2008 to $22.7 million in 2009 primarily due to lower postpaid subscriber activations partially offset by higher handset revenue per unit.

Costs and Expenses

Cost of services and products decreased $1.0 million during 2009 versus the prior year period. The decrease was primarily attributable to lower operating taxes of $2.8 million and a $1.3 million decrease in third party service provider costs. These decreases were offset by a $3.4 million increase in handset costs, primarily due to increased Company handset subsidies to attract new smartphone customers.

Selling, general and administrative expenses decreased $2.5 million for 2009 compared to 2008, primarily due to lower distributor commissions of $2.2 million resulting from lower activations, as well as lower advertising and other costs partially offset by an increase in bad debt expense of $0.9 million.

The increase in depreciation expense of $4.5 million is related to the 3G wireless network that was launched in late 2008. The decrease in amortization expense from the prior year is due to the Company's accelerated amortization methodology.

During 2009, the Company recognized a loss of $4.8 million on sale of spectrum assets for areas outside of its Cincinnati and Dayton operating territories.

Data Center Colocation

On June 11, 2010, the Company acquired CyrusOne, a data center colocation provider based in Texas, for approximately $526 million, net of cash acquired. As a result, CyrusOne is now a wholly-owned subsidiary of the Company. The Company funded the purchase with borrowings and available cash. See Note 2 to the Consolidated Financial Statements for further information.

The Data Center Colocation segment provides large enterprise customers with outsourced data center operations, including all necessary redundancy, security, power, cooling, and interconnection.

Capital expenditures for the Data Center Colocation segment totaled $31.1 million in 2010. The Company intends to continue to pursue additional customers and growth in its data center business, and is prepared to commit additional resources, including resources for capital expenditures, acquisitions and working capital both within and outside of its traditional operating territory, to support this growth.

(dollars in millions)	2010	2009	$ Change 2010 vs. 2009	% Change 2010 vs. 2009	2008	$ Change 2009 vs. 2008	% Change 2009 vs. 2008
Revenue	$ 125.3	$ 71.8	$ 53.5	75%	$ 55.8	$ 16.0	29%
Operating costs and expenses:							
Cost of services	39.2	30.1	9.1	30%	24.9	5.2	21%
Selling, general and administrative	15.9	9.7	6.2	64%	11.7	(2.0)	(17)%
Depreciation	25.2	13.8	11.4	83%	10.0	3.8	38%
Amortization	9.4	1.2	8.2	n/m	1.2	—	0%
Restructuring	1.4	—	1.4	n/m	—	—	n/m
Total operating costs and expenses	91.1	54.8	36.3	66%	47.8	7.0	15%
Operating income	$ 34.2	$ 17.0	$ 17.2	101%	$ 8.0	$ 9.0	113%
Operating margin	27.3%	23.7%		3.6 pts	14.3%		9.4 pts
Capital expenditures	$ 31.1	$ 23.0	$ 8.1	35%	$ 74.5	$ (51.5)	(69)%
Metrics information:							
Data center capacity (in square feet)	639,000	446,000	193,000	43%	412,000	34,000	8%
Utilization rate*	88%	87%		1 pt	94%		(7) pts

* The utilization rate is calculated by dividing data center square footage that is committed contractually to customers, if built, by total data center square footage. Some data center square footage that is committed contractually may not yet be billing to the customer.

2010 Compared to 2009

Revenue

Data center services revenue consists primarily of recurring colocation rents from customers using the Company's data center facilities. Revenue increased $53.5 million in 2010 as compared to 2009 primarily due to the acquisition of CyrusOne in June 2010, which had revenue of $45.0 million since its acquisition, and 161,000 square feet of utilized data center space at the 2010 year-end. Additionally, the Cincinnati-based data center operations generated increased revenue in 2010 as compared to 2009 due to a full year of revenue from its Lebanon facility which was opened at the end of the first quarter of 2009 and from a 12,000 square feet increase in its utilized data center space at December 31, 2010 compared to the prior year-end.

Costs and Expenses

Cost of services and selling, general and administrative costs increased in 2010 compared to 2009 by $9.1 million and $6.2 million, respectively, primarily to support growth in data center revenues from the CyrusOne

acquisition and expansion of the Cincinnati-based operations, including higher data center facility costs and payroll-related costs. CyrusOne cost of services was $11.8 million and selling, general and administrative costs were $5.6 million since its acquisition.

The increase in depreciation and amortization expense for 2010 compared to 2009 was primarily due to the assets acquired from the CyrusOne acquisition in June 2010. Depreciation and amortization expense for CyrusOne was $8.5 million and $8.1 million, respectively, in 2010. A restructuring charge of $1.4 million was incurred in 2010 for payments to be made in order to conform the Cincinnati-based operation's commission incentive program to the CyrusOne program.

2009 Compared to 2008

Revenue

Data center services revenue increased $16.0 million in 2009 as compared to 2008 primarily due to increased billable data center space. In particular, the Company's Lebanon data center facility was opened at the end of the first quarter of 2009 and contributed 19,000 square feet of utilized data center space. The utilized space associated with the legacy data center operations decreased by 28,000 square feet in 2009, but the revenue per square foot increased due to customer renegotiations, maintaining consistent revenue for 2009 compared to 2008 for this legacy space.

Costs and Expenses

Cost of services increased $5.2 million in 2009 compared to 2008 primarily due to higher data center facility costs and higher payroll related costs to support the growth in data center revenues.

Selling, general and administrative expenses decreased by $2.0 million in 2009 versus the prior year, primarily due to decreases in long-term incentive compensation costs.

The increase in depreciation expense for 2009 compared to 2008 was primarily due to capital expenditures in recent years associated with expanding data center capacity.

IT Services and Hardware

The IT Services and Hardware segment provides a full range of managed IT solutions, including managed infrastructure services, IT and telephony equipment sales, and professional IT staffing services. These services and products are provided in multiple states through the Company's subsidiaries, Cincinnati Bell Technology Solutions Inc. ("CBTS"), CBTS Canada Inc., and CBTS Software LLC. By offering a full range of equipment and outsourced services in conjunction with the Company's wireline network services, the IT Services and Hardware segment provides end-to-end IT and telecommunications infrastructure management designed to reduce cost and mitigate risk while optimizing performance for its customers.

(dollars in millions)	2010	2009	$ Change 2010 vs. 2009	% Change 2010 vs. 2009	2008	$ Change 2009 vs. 2008	% Change 2009 vs. 2008
Revenue:							
Telecom and IT equipment distribution	$174.9	$161.1	$13.8	9%	$201.2	$(40.1)	(20)%
Managed services	55.1	49.4	5.7	12%	49.7	(0.3)	(1)%
Professional services	24.7	20.8	3.9	19%	16.3	4.5	28%
Total revenue	254.7	231.3	23.4	10%	267.2	(35.9)	(13)%
Operating costs and expenses:							
Cost of services and products	202.6	182.1	20.5	11%	219.1	(37.0)	(17)%
Selling, general and administrative	37.7	32.3	5.4	17%	28.2	4.1	15%
Depreciation	6.9	5.8	1.1	19%	5.3	0.5	9%
Amortization	0.4	0.4	—	0%	0.5	(0.1)	(20)%
Restructuring	2.8	—	2.8	n/m	0.7	(0.7)	n/m
Total operating costs and expenses	250.4	220.6	29.8	14%	253.8	(33.2)	(13)%
Operating income	$ 4.3	$ 10.7	$ (6.4)	(60)%	$ 13.4	$ (2.7)	(20)%
Operating margin	1.7%	4.6%		(2.9) pts	5.0%		(0.4) pts
Capital expenditures	$ 8.3	$ 3.8	$ 4.5	118%	$ 4.3	$ (0.5)	(12)%

2010 Compared to 2009

Revenue

Revenue from telecom and IT equipment distribution represents the sale, installation, and maintenance of major, branded IT and telephony equipment. Revenue from telecom and IT equipment distribution increased by $13.8 million in 2010 versus 2009 primarily due to higher hardware sales and increased capital spending by business customers from the prior year as a result of the improving economy in 2010.

Managed services revenue consists of revenue for managed VoIP solutions and IT services that include network management, electronic data storage, disaster recovery and data security management. Managed services revenue increased by $5.7 million in 2010 versus 2009, due primarily to an increase in services provided to one of the Company's largest customers of $5.2 million.

Professional services revenue consists of long-term and short-term IT outsourcing and consulting engagements. Revenue for 2010 increased by $3.9 million compared to 2009, as the Company continued to expand its portfolio of IT professionals to grow these outsourcing and consulting engagements.

Costs and Expenses

Cost of services and products increased by $20.5 million in 2010 compared to 2009 primarily due to an $11.5 million increase related to higher telecom and equipment distribution revenue and higher payroll related costs to support the growth in managed services and professional services revenues.

Selling, general and administrative expenses increased by $5.4 million in 2010 compared to 2009. The increase in 2010 was due to an increase of $6.1 million in payroll and employee related costs to support the growing operations.

The increase in depreciation expense for 2010 compared to 2009 was primarily due to the increased capital expenditures to support the expansion of managed services and professional services projects.

During 2010, the IT Services and Hardware segment incurred employee separation charges of $2.8 million associated with the integration of certain functions with the Wireline segment.

2009 Compared to 2008

Revenue

Revenue from telecom and IT equipment distribution decreased by $40.1 million in 2009 versus 2008 primarily as a result of lower capital spending by business customers, particularly in the first half of 2009, due to the significant decline in the economy.

Professional services revenue for 2009 increased by $4.5 million compared to 2008. The Company expanded its team of recruiting and hiring personnel in order to focus on selling these outsourcing and consulting engagements.

Costs and Expenses

Cost of services and products decreased by $37.0 million in 2009 compared to 2008 primarily related to lower telephony and IT equipment distribution revenue.

Selling, general and administrative expenses increased by $4.1 million in 2009 compared to 2008. The increase in 2009 was primarily due to an increase in payroll and employee related costs to support the growing operations and contract services.

Corporate

Corporate is comprised primarily of general and administrative costs that have not been allocated to the business segments. Corporate costs totaled $29.0 million in 2010, $20.8 million in 2009, and $21.4 million in 2008.

2010 Compared to 2009

The increase in corporate costs of $8.2 million from 2009 is primarily due to $9.1 million of acquisition costs on the purchase of CyrusOne and higher payroll and related costs. These cost increases were partially offset by lower stock-based compensation costs. The mark-to-market impact for the cash-payment compensation plans that are indexed to the change in the Company's stock price was $1.0 million of income in 2010.

2009 Compared to 2008

The decrease in corporate costs of $0.6 million from 2008 is due to lower consulting costs of $3.3 million, lower compensation and other benefits of $3.0 million, a decrease due to a patent lawsuit settlement charge of $2.0 million in 2008, and lower operating taxes. These cost decreases were offset by a stock-based compensation increase of $8.5 million, of which $7.7 million is due to the mark-to-market of cash-payment compensation plans that are indexed to the change in the Company's stock price, which increased by 79% in 2009.

The Company's Financial Condition, Liquidity, and Capital Resources

Capital Investment, Resources and Liquidity

Short-term view

The Company's primary sources of cash are generated by operations and borrowings from its Corporate revolving and accounts receivable credit facilities. The Company generated $300.0 million, $265.6 million, and $403.9 million of cash flows from operations in 2010, 2009 and 2008, respectively. As of December 31, 2010, the Company had $364.2 million of short-term liquidity, comprised of $77.3 million of cash and cash equivalents, $186.9 million of undrawn capacity on the Corporate credit facility, and $100.0 million of unused capacity on the accounts receivable securitization facility.

The Company's financial strength and ability to obtain financing for its operations was evident in 2010 through the completion of the following transactions:

- Issuance of $625 million of $8^3/_4$% Senior Subordinated Notes due 2018, the proceeds from which were primarily used to redeem all outstanding $8^3/_8$% Senior Subordinated Notes due 2014 totaling $560 million. This issuance of $8^3/_4$% Senior Subordinated Notes due 2018 and redemption of $8^3/_8$% Senior Subordinated Notes due 2014 effectively extended the Company's subordinated bond maturities for an additional four years at an appropriate and acceptable fixed rate.

- Entrance into a new bank Credit Agreement used to acquire CyrusOne, which included a new Corporate revolving credit facility and a $760 million secured term loan credit facility. The new Corporate revolving credit facility replaced the existing Corporate revolving credit facility, which would have expired in August 2012. The new Corporate revolving credit facility has a $210 million revolving line of credit and terminates in June 2014. The new revolving credit facility is funded by 11 different financial institutions with no financial institution having more than 15% of the total facility. The interest rate on its Corporate revolving credit facility is variable and was about 5.25% in 2010, which the Company believes is an appropriate and acceptable financing cost. As of December 31, 2010, the Company had no outstanding borrowings and $23.1 million letters of credit outstanding under its revolving credit facility, leaving $186.9 million of additional borrowing availability under this facility. The secured term loan portion of the credit facility was repaid as discussed below.
- Issuance of $775 million of $8^3/_8$% Senior Notes due 2020, the proceeds from which were primarily used to repay the outstanding secured term loan facility issued as part of the new bank credit agreement discussed above totaling $756.2 million. This issuance of $8^3/_8$% Senior Notes due 2020 effectively extended the Company's debt maturities for an additional three years at an appropriate and acceptable fixed rate.
- Renewal of the Receivables Facility in June 2010. The Company chose to decrease the available capacity from $115 million to $100 million.

These financings have extended the Company's debt maturities such that the Company has no significant debt maturities until its 7% Senior Notes are due in 2015. However, if needed, the Company believes that additional sources of liquidity are available to it, including access to public debt or equity markets.

Uses of cash include capital expenditures, repayments and repurchases of debt and related interest, repurchases of common shares, dividends on preferred stock, and business acquisitions. In 2010, 2009, and 2008, the Company made capital expenditures of $149.7 million, $195.1 million, and $230.9 million, respectively. A large portion of the Company's capital expenditures is discretionary for revenue growth and would not be required in the future to sustain the Company's current level of operations.

In 2010, 2009, and 2008, the Company made total debt repayments of $1,554.5 million, $506.5 million, and $105.7 million, respectively, to refinance and extend maturities on existing debt and, to a lesser extent, to opportunistically repurchase debt at attractive prices prior to their scheduled maturities. It is possible that the Company will use a portion of its cash flows for de-leveraging in the future, including discretionary, opportunistic repurchases of debt prior to its scheduled maturity. Additionally, the Company's Receivables Facility, under which the Company had no outstanding borrowings at December 31, 2010 and is described further in Note 6 to the Consolidated Financial Statements, is subject to renewal annually. While the Company expects to continue to renew this facility, the Company would be required to use cash, Corporate revolving credit facility borrowing capacity, or other borrowings to repay any outstanding balance on the Receivables Facility if it were not renewed.

In February 2010, the Board of Directors approved a plan for the repurchase of the Company's outstanding common stock in an amount up to $150 million. The Company repurchased approximately 4 million shares of its common stock for $10 million in 2010, leaving $140 million available to repurchase shares under this plan. The Company may repurchase shares, when management believes the share price offers an attractive value, and to the extent its available cash is not needed for data center growth and other opportunities. This new plan does not have a stated maturity.

In February 2008, the Company's Board of Directors authorized the repurchase of the Company's outstanding common stock in an amount up to $150 million over 2008 and 2009. The Company completed this program in 2009, repurchasing $73.2 million of common stock in 2009 and $76.8 million in 2008. In total, the Company repurchased $160 million of shares or 21% of common shares outstanding at December 31, 2007.

The Company believes that its cash on hand, operating cash flows, its revolving credit and accounts receivable facilities and other available debt and equity financing, will be adequate to meet investing and financing needs for 2011.

Long-term view, including debt covenants

In addition to the uses of cash described in the *Short-term view* above, the Company has obligations that come due after 2011, including debt maturities which begin in 2015 and approximately $246 million of estimated

cash contributions to its qualified pension plans during the years 2011 to 2017 based on current legislation and current actuarial assumptions (see Contractual Obligations table below).

The Corporate revolving credit facility, which expires in June 2014, contains financial covenants that require the Company to maintain certain leverage, interest coverage, and fixed charge ratios. The facility also has certain covenants which, among other things, limit the Company's ability to incur additional debt or liens, pay dividends, repurchase Company common stock, sell, transfer, lease, or dispose of assets, and make investments or merge with another company. If the Company were to violate any of its covenants and were unable to obtain a waiver, it would be considered a default. If the Company were in default under its credit facility, no additional borrowings under the credit facility would be available until the default was waived or cured. The Company is in compliance and expects to remain in compliance with its Corporate credit facility covenants.

Various issuances of the Company's public debt, which include the 7% Senior Notes due 2015, the $8^1/_4$% Senior Notes due 2017, the $8^3/_4$% Senior Subordinated Notes due 2018, and the $8^3/_8$% Senior Notes due 2020 contain covenants that, among other things, limit the Company's ability to incur additional debt or liens, pay dividends or make other restricted payments, sell, transfer, lease, or dispose of assets and make investments or merge with another company. The Company is in compliance and expects to remain in compliance with its public debt indentures.

The Company's most restrictive covenants are generally included in its Corporate credit facilities. In order to continue to have access to the amounts available to it under the Corporate revolving credit facility, the Company must remain in compliance with all of the covenants. The following table presents the calculations of the most restrictive debt covenants as of and for the year ended December 31, 2010:

Consolidated Total Leverage Ratio (dollars in millions)	
Consolidated Total Leverage Ratio as of December 31, 2010	4.82
Maximum ratio permitted for compliance	6.00
Consolidated Funded Indebtedness additional availability	$533.2
Consolidated EBITDA clearance over compliance threshold	$ 88.9

Consolidated Fixed Charge Coverage Ratio (dollars in millions)	
Fixed Charge Coverage Ratio as of December 31, 2010	1.66
Minimum ratio permitted for compliance	1.00
Fixed Charges clearance over compliance threshold	$136.2
Consolidated EBITDA clearance over compliance threshold	$136.2

Definitions and components of calculations are detailed in the bank credit agreement and can be found in the Form 8-K filed June 11, 2010.

In various issuances of the Company's public debt indentures, the Company has a financial covenant that permits the incurrence of additional Indebtedness up to a 4:00 to 1:00 Consolidated Adjusted Senior Debt to EBITDA ratio (as defined by the individual indentures). Once this ratio exceeds 4:00 to 1:00, the Company is not in default; however, additional Indebtedness may only be incurred in specified permitted baskets, including a Credit Agreement basket providing full access to the Corporate revolving credit facility. Also, the Company's ability to make restricted payments would be limited, including common stock dividend payments or repurchasing outstanding Company shares. As of December 31, 2010, the Company was below the 4:00 to 1:00 Consolidated Adjusted Senior Debt to EBITDA ratio.

The Company believes that cash on hand, operating cash flows, its revolving credit and accounts receivable facilities, and the expectation that the Company will continue to have access to capital markets to refinance debt and other obligations as they mature and come due, should allow the Company to meet its cash requirements for the foreseeable future. However, uncertainties related to the local, U.S. and global economies and the financial markets, particularly if these economies and financial markets are in disarray when the debt matures and other obligations are due, could prevent the Company from refinancing those liabilities at terms that are as favorable as those previously enjoyed, at terms that are acceptable to the Company, or at all.

Reasons for Debt and Accumulated Deficit

As of December 31, 2010, the Company had $2.5 billion of outstanding indebtedness and an accumulated deficit of $3.2 billion. The Company incurred a significant amount of indebtedness and accumulated deficit from the purchase and operation of a national broadband business over the period of 1999 to 2002, which caused outstanding indebtedness and accumulated deficit to reach their respective year-end peaks of $2.6 billion and $4.9 billion at December 31, 2002. This broadband business was sold in 2003.

Cash Flow

2010 Compared to 2009

Cash provided by operating activities in 2010 totaled $300.0 million, an increase of $34.4 million compared to the $265.6 million provided by operating activities in 2009. The increase was driven by a 2009 cash contribution of $58.4 million to the Company's pension and postretirement plans and a one-time 2009 prepayment of $24.2 million to the medical trust for active employees. These increases were partially offset by higher interest payments of $40.4 million as result of higher debt balances for the CyrusOne acquisition and higher interest rates on the debt refinancings, and $13.2 million received in 2009 related to the settlement and termination of interest rate swaps in 2009.

Cash flow utilized for investing activities increased by $581.7 million to $675.5 million during 2010 as compared to $93.8 million for 2009. The increase was primarily due to cash paid for the acquisition of CyrusOne in June of approximately $526 million. In 2009, the Company sold substantially all of its wireless towers for $99.9 million. The Company also sold almost all of its owned wireless licenses for areas outside of its Cincinnati and Dayton operating territories in 2009 for $6.0 million. Capital expenditures were $45.4 million lower for 2010 versus 2009 due to lower Wireless and Wireline network spending.

Cash flow provided by financing activities for 2010 was $429.8 million compared to a use of $155.5 million during 2009. In the first quarter of 2010, the Company issued $625 million of $8\frac{3}{4}\%$ Senior Subordinated Notes due 2018. The net proceeds of $616.2 million were used in April 2010 to redeem the $560 million outstanding $8\frac{3}{8}\%$ Senior Subordinated Notes due 2014 plus accrued and unpaid interest and call premium. In the second quarter of 2010, the Company entered into a $760 million secured term loan credit facility ("Tranche B Term Loan") due 2017. The net proceeds from the Tranche B Term Loan of $737.2 million were used to repay the Company's previous credit facility of $204.3 million, to fund the acquisition of CyrusOne, and to pay related fees and expenses. In the fourth quarter of 2010, the Company issued $775 million of $8\frac{3}{8}\%$ Senior Notes due 2020. The net proceeds of $779.3 million including debt premium were used to repay the secured term loan facility totaling $756.2 million and to pay related fees and expenses. The Company paid $42.6 million of debt issuance costs related to the various issuances of these debt instruments in 2010. The Company also repaid $85.9 million of borrowings under the Receivables Facility in 2010 and repurchased approximately 4 million shares of common stock for $10.0 million in 2010.

In 2009, the Company issued $500 million of $8\frac{1}{4}\%$ Senior Notes. The net proceeds were used in part to redeem the outstanding $7\frac{1}{4}\%$ Senior Notes due 2013 of $439.9 million plus accrued and unpaid interest and related call premium. The Company also purchased and extinguished $32.5 million of the Cincinnati Bell Telephone Notes and the $7\frac{1}{4}\%$ Senior Notes due 2023 at an average discount of 24%. The Company paid $15.3 million of debt issuance costs related to the issuance of the $8\frac{1}{4}\%$ Senior Notes and to amend and extend the term of the Corporate revolving credit facility. In 2009, the Company also repurchased $73.2 million of the Company's common stock as part of its two-year $150 million common stock repurchase plan. Borrowings under the Corporate credit and receivables facilities decreased $62.1 million in 2009. For both 2010 and 2009, the Company paid preferred stock dividends of $10.4 million.

2009 Compared to 2008

Cash provided by operating activities in 2009 totaled $265.6 million, a decrease of $138.3 million compared to the $403.9 million provided by operating activities in 2008. The decrease was primarily due to $58.4 million of early contributions made to its pension and postretirement plans and a prepayment of $24.2 million to its medical trust for its active employees in 2009, a customer prepayment of $21.5 million received in 2008 for data center services and an increase in working capital, mainly due to timing of year-end payments. This decrease was

partially offset by $13.2 million received related to the termination and settlement of interest rate swaps and $13.0 million in lower interest payments primarily due to lower short-term interest rates and debt balances.

Cash flow utilized for investing activities decreased $156.7 million to $93.8 million during 2009 as compared to $250.5 million for 2008. In 2009, the Company sold substantially all of its wireless towers for $99.9 million. The Company also sold almost all of its owned wireless licenses for areas outside of its Cincinnati and Dayton operating territories. These licenses, which were primarily for the Indianapolis, Indiana region, were sold for $6.0 million. In 2008, the Company paid $21.6 million related to the acquisition of businesses, $18.1 million of which related to the purchase of eGIX. Capital expenditures were $35.8 million lower for 2009 versus 2008 due to lower expenditures for data center facilities and the Company's construction of its 3G wireless network in 2008, partially offset by an increase in Wireline capital expenditures for its fiber network.

Cash flow used in financing activities for 2009 was $155.5 million compared to $172.8 million during 2008. In 2009, the Company issued $500 million of $8^1/_4$% Senior Notes. The net proceeds were used in part to redeem the outstanding $7^1/_4$% Senior Notes due 2013 of $439.9 million plus accrued and unpaid interest and related call premium. The Company also purchased and extinguished $32.5 million of the Cincinnati Bell Telephone Notes and the $7^1/_4$% Senior Notes due 2023 at an average discount of 24%. The Company paid $15.3 million of debt issuance costs related to the issuance of the $8^1/_4$% Senior Notes and to amend and extend the term of the Corporate credit facility. In 2009, the Company also repurchased $73.2 million of the Company's common stock as part of its two-year $150 million common stock repurchase plan. Borrowings under the Corporate credit and receivables facilities decreased $62.1 million in 2009. In 2008, the Company purchased and extinguished $108.1 million of $8^3/_8$% Subordinated Notes, $7^1/_4$% Senior Notes due 2013 and 7% Senior Notes at an average discount of 14% and repurchased $76.8 million of the Company's common stock as part of its two-year $150 million common stock repurchase plan. Borrowings under the Corporate credit facility increased $18.0 million during 2008. For both 2009 and 2008, the Company paid preferred stock dividends of $10.4 million.

Future Operating Trends

Wireline

The Company suffered an 8% loss of ILEC access lines in 2010 as some customers elected to use wireless communication in lieu of the traditional local service, purchase service from other providers, or service was disconnected due to non-payment. The Company believes these same factors will continue to affect its operations in future years. Credit-related disconnections represented 31% of total ILEC consumer access line losses in 2010, and the Company believes this level of credit-related disconnections will continue in 2011.

The Company has been successful at partially offsetting revenue reductions from access line losses with additional revenue from the Fioptics products. High-speed internet subscribers have increased by 8,500 in 2010 and 9,900 in 2009. This increase in 2010 is a result of the increased construction of the Company's Fioptics fiber-to-the-home products, which offers one of the fastest internet speeds in the Company's operating territory. At year-end 2010, the Company had 27,200 Fioptics high-speed internet subscribers which represents an increase of 13,400 subscribers from the prior year. However, the number of the DSL subscribers is declining because the Company's operating territory is saturated with customers that already have high-speed internet service, and the DSL speeds in some areas may not be as fast as other high-speed internet technologies available, such as Fioptics.

In addition, the Company's Fioptics fiber-to-the-home product suite also offers entertainment and voice services. At year-end 2010, the Company passed and can provide Fioptics service to 79,000 homes, and had 28,100 entertainment, 27,200 high-speed internet, and 16,800 voice Fioptics customers. The penetration rate of this product is about 30% after a one-year period following construction in a particular neighborhood. The Company expects the number of Fioptics customers to increase in 2011 and plans to expand its fiber network in 2011. Additionally, the Company believes the technology for Internet protocol television ("IPTV") has evolved such that a robust entertainment service can be provided to customers over DSL with minimal network upgrading in many residential areas. The Company's entertainment plans in 2011 include a combination of fiber-to-the-home construction and DSL network upgrades to provide IPTV service.

Long distance and VoIP revenues will be impacted by several factors. As noted above, customers may disconnect local voice service for various reasons. In doing so, customers that have both the Company's local voice and long distance service are likely to disconnect long distance service as well. Also, as noted above, some customers have disconnected wireline service in order to use service from other providers. These other providers

are normally providing VoIP service, which the Company offers to business customers. The Company believes its VoIP operations will continue to expand as business customers look for alternatives to traditional ILEC-based operations and the VoIP technology continues to improve.

Wireless

Wireless postpaid revenue in the future is likely to be affected by data ARPU increases, as more customers begin using data services and smartphones. The Company's data ARPU has increased from $8.02 in 2008 to $10.00 in 2009 and to $11.69 in 2010. Given the Company's focus on increasing smartphone subscribers, the Company expects data ARPU to increase in 2011. However, the Company believes postpaid ARPU will remain flat to 2010 as any data ARPU increase may be offset by lower voice revenue, consistent with the lower voice minutes of use per subscriber experienced in 2010.

Wireless postpaid subscribers decreased by 27,900 in 2010. The Company believes it lost subscribers in 2010 due to increased competition, in part driven by handset exclusivity contracts, such as the iPhone™, which keeps the Company from being able to sell these popular handsets to its customers. The Company's operating territory is well-saturated with existing wireless cell phone users. Future subscriber increases are more likely to come from increasing market share, as opposed to acquiring a customer who has never had a cell phone. The Company's competitors are well-established, and increases in market share are difficult to attain. The Company believes it is likely in 2011 that competition will be fierce, and its competitors will continue to have exclusivity contracts on the most popular handsets, which could result in further postpaid subscriber decreases in 2011. Improvements in CBW net subscriber losses would need to come from a higher level of gross activations resulting from enhanced communication regarding CBW's strong network, the value proposition of its wireless voice and data plans, and outstanding customer service. The Company believes average postpaid churn will remain at the same levels as experienced in 2010.

Data Center Colocation

Revenues from data center colocation increased by 75% in 2010 and 29% in 2009. On June 11, 2010, the Company purchased Cyrus Networks, LLC, a data center operator based in Texas, for approximately $526 million, net of cash acquired.

Data center colocation is a high-growth industry due to the increased need for cost-efficient facilities to run IT-intensive applications to support the explosion in internet-based services, including cloud computing, hosted software solutions, and software-as-a-service applications. The Company views the demand for data center colocation services as growing by at least 15% in 2011 and believes that it can attain at least this level of growth in its operations.

In 2011, the Company intends to continue to pursue additional customers and growth in its data center business and is prepared to commit additional resources, including resources for capital expenditures, acquisitions and working capital both within and outside its traditional operating territory, to support this growth.

IT Services and Hardware

Revenue from equipment distribution increased 9% in 2010 and decreased 20% in 2009. These customer purchases generally represent large capital purchases that are, to some extent, discretionary. That is, in periods of fiscal restraint, a customer may defer these capital purchases for IT and telephony equipment and, instead, use its existing equipment for a longer period of time. The Company experienced a recovery of sorts in 2010 as compared to the slow-down of these purchases in 2009, which the Company believes is largely due to the financial crisis in the worldwide financial markets experienced in 2009. As the economy began to recover in 2010, revenue from equipment distribution began to increase. The Company expects that a recovering economy could help increase demand for IT and telephony equipment in 2011.

Growth in managed services and professional services is somewhat dependent on the level of Company investment in these product services. Professional services require a "bench" of highly technical IT consultants that are available for customer projects, many times on an ad hoc basis. Managed services often requires upfront IT investment by the Company in order to realize a stream of recurring revenue from customers. The Company continues to invest in these services, but acknowledges that the primary portion of its investment resources will

be put toward data center opportunities primarily outside of Cincinnati, Ohio and, to a lesser extent, Fioptics construction, such that growth in 2011 in managed services and professional services will likely be limited.

Business and Consumer Customers

As noted previously in Item 1 under “Customers,” the Company’s revenue from consumer access line customers has decreased as a percentage of its total revenue, and revenue from other products, such as data center service for business customers, has increased. The Company expects these trends to continue. Because a large portion of the costs associated with the Company’s wireline voice service to consumers are fixed network costs, continued productivity improvements will be necessary and may likely be difficult to continue to achieve in order for the Company to reduce its costs at the same rate as the revenue losses associated with consumer access line loss. Conversely, the costs associated with the Company’s business growth products are largely variable in nature. For example, the construction of new data centers is required to continue business revenue growth for this service. The Company believes it has largely been successful in the past several years at maintaining revenue and profitability in the face of high margin consumer access line loss and lower margin business revenue growth, and it will need to continue to be innovative with new products and services for both consumers and business customers as well as achieve productivity gains for this success to continue in future years.

Contractual Obligations

The following table summarizes the Company’s contractual obligations as of December 31, 2010:

	Payments Due by Period				
(dollars in millions)	**Total**	**< 1 Year**	**1-3 Years**	**3-5 Years**	**Thereafter**
Long-term debt (1)	$2,396.7	$ 0.5	$ 0.9	$247.8	$2,147.5
Capital leases	133.4	16.0	18.1	8.4	90.9
Interest payments on long-term debt and capital leases (2)	1,739.1	204.5	406.2	388.9	739.5
Noncancelable operating lease obligations	42.8	11.7	17.7	11.5	1.9
Purchase obligations (3)	61.8	55.7	5.8	0.3	—
Pension and postretirement benefits obligations (4)	288.3	47.5	96.6	94.0	50.2
Other liabilities (5)	56.1	14.2	19.2	10.2	12.5
Total	$4,718.2	$350.1	$564.5	$761.1	$3,042.5

(1) Long-term debt excludes net unamortized discounts and the unamortized call amounts received on terminated interest rate swaps.

(2) Interest payments on long-term debt and capital leases include interest obligations assuming no early payment of debt in future periods. All of the Company’s outstanding balances at December 31, 2010 are fixed rate to maturity.

(3) Purchase obligations primarily consist of amounts under open purchase orders and other purchase commitments.

(4) Included in pension and postretirement benefit obligations are payments for the Company’s postretirement benefits, qualified pension plans, non-qualified pension plan and other employee retirement agreements. Amounts for 2011 include $22.1 million of expected cash contributions for postretirement benefits. Although the Company currently expects to continue operating the plans past 2011, its contractual obligation related to postretirement benefits only extends through the end of 2011. Amounts for 2011 through 2017 include approximately $246 million of estimated cash contributions to its qualified pension plans, with $23.4 million expected to be contributed in 2011. The Company’s expected qualified pension plan contributions are based on current plan design, legislation and current actuarial assumptions. Any changes in plan design, the legislation or actuarial assumptions will also affect the expected contribution amount.

(5) Includes contractual obligation payments primarily related to restructuring reserves, asset removal obligations, long-term disability obligations, workers compensation liabilities, other financing lease obligations, and long-term incentive plan obligations.

The contractual obligations table is presented as of December 31, 2010. The amount of these obligations can be expected to change over time as new contracts are initiated and existing contracts are completed, terminated, or modified.

Contingencies

In the normal course of business, the Company is subject to various regulatory and tax proceedings, lawsuits, claims, and other matters. The Company believes adequate provision has been made for all such asserted and unasserted claims in accordance with accounting principles generally accepted in the United States. Such matters are subject to many uncertainties and outcomes that are not predictable with assurance.

Off-Balance Sheet Arrangements

Indemnifications

During the normal course of business, the Company makes certain indemnities, commitments, and guarantees under which it may be required to make payments in relation to certain transactions. These include (a) intellectual property indemnities to customers in connection with the use, sales, and/or license of products and services, (b) indemnities to customers in connection with losses incurred while performing services on their premises, (c) indemnities to vendors and service providers pertaining to claims based on negligence or willful misconduct of the Company, (d) indemnities involving the representations and warranties in certain contracts, and (e) outstanding letters of credit which totaled $23.1 million as of December 31, 2010. In addition, the Company has made contractual commitments to several employees providing for payments upon the occurrence of certain prescribed events. The majority of these indemnities, commitments, and guarantees do not provide for any limitation on the maximum potential for future payments that the Company could be obligated to make. Except for indemnification amounts recorded in relation to the sale of its national broadband business in 2003, the Company has not recorded a liability for these indemnities, commitments, and other guarantees in the Consolidated Balance Sheets.

Warrants

As part of the March 2003 issuance of the 16% Senior Subordinated Discount Notes due 2009 ("16% Notes"), the purchasers of the 16% Notes received 17.5 million common stock warrants, which expire in March 2013, to purchase one share of Cincinnati Bell Inc. common stock at $3.00 each. Of the total gross proceeds received for the 16% Notes, $47.5 million was allocated to the fair value of the warrants using the Black-Scholes option-pricing model. The value less applicable issuance costs was recorded to "Additional paid-in capital" in the Consolidated Balance Sheet. There were no exercises of warrants in 2010, 2009, or 2008.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue, and expenses.

The discussion below addresses major judgments used in:

- revenue recognition;
- accounting for allowances for uncollectible accounts receivable;
- reviewing the carrying values of goodwill and indefinite-lived intangible assets;
- reviewing the carrying values of long-lived assets;
- accounting for business combinations;
- accounting for taxes;
- accounting for pension and postretirement expenses; and
- accounting for termination benefits.

The Company's senior management has discussed the critical accounting policies and estimates with the Audit and Finance Committee. The Company's significant accounting policies are summarized in Note 1 to the Consolidated Financial Statements.

Revenue Recognition — The Company adheres to revenue recognition principles described in Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic ("ASC") 605, "Revenue Recognition." Under ASC 605, revenue is recognized when there is persuasive evidence of a sale arrangement, delivery has occurred or services have been rendered, the sales price is fixed or determinable, and collectability is reasonably assured.

With respect to arrangements with multiple deliverables, the Company determines whether more than one unit of accounting exists in an arrangement. To the extent that the deliverables are separable into multiple units of accounting, total consideration is allocated to the individual units of accounting based on their relative fair value, determined by the price of each deliverable when it is regularly sold on a stand-alone basis. Revenue is recognized for each unit of accounting as delivered or as service is performed depending on the nature of the deliverable comprising the unit of accounting.

Wireline — Revenue from local telephone, special access, and internet product services, which are billed monthly prior to performance of service, is not recognized upon billing or cash receipt but rather is deferred until the service is provided. Long distance and switched access are billed monthly in arrears. The Company bills service revenue in regular monthly cycles, which are spread throughout the days of the month. As the last day of each billing cycle rarely coincides with the end of the Company's reporting period for usage-based services such as long distance and switched access, the Company must estimate service revenues earned but not yet billed. The Company bases its estimates upon historical usage and adjusts these estimates during the period in which the Company can determine actual usage, typically in the following reporting period.

Initial billings for Wireline service connection and activation are deferred and amortized into revenue on a straight-line basis over the average customer life. The associated connection and activation costs, to the extent of the upfront fees, are also deferred and amortized on a straight-line basis over the average customer life.

Pricing of local voice services is generally subject to oversight by both state and federal regulatory commissions. Such regulation also covers services, competition, and other public policy issues. Various regulatory rulings and interpretations could result in increases or decreases to revenue in future periods.

Wireless — Postpaid wireless and reciprocal compensation are billed monthly in arrears. The Company bills service revenue in regular monthly cycles, which are spread throughout the days of the month. As the last day of each billing cycle rarely coincides with the end of the Company's reporting period for usage-based services such as postpaid wireless, the Company must estimate service revenues earned but not yet billed. The Company bases its estimates upon historical usage and adjusts these estimates during the period in which the Company can determine actual usage, typically in the following reporting period.

Revenue from prepaid wireless service, which is collected in advance, is not recognized upon billing or cash receipt but rather is deferred until the service is provided.

Wireless handset revenue and the related activation revenue are recognized when the products are delivered to and accepted by the customer, as this is considered to be a separate earnings process from the sale of wireless services. Wireless equipment costs are also recognized upon handset sale and are in excess of the related handset and activation revenue.

Data Center Colocation — Data center colocation services consist primarily of recurring revenue streams from rent of data center space, power, cabinets and cages. These recurring revenue streams are generally billed monthly in advance and may have escalating payments over the term of the contract. In such arrangements with increasing or decreasing monthly billings, revenues are recognized on a straight-line basis over the contract term unless the pattern of service indicates otherwise.

Data center colocation services can also include revenues from non-recurring revenue streams. Non-recurring revenue for services or products that are separate units of accounting are recognized as revenue consistent with the Company's policy for arrangements with multiple deliverables presented above. Certain non-recurring installation fees, although generally paid in lump sum upon installation, are not considered separate units of accounting and therefore revenues and associated costs are deferred and recognized ratably over the estimated term of the customer relationship unless pattern of service indicates otherwise.

Agreements with data center customers require certain levels of service or performance. Although the occurrence is rare, if the Company fails to meet these levels, customers may be able to receive service credits for their accounts. The Company records these credits against revenue when an event occurs that gives rise to such credits.

IT Services and Hardware — IT Services and Hardware professional services, including product installations, are recognized as the service is provided. The IT Services and Hardware segment also provides maintenance services on telephony equipment under one to four year contract terms. This revenue is deferred and recognized ratably over the term of the underlying customer contract.

The Company recognizes equipment revenue upon the completion of contractual obligations, such as shipment, delivery, installation, or customer acceptance.

The Company is a reseller of IT and telephony equipment and considers the gross versus net revenue recording criteria of ASC 605, such as title transfer, risk of product loss, and collection risk. Based on this criteria, these equipment revenues and associated costs have generally been recorded on a gross basis, rather than recording the revenues net of the associated costs. The Company benefits from vendor rebate plans, particularly rebates on hardware sold by IT Services and Hardware. If the rebate is earned and the amount is determinable based on the sale of the product, the Company recognizes the rebate as an offset to costs of products sold upon sale of the related equipment to the customer.

The Company often is contracted to install the IT equipment that it sells. The revenue recognition guidance in ASC 985, "Software," is applied, which requires vendor specific objective evidence ("VSOE") in order to recognize the IT equipment separate from the installation. The Company has customers to which it sells IT equipment without the installation service, customers to which it provides installation services without the sale of IT equipment, and also customers to which it provides both the IT equipment and the installation service. As such, the Company has VSOE that permits the separation of the IT equipment from the installation services. The Company recognizes the revenue from the sale of IT equipment upon completion of its contractual obligations, generally upon delivery of the IT equipment to the customer, and recognizes installation service revenue upon completion of the installation.

Accounting for Allowances for Uncollectible Accounts Receivable — The Company established the allowances for uncollectible accounts using percentages of aged accounts receivable balances to reflect the historical average of credit losses as well as specific provisions for certain identifiable, potentially uncollectible balances. The Company believes its allowance for uncollectible accounts is adequate based on these methods, as the Company has not had unfavorable experience with its estimation methods. However, if one or more of the Company's larger customers were to default on its accounts receivable obligations or if general economic conditions in the Company's operating area deteriorated, the Company could be exposed to potentially significant losses in excess of the provisions established. Substantially all of the Company's outstanding accounts receivable balances are with entities located within its geographic operating areas. Regional and national telecommunications companies account for most of the remainder of the Company's accounts receivable balances. The Company has receivables with one large customer that exceeds 10% of the Company's outstanding accounts receivable balance.

Reviewing the Carrying Values of Goodwill and Indefinite-Lived Intangible Assets — Pursuant to ASC 350, "Intangibles — Goodwill and Other," goodwill and intangible assets not subject to amortization are tested for impairment annually or when events or changes in circumstances indicate that the asset might be impaired.

The Company estimated the fair value of the respective reporting units based on consideration of the expected future cash flows generated by the reporting unit discounted at the appropriate weighted average cost of capital, as well as a market approach, which includes the use of comparative multiples to corroborate the discounted cash flow results. In all cases, the fair value of the reporting unit exceeded the respective reporting unit's carrying value by at least 10%, and, as such, there was no goodwill impairment in 2010.

Indefinite-lived intangible assets consist of Federal Communications Commission ("FCC") licenses for spectrum and trademarks for the Wireless segment. The Company may renew the wireless licenses in a routine manner every ten years for a nominal fee, provided the Company continues to meet the service and geographic coverage provisions required by the FCC. The fair value of the licenses was determined by using the

“Greenfield” method, an income-based approach. The fair value of the trademarks was determined by using the relief-from-royalty method, which estimates the present value of royalty expense that could be avoided in the operating business as a result of owning the respective asset or technology. The fair values of the licenses and trademarks were at least 10% higher than their respective carrying values, and, as such, there was no impairment in 2010.

Changes in certain assumptions could have a significant impact on the impairment test for goodwill and indefinite-lived intangible assets. For example, a one percent change in the discount rate used to determine the fair value of the Data Center Colocation and Wireless segments, which represents over 60% and 30%, respectively, of the Company’s total goodwill and indefinite-lived intangible assets, would result in a change in the fair value of this reporting unit by approximately $50 million and $10 million, respectively.

Reviewing the Carrying Values of Long-Lived Assets — The Company’s provision for depreciation of its telephone plant is determined on a straight-line basis using the group depreciation method. Provision for depreciation of other property, except for leasehold improvements, is based on the straight-line method over the estimated economic useful life. Depreciation of leasehold improvements is based on a straight-line method over the lesser of the economic useful life or term of the lease, including option renewal periods if renewal of the lease is reasonably assured. Repairs and maintenance expense items are charged to expense as incurred.

The Company estimates the useful lives of plant and equipment in order to determine the amount of depreciation expense to be recorded during any reporting period. The majority of the Wireline segment plant and equipment is depreciated using the group method, which develops a depreciation rate annually based on the average useful life of a specific group of assets rather than for each individual asset as would be utilized under the unit method. The estimated life of the group changes as the composition of the group of assets and their related lives change. Such estimated life of the group is based on historical experience with similar assets, as well as taking into account anticipated technological or other changes.

If technological changes were to occur more rapidly than anticipated, the useful lives assigned to these assets may need to be shortened, resulting in the recognition of increased depreciation expense in future periods. Likewise, if the anticipated technological or other changes occur more slowly than expected, the life of the group could be extended based on the life assigned to new assets added to the group. This could result in a reduction of depreciation expense in future periods. Competition from new or more cost effective technologies could affect the Company’s ability to generate cash flow from its network-based services. This competition could ultimately result in an impairment of certain of the Company’s tangible or intangible assets. This could have a substantial impact on the operating results of the Company. A one-year change in the useful life of these assets would increase or decrease annual depreciation expense by approximately $25 million.

The Company reviews the carrying value of long-lived assets, other than goodwill and indefinite-lived intangible assets discussed above, when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An impairment loss is recognized when the estimated future undiscounted cash flows expected to result from the use of an asset (or group of assets) and its eventual disposition is less than its carrying amount. An impairment loss is measured as the amount by which the asset’s carrying value exceeds its estimated fair value. No such impairments were recorded in 2010.

The Company reviews the carrying value of intangible assets with definite lives (primarily customer relationships) when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An impairment loss is recognized when the estimated future undiscounted cash flows expected to result from the use of an asset (or group of assets) and its eventual disposition is less than its carrying amount. An impairment loss is measured as the amount by which the asset’s carrying value exceeds its estimated fair value. No such impairments were recorded in 2010. A one-year change in the useful life of these intangible assets would increase or decrease annual amortization expense by approximately $1 million.

Accounting for Business Combinations — In accounting for business combinations, the Company applies the accounting requirements of ASC 805, “Business Combinations,” which requires the recording of net assets of acquired businesses at fair value. In developing estimates of fair value of acquired assets and assumed liabilities, the Company analyzes a variety of factors including market data, estimated future cash flows of the acquired operations, industry growth rates, current replacement cost for fixed assets, and market rate assumptions for contractual obligations. Such a valuation requires management to make significant estimates and assumptions,

especially with respect to the intangible assets. In addition, contingent consideration will be presented at fair value at the date of acquisition and transaction costs will be expensed as incurred.

In determining the fair value of the Company's assets associated with the purchase of CyrusOne, the Company utilized several valuation methods:

- *Excess earnings method*: This method was used to determine the fair value of the CyrusOne customer relationship. This method estimates the present value of future cash flows attributable to the customer base and requires estimates of the expected future earnings and remaining useful lives of the customer relationships.
- *Cost method*: This method was used to determine the fair value of property, plant and equipment. This method indicates value based on the amount that currently would be required to replace the service capacity of the asset and considers the cost of a buyer to acquire or construct a substitute asset of comparable utility, adjusted for deterioration and obsolescence.
- *Relief-from-royalty*: This method, used to determine the fair value of the CyrusOne trademark, estimates the present value of royalty expense that could be avoided in the operating business as a result of owning the respective asset or technology.

Changes to the assumptions the Company used to estimate fair value could impact the recorded amounts for acquired assets and liabilities, including property, plant and equipment, intangible assets, and goodwill. Significant changes to these balances could have a material impact on the Company's future reported results.

Accounting for Taxes

Income Taxes

The income tax provision consists of an amount for taxes currently payable and an amount for tax consequences deferred to future periods. The Company's previous tax filings are subject to normal reviews by regulatory agencies until the related statute of limitations expires.

As of December 31, 2010, the Company had $451.8 million in net deferred income taxes, which includes approximately $1.1 billion of federal tax net operating loss carryforwards with a deferred tax asset value of approximately $385.3 million. The federal tax loss carryforwards are available to the Company to offset taxable income in current and future periods. The majority of the remaining tax loss carryforwards will expire between 2021 and 2023 and are not currently limited under U.S. tax laws. The ultimate realization of the deferred income tax assets depends upon the Company's ability to generate future taxable income during the periods in which basis differences and other deductions become deductible and prior to the expiration of the net operating loss carryforwards. Based on current income levels and anticipated future reversal of existing temporary differences, the Company expects to utilize its federal net operating loss carryforwards within their expiration periods. However, future utilization is not assured and can vary depending on the Company's financial performance.

In addition to the federal tax net operating loss carryforwards, the Company has state and local net operating loss carryforwards with a deferred tax asset value of approximately $60.5 million, alternative minimum tax credit carryforwards of approximately $14.4 million, and deferred tax temporary differences and other tax attributes of approximately $51.6 million. A valuation allowance of $60.0 million is provided at December 31, 2010 against certain state and local net operating losses and other deferred tax assets due to the uncertainty of the Company's ability to utilize the assets within the statutory expiration period.

The Company determines the effective tax rate by dividing income tax expense by income before taxes as reported in its Consolidated Statement of Operations. For reporting periods prior to the end of the Company's fiscal year, the Company records income tax expense based upon an estimated annual effective tax rate. This rate is computed using the statutory tax rate and an estimate of annual net income adjusted for an estimate of non-deductible expenses.

At December 31, 2010 and 2009, the Company had a $20.5 million and a $16.7 million liability recorded for unrecognized tax benefits, respectively. The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is $20.3 million. The Company does not currently anticipate that the amount of unrecognized tax benefits will change significantly over the next year.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state and local jurisdictions. With a few exceptions, the Company is no longer subject to U.S. federal, state or local examinations for years before 2007. In 2010, the Internal Revenue Service commenced an examination of the Company's U.S. Federal income tax return for 2008.

The Company recognizes accrued penalties related to unrecognized tax benefits in income tax expense. The Company recognizes accrued interest related to unrecognized tax benefits in interest expense. Accrued interest and penalties are insignificant at December 31, 2010 and December 31, 2009.

Refer to Note 12 to the Consolidated Financial Statements for further information regarding the Company's income taxes.

Operating Taxes

The Company incurs certain operating taxes that are reported as expenses in operating income, such as property, sales, use, and gross receipts taxes. These taxes are not included in income tax expense because the amounts to be paid are not dependent on the level of income generated by the Company. The Company also records expense against operating income for the establishment of liabilities related to certain operating tax audit exposures. These liabilities are established based on the Company's assessment of the probability of payment. Upon resolution of an audit, any remaining liability not paid is released and increases operating income. The Company recognized income of $0.5 million in 2010 and 2009, and expense of $1.5 million in 2008 upon resolution of operating tax audits, net of new liabilities established.

Regulatory Taxes

The Company incurs federal regulatory taxes on certain revenue producing transactions. The Company is permitted to recover certain of these taxes by billing the customer; however, collections cannot exceed the amount due to the federal regulatory agency. These federal regulatory taxes are presented in sales and cost of services on a gross basis because, while the Company is required to pay the tax, it is not required to collect the tax from customers and, in fact, does not collect the tax from customers in certain instances. The amount recorded as revenue for 2010, 2009, and 2008 was $19.9 million, $16.7 million, and $16.6 million, respectively. Excluding an operating tax settlement gain of $10.2 million in 2008, the amount expensed for 2010, 2009, and 2008 was $22.0 million, $17.2 million, and $17.0 million, respectively. The Company records all other taxes collected from customers on a net basis. In the fourth quarter of 2008, the Company settled certain operating tax issues and as a result recorded $10.2 million of income, which is presented as an "Operating tax settlement" in the Consolidated Statements of Operations.

Accounting for Pension and Postretirement Expenses — In accounting for pension and postretirement expenses, the Company applies the accounting requirements of ASC 715, "Compensation — Retirement Benefits." ASC 715 requires the Company to recognize the funded status of its defined benefit pension and postretirement benefit plans on the consolidated balance sheet and recognize as a component of accumulated other comprehensive income (loss), net of tax, the gains or losses and prior service costs that arise during the period, but are not recognized as components of net periodic benefit cost.

The Company sponsors three noncontributory defined benefit pension plans: one for eligible management employees, one for non-management employees, and one supplemental, nonqualified, unfunded plan for certain senior executives. The Company also provides health care and group life insurance benefits for eligible retirees. The Company's measurement date for its pension and postretirement obligations is as of December 31st of each year. When changes to the plans occur during interim periods, the Company reviews the changes and determines if a remeasurement is necessary.

In 2009, the Company announced significant changes to its management pension plan and its postretirement plans. The Company announced that it had frozen pension benefits for certain management employees below 50 years of age and had provided a 10-year transition period for those employees over the age of 50 after which the pension benefits will be frozen. Additionally, the Company announced it will phase out the retiree healthcare plans for all management employees and certain retirees from the bargained plan in 10 years.

The significant changes in 2009 caused a 90% decrease in the expected future service years for active participants in the management pension plan, which triggered a plan curtailment. The curtailment gain of $7.6 million consisted of the acceleration of unrecognized prior service benefits. The Company also determined that

the significant changes to the postretirement plan benefits required a remeasurement of these plans. The Company remeasured its management pension plan and its postretirement plans, using revised assumptions, including modified retiree benefit payment assumptions, revised discount rates and updated plan asset information. Additionally, the Company determined that these benefit changes result in substantially all of the remaining participants in the management postretirement plan to be either fully eligible for benefits or retired. As such, the unrecognized prior service gain and unrecognized actuarial gains are amortized over the average life expectancy of the retiree participants rather than the shorter service periods previously used. As a result of the remeasurement, the Company's pension and postretirement obligations were reduced by approximately $124 million, deferred tax assets were reduced for the related tax effect by $45 million, and equity was increased by $79 million.

In the first quarter of 2008, the Company incurred a $22.1 million special termination benefit charge related to 284 union employees accepting early retirement special termination benefits. The Company also recorded $2.1 million and $4.9 million of expense during 2009 and 2008, respectively, related to remaining special termination benefits being amortized over the future service period for both the management and union employees. As a result of the early retirement special termination benefits which decreased the expected future service years of the plan participants, the Company determined curtailment charges were required. The 2008 curtailment charge for the union pension plan and union postretirement plan consisted of an increase in the benefit obligation of $2.2 million and $12.5 million, and the acceleration of unrecognized prior service cost of $0.9 million and a benefit of $0.1 million, respectively. In the first quarter of 2008, as a result of the early retirement special termination benefits, the Company remeasured its non-management pension and postretirement obligations using revised assumptions, including modified retiree benefit payment assumptions and a discount rate of 6.4%. As a result of the remeasurement, the Company's pension and postretirement obligations were reduced by approximately $17 million, deferred tax assets were reduced for the related tax effect by $6 million, and equity was increased by $11 million.

The key assumptions used to account for the plans are disclosed in Note 10 to the Consolidated Financial Statements. The actuarial assumptions attempt to anticipate future events and are used in calculating the expenses and liabilities related to these plans. The most significant of these numerous assumptions, which are reviewed annually, include the discount rate, expected long-term rate of return on plan assets and health care cost trend rates.

Discount rate

A discount rate is used to measure the present value of the benefit obligations. The Company determines the discount rate for each plan individually. In determining the selection of a discount rate, the Company estimates the timing and expected future benefit payment, and applies a yield curve developed to reflect yields available on high-quality bonds. Based on the analysis, the discount rate was set at 4.90% for the pension plans and 4.50% for the postretirement plans as of December 31, 2010 and 5.50% for the pension plans and 5.10% for the postretirement plans as of December 31, 2009.

Expected rate of return

The expected long-term rate of return on plan assets, developed using the building block approach, is based on the mix of investments held directly by the plans, and the current view of expected future returns, which is influenced by historical averages. The required use of an expected versus actual long-term rate of return on plan assets may result in recognized pension expense or income that is greater or less than the actual returns of those plan assets in any given year. Over time, however, the expected long-term returns are designed to approximate the actual long-term returns. The Company used an assumed long-term rate of return of 8.25% on the Company's pension assets and no return on the postretirement assets to determine pension and postretirement benefit costs in 2010. At December 31, 2010, the pension asset returns remained at 8.25%, and the postretirement assets have zero rate of return because these assets were invested in low-risk securities with low returns. Actual asset returns for the pension trusts, which represent over 90% of invested assets, were a gain of 14% in 2010 and 15% in 2009, and a loss of 23% in 2008. In its pension calculations, the Company utilizes the market-related value of plan assets, which is a calculated asset value that recognizes changes in asset fair values in a systematic and consistent manner. Differences between actual and expected returns are recognized in the market-related value of plan assets over five years.

Health care cost trend

The Company's health care cost trend rate is developed on historical cost data, the near-term outlook, and an assessment of likely long-term trends. The health care cost trend rate used to measure the postretirement health benefit obligation at December 31, 2010 was 8.0% and is assumed to decrease gradually to 4.5% by the year 2018.

The actuarial assumptions used may differ materially from actual results due to the changing market and economic conditions and other changes. Revisions to and variations from these estimates would impact assets, liabilities, equity, cash flow, costs of services and products, and selling, general and administrative expenses.

The following table represents the sensitivity of changes in certain assumptions related to the Company's pension and postretirement plans:

		Pension Benefits		Postretirement and Other Benefits	
(dollars in millions)	**% Point Change**	**Increase/ (Decrease) in Obligation**	**Increase/ (Decrease) in Expense**	**Increase/ (Decrease) in Obligation**	**Increase/ (Decrease) in Expense**
Discount rate	+/-0.5%	$22.9/(22.9)	$ .7/(.7)	$5.5/(5.1)	$.2/(.2)
Expected return on assets	+/-0.5%	n/a	$1.8/(1.8)	n/a	$.1/(.1)
Health care cost trend rate	+/-1.0%	n/a	n/a	$5.5/(5.0)	$.3/(.2)

At December 31, 2010, the Company had unrecognized actuarial net losses of $248.4 million for the pension plans and $96.3 million for the postretirement and other benefit plans. The unrecognized net losses have been primarily generated by changes in previous years related to discount rates, asset return differences and actual health care costs. Because gains and losses reflect refinements in estimates as well as real changes in economic values and because some gains in one period may be offset by losses in another or vice versa, the Company is not required to recognize these gains and losses in the period that they occur. Instead, if the gains and losses exceed a 10% corridor defined in the accounting literature, the Company amortizes the excess over the average remaining service period of active employees (approximately 15 years on average) expected to receive benefits under the plan.

Accounting for Termination Benefits — The Company has written severance plans covering both its management and union employees and, as such, accrues probable and estimable employee separation liabilities in accordance with ASC 712, "Compensation — Nonretirement Postemployment Benefits." These liabilities are based on the Company's historical experience of severance, historical costs associated with severance, and management's expectation of future severance. As of December 31, 2010, the Company has $11.7 million of accrued employee separation liabilities. This represents expected severance costs for employees over the next several years that are primarily related to the Company's need to downsize its Wireline operations to conform to the decreased access lines being served by the Company.

When employee terminations occur, the Company also considers the guidance in ASC 715 to determine if employee terminations give rise to a pension and postretirement curtailment charge. The Company's policy is that terminations in a calendar year involving 10% or more of the plan future service years result in a curtailment of the pension or postretirement plan.

See Note 9 to the Consolidated Financial Statements for further discussion on the Company's restructuring plans.

Regulatory Matters and Competitive Trends

Federal — The Telecommunications Act of 1996 was enacted with the goal of establishing a pro-competitive, deregulatory framework to promote competition and investment in advanced telecommunications facilities and services to all Americans. From 1996 to 2008, federal regulators considered a multitude of proceedings ostensibly aimed at promoting competition and deregulation. Although the Act called for a deregulatory framework, the FCC's approach has been to maintain significant regulatory restraints on the traditional incumbent local exchange carriers while increasing opportunities for new competitive entrants and new services by applying minimal regulation. While the Company has expanded beyond its incumbent local exchange operations by offering wireless, long distance, broadband, Internet access, VoIP and out-of-territory competitive local exchange services, a significant portion of its revenue is still derived from its traditional local

exchange services, which remain subject to varying levels of regulation. Since 2009, federal regulators have primarily focused on initiatives to promote investment in and adoption of advanced telecommunications services, particularly broadband Internet access services.

On March 17, 2010, the FCC released a National Broadband Plan (“NBP”), as mandated by Congress, to ensure that every American has access to broadband services. The FCC released an action agenda containing benchmarks for implementing the NBP recommendations that fall under its jurisdiction. The recommendations have been grouped into four key areas: (1) accelerating universal broadband access and adoption, (2) fostering competition and maximizing consumer benefits, (3) promoting world-leading mobile broadband infrastructure and innovation, and (4) advancing robust and secure public safety communications networks. The majority of FCC regulatory proceedings are now focused on the fulfillment of the goals of the NBP. While the FCC took steps to implement some of the NBP recommendations during 2010, implementation of the more complex and controversial recommendations may span several years. Moreover, an opinion from the D.C. Circuit Court of Appeals in April 2010 called into question the legal theory that the FCC had been using to justify regulation of broadband Internet communications. In light of the D.C. Court’s ruling, the FCC spent much of 2010 reassessing its legal authority to implement some of the NBP recommendations, slowing action on some of the NBP-driven proceedings. During 2011, however, the FCC is expected to refocus its attention on the remaining NBP recommendations. The financial impact of the various federal proceedings will depend on many factors including the extent of competition, the timing and outcome of the FCC’s decisions, and any appeals of those decisions.

Intercarrier Compensation

Current rules specify different means of compensating carriers for the use of their networks depending on the type of traffic and technology used by the carriers. The FCC has an open proceeding to consider various proposals for revising the disparate intercarrier compensation system into a regime that treats all traffic uniformly. The NBP recommends that the FCC create a glide path to eliminate per-minute intercarrier compensation charges over an eight to ten year period. Although the FCC has been considering proposals to eliminate per-minute intercarrier compensation charges for the past ten years, it is expected to renew efforts to develop a sustainable plan in early 2011 in light of the NBP recommendation. The outcome of this proceeding could have a significant effect on all carriers and could impact the switched access and end-user components of CBT’s revenue.

Special Access

In early 2005, the FCC opened a proceeding to review the current special access pricing rules. Under the existing rules, CBT’s special access services are subject to price cap regulation with no earnings cap. This proceeding reexamines the entire special access pricing structure, including whether or not to reinstate an earnings cap. As recommended by the NBP, in 2010 the FCC continued to analyze whether the existing rules ensure just and reasonable rates. This investigation is expected to continue through 2011.

VoIP

In 2004, the FCC declared that VoIP services are interstate services and purportedly preempted state regulation. However, the FCC’s rulemaking proceeding to determine the regulatory status of IP-enabled services generally remains open. Although not classifying VoIP as a telecommunications service or information service, the FCC has extended many traditional telecommunications service obligations to VoIP service providers, including 911, universal service funding, local number portability, and regulations governing customer proprietary network information. Meanwhile, several state commissions have continued to challenge whether prior FCC orders have preempted state regulation of VoIP services. In November 2010, the FCC declared that states may levy USF assessments on nomadic VoIP service intrastate revenue. In response to several petitions, the FCC has also ruled that peer-to-peer Internet voice services that utilize Internet Protocol (“IP”) and that do not use the public switched telephone network (“PSTN”) are not subject to access charges. Separately, it has ruled that services that originate and terminate on the PSTN but employ IP in the middle are subject to access charges. The FCC is still considering other VoIP petitions, including one that seeks to exempt from access charges calls that originate using VoIP but terminate on the PSTN.

Universal Service

The federal Universal Service Fund ("USF") is currently funded via an assessment on the interstate end-user revenue of all telecommunications carriers and interconnected VoIP providers. The NBP calls for a major overhaul of the federal USF programs and funding mechanism. Although the FCC addressed a few of the NBP USF recommendations in 2010, work on the major overhaul of the high-cost funding mechanism — to transition from supporting legacy circuit-switched networks to broadband — is expected to start in earnest during 2011. Revisions to the USF funding mechanism are also anticipated as the FCC grapples with how to fund the universal service programs given the decline in the traditional USF funding base as consumers rely more and more on broadband to meet their communications needs. Changes in the funding mechanism and expansion of the low-income program to broadband services are likely to have the most direct impact on the Company as a result of USF reform.

Broadband Internet Access/Net Neutrality

In an order adopted in 2005, the FCC provided wireline carriers the option of offering broadband Internet access as a non-regulated information service (comparable treatment to cable modem Internet access) or as a regulated telecommunications service. In 2007, CBT elected the non-regulated information service designation for its broadband Internet access service. The FCC also ruled that wireless broadband service is a non-regulated information service, placing it on the same regulatory footing as other broadband services such as cable modem service and wireline DSL service.

In conjunction with the adoption of the 2005 wireline broadband Internet access order, the FCC adopted a policy statement intended to ensure that broadband networks are widely deployed, open, affordable, and accessible to all consumers. In 2009, the FCC opened a proceeding to codify the "net neutrality" principles established in the 2005 policy statement. However, in April 2010, the D.C. Circuit Court of Appeals issued an opinion finding that an FCC enforcement action regarding Comcast's network management practices exceeded the FCC's authority, causing the FCC to reassess its approach to crafting net neutrality rules. Finally, in December 2010, the FCC adopted net neutrality rules that require broadband providers to publicly disclose network management practices, restrict them from blocking Internet content and applications, and prohibit fixed broadband providers from engaging in unreasonable discrimination in transmitting traffic. Appeals of these rules are expected. If they are not stayed by the court pending appeal, however, the rules will take effect in 2011. The rules will be enforced by the FCC on a case-by-case basis as complaints arise.

FCC Safeguards to Protect Customer Proprietary Network Information ("CPNI")

In 2007, the FCC released an order implementing new CPNI rules designed to prevent pretexting to gain access to customer information. The new rules, which became effective in December 2007, require carriers to implement security protections limiting the manner in which certain customer information may be released and requiring notice to customers regarding certain types of changes to their account and CPNI breaches. Carriers must file an annual certification with the FCC that they are compliant with the rules, including a summary of actions taken in response to customer complaints.

State — CBT has operated under alternative regulation plans for its local services since 1994. These plans restricted CBT's ability to increase the price of basic local service and related services but, in return, freed CBT from being subject to an earnings cap. Under alternative regulation, price increases and enhanced flexibility for some services partially offset the effect of fixed pricing for basic local service and reduced pricing for other, primarily wholesale services.

Statutory changes enacted by the Ohio General Assembly in August 2005 gave the Public Utilities Commission of Ohio ("PUCO") the authority to provide ILECs with pricing flexibility for basic local rates upon a showing that consumers have sufficient competitive alternatives (House Bill 218). Since that time, the Company has applied for and received authority from the PUCO to increase its rates for basic local exchange service in eight of its Ohio exchanges. CBT implemented rate increases for basic local exchange service in its two largest Ohio exchanges in January 2007, in four additional exchanges in February 2009, and in two more exchanges in January 2010.

In September 2010, the Ohio General Assembly enacted Substitute Senate Bill 162, which revised state policy concerning the provision of telecommunications service, repealed Ohio's existing alternative regulation legislation, and authorized pricing flexibility for ILEC basic local exchange service upon a competitive showing

by the ILEC. In December 2010, CBT filed an application with the PUCO under the new rules to receive pricing flexibility in its four Ohio exchanges that did not have pricing flexibility under alternative regulation. The application was approved in January 2011, giving CBT the ability to implement a rate increase for basic local exchange service in all of its Ohio exchanges beginning in the first quarter of 2011. Furthermore, the new legislation provides potential cost savings and revenue opportunities resulting from revision of the PUCO's retail rules and service standards that will be effective for most retail services in January 2011.

CBT entered into its existing alternative regulation plan in Kentucky in July 2006 under terms established by the Kentucky General Assembly in House Bill No. 337. Under this plan, basic local exchange service prices are capped in exchange for earnings freedom and pricing flexibility on other retail services. The caps on basic local exchange service prices are scheduled to expire in July 2011, which may allow for additional price flexibility.

Ohio and Kentucky Cable Franchises

Ohio statewide video service authorization legislation was enacted in May 2007. In October 2007, CBET applied for statewide video service authorization, which was granted in December 2007. CBET is now authorized to provide service in our self-described territory with only 10-day notification to the local government entity and other providers. The authorization can be amended to include additional territory upon notification to the state. A franchise agreement with each local franchising authority is required in Kentucky. The Company initiated discussions with local jurisdictions in Kentucky in 2008 and has reached agreement with seven franchising authorities.

Recently Issued Accounting Standards

In September 2009, new accounting guidance under ASC 605 related to revenue arrangements with multiple deliverables was issued. The guidance addresses the unit of accounting for arrangements involving multiple deliverables, how arrangement consideration should be allocated to the separate units of accounting, and eliminates the criterion that objective and reliable evidence of fair value of any undelivered items must exist for the delivered item to be considered a separate unit of accounting. Such guidance is effective for fiscal years beginning on or after June 15, 2010. The adoption of this accounting standard is not expected to have a material impact on the consolidated financial statements.

In September 2009, new accounting guidance under ASC 605 was issued regarding tangible products containing both software and non-software components that function together to deliver the product's essential functionality. Such guidance is effective for fiscal years beginning on or after June 15, 2010. The adoption of this accounting standard is not expected to have a material impact on the consolidated financial statements.

Private Securities Litigation Reform Act of 1995 Safe Harbor Cautionary Statement

This Form 10-K contains "forward-looking" statements, as defined in federal securities laws including the Private Securities Litigation Reform Act of 1995, which are based on Cincinnati Bell Inc.'s current expectations, estimates and projections. Statements that are not historical facts, including statements about the beliefs, expectations and future plans and strategies of the Company, are forward-looking statements. These include any statements regarding:

- future revenue, operating income, profit percentages, income tax refunds, realization of deferred tax assets (including net operating loss carryforwards), earnings per share or other results of operations;
- the continuation of historical trends;
- the sufficiency of cash balances and cash generated from operating and financing activities for future liquidity and capital resource needs;
- the effect of legal and regulatory developments;
- the economy in general or the future of the communications services industries; and
- our expectations about the acquisition of Cyrus Networks, LLC and the performance of the combined business thereafter.

Actual results may differ materially from those expressed or implied in forward-looking statements. The following important factors, among other things could cause or contribute to actual results being materially different from those described or implied by such forward-looking statements including, but not limited to:

- changing market conditions and growth rates within the telecommunications industry or generally within the overall economy;

- changes in competition in markets in which the Company operates;
- pressures on the pricing of the Company's products and services;
- advances in telecommunications technology;
- the ability to generate sufficient cash flow to fund the Company's business plan, repay debt and interest obligations, and maintain the Company's networks;
- the ability to refinance the Company's indebtedness when required on commercially reasonable terms;
- changes in the telecommunications regulatory environment;
- changes in the demand for the Company's services and products;
- the demand for particular products and services within the overall mix of products sold, as the Company's products and services have varying profit margins;
- the Company's ability to introduce new service and product offerings on a timely and cost effective basis;
- work stoppages caused by labor disputes;
- restrictions imposed under various credit facilities and debt instruments;
- the Company's ability to attract and retain highly qualified employees;
- the Company's ability to access capital markets and the successful execution of restructuring initiatives;
- changes in the funded status of the Company's retiree pension and healthcare plans;
- changes in the Company's relationships with current large customers, a small number of whom account for a significant portion of Company revenue;
- disruption in the Company's back-office information technology systems, including its billing system;
- the Company's ability to integrate successfully the business of Cyrus Networks, LLC with the existing operations and to achieve the anticipated benefits of the acquisition of Cyrus Networks, LLC; and,
- failure or disruption in the operation of the Company's data centers.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. The Company does not undertake any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk Management

The Company's objective in managing its exposure to interest rate changes is to limit the impact of interest rate changes on earnings, cash flows, and the fair market value of certain assets and liabilities, while maintaining low overall borrowing costs.

At certain points in time the Company is exposed to the impact of interest rate fluctuations, primarily in the form of variable rate borrowings from its credit facility and changes in current rates compared to that of its fixed rate debt. The Company periodically employs derivative financial instruments to manage its exposure to these fluctuations and its total interest expense over time. The Company does not hold or issue derivative financial instruments for trading purposes or enter into transactions for speculative purposes. At December 31, 2010 and 2009, the Company had no derivative financial instruments outstanding.

The following table sets forth the face amounts, maturity dates, and average interest rates at December 31, 2010 for the Company's fixed-rate debt, excluding capital leases and other debt, unamortized discounts, and unamortized debt adjustments related to the terminated swaps:

(dollars in millions)	2011	2012	2013	2014	2015	Thereafter	Total	Fair Value
Fixed-rate debt	—	—	—	—	$247.6	$2,147.5	$2,395.1	$2,281.9
Average interest rate on fixed-rate debt	—	—	—	—	7.0%	8.3%	8.1%	—

At December 31, 2009, the carrying value and fair value of fixed-rate debt was $1,555.3 million and $1,516.3 million, respectively. At December 31, 2009, the carrying value and fair value of variable-rate debt was $290.9 million and $275.9 million, respectively.

Item 8. Financial Statements and Supplementary Data

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Financial statement schedules other than those listed above have been omitted because the required information is contained in the financial statements and notes thereto, or because such schedules are not required or applicable.

Form 10-K

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Cincinnati Bell Inc. and its subsidiaries (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a- 15(f) under the Securities Exchange Act of 1934. The Company's internal control system is designed to produce reliable financial statements in conformity with accounting principles generally accepted in the United States.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2010. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control — Integrated Framework*. Based on this assessment, management has concluded that, as of December 31, 2010, the Company's internal control over financial reporting is effective based on those criteria. Management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include an assessment of certain elements of internal controls over financial reporting of Cyrus Networks, LLC acquired on June 11, 2010, which is included in the consolidated financial statements of the Company for the year ended December 31, 2010. Cyrus Networks, LLC accounts for 22% of total assets, 3% of revenues, and 22% of net income of the consolidated financial statement amounts as of and for the year ended December 31, 2010.

The effectiveness of the Company's internal control over financial reporting has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report included herein.

February 28, 2011

/s/ John F. Cassidy

John F. Cassidy
President and Chief Executive Officer

/s/ Gary J. Wojtaszek

Gary J. Wojtaszek
Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareowners of Cincinnati Bell Inc.
Cincinnati, Ohio

We have audited the internal control over financial reporting of Cincinnati Bell Inc. and subsidiaries (the "Company") as of December 31, 2010, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in *Management's Report on Internal Control over Financial Reporting*, management excluded from its assessment the internal control over financial reporting at Cyrus Networks, LLC, which was acquired on June 11, 2010 and whose financial statements constitute 22% of total assets, 3% of revenues, and 22% of net income of the consolidated financial statement amounts as of and for the year ended December 31, 2010. Accordingly, our audit did not include the internal control over financial reporting at Cyrus Networks, LLC. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2010 of the Company and our report dated February 28, 2011 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ Deloitte & Touche LLP

Cincinnati, Ohio
February 28, 2011

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareowners of Cincinnati Bell Inc.
Cincinnati, Ohio

We have audited the accompanying consolidated balance sheets of Cincinnati Bell Inc. and subsidiaries (the "Company") as of December 31, 2010 and 2009, and the related consolidated statements of operations, shareowners' deficit and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2010. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Cincinnati Bell Inc. and subsidiaries at December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 14 to the consolidated financial statements, the Company revised its segment information to be consistent with changes to its management reporting. The Company's segment information from prior periods has been reclassified in accordance with the new segment financial reporting.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2011 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Cincinnati, Ohio
February 28, 2011

Cincinnati Bell Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Millions of Dollars, Except Per Share Amounts)

	Year Ended December 31,		
	2010	2009	2008
Revenue			
Services	$1,199.3	$1,169.9	$1,195.6
Products	177.7	166.1	207.4
Total revenue	1,377.0	1,336.0	1,403.0
Costs and expenses			
Cost of services, excluding items below	413.9	406.1	425.4
Cost of products sold, excluding items below	190.6	184.9	214.4
Selling, general and administrative	270.9	274.8	285.0
Depreciation	167.9	160.8	149.0
Amortization	11.6	4.1	4.9
Restructuring charges	13.7	5.0	28.1
Operating tax settlement	—	—	(10.2)
Loss on sale of asset and asset impairment	—	4.8	1.2
Acquisition costs	9.1	—	—
Total operating costs and expenses	1,077.7	1,040.5	1,097.8
Operating income	299.3	295.5	305.2
Interest expense	185.2	130.7	139.7
Loss (gain) on extinguishment of debt	46.5	10.3	(14.1)
Other expense, net	0.4	0.2	3.4
Income before income taxes	67.2	154.3	176.2
Income tax expense	38.9	64.7	73.6
Net income	28.3	89.6	102.6
Preferred stock dividends	10.4	10.4	10.4
Net income applicable to common shareowners	$ 17.9	$ 79.2	$ 92.2
Basic earnings per common share	$ 0.09	$ 0.37	$ 0.39
Diluted earnings per common share	$ 0.09	$ 0.37	$ 0.38
Weighted average common shares outstanding (millions)			
Basic	201.0	212.2	237.5
Diluted	204.0	215.2	242.7

The accompanying notes are an integral part of the consolidated financial statements.

Cincinnati Bell Inc.
CONSOLIDATED BALANCE SHEETS
(Millions of Dollars, Except Share Amounts)

	As of December 31,	
	2010	2009
Assets		
Current assets		
Cash and cash equivalents	$ 77.3	$ 23.0
Receivables, less allowances of $14.0 and $17.2	184.2	159.9
Inventory, materials and supplies	20.9	23.7
Deferred income taxes, net	29.6	83.9
Prepaid expenses	10.0	29.0
Other current assets	0.9	1.5
Total current assets	322.9	321.0
Property, plant and equipment, net	1,264.4	1,123.3
Goodwill	341.7	71.9
Intangible assets, net	236.0	110.1
Deferred income taxes, net	422.2	393.6
Other noncurrent assets	66.4	44.4
Total assets	$ 2,653.6	$ 2,064.3
Liabilities and Shareowners' Deficit		
Current liabilities		
Current portion of long-term debt	$ 16.5	$ 15.8
Accounts payable	110.2	106.2
Unearned revenue and customer deposits	48.1	46.6
Accrued taxes	13.5	14.8
Accrued interest	46.6	40.2
Accrued payroll and benefits	49.0	39.2
Deposit received for sale of wireless towers	—	25.6
Other current liabilities	44.8	35.4
Total current liabilities	328.7	323.8
Long-term debt, less current portion	2,507.1	1,963.3
Pension and postretirement benefit obligations	333.1	314.9
Other noncurrent liabilities	152.5	116.9
Total liabilities	3,321.4	2,718.9
Commitments and contingencies		
Shareowners' deficit		
Preferred stock, 2,357,299 shares authorized; 155,250 (3,105,000 depositary shares) of $6^3/_4$% Cumulative Convertible Preferred Stock issued and outstanding at December 31, 2010 and 2009; liquidation preference $1,000 per share ($50 per depositary share)	129.4	129.4
Common shares, $.01 par value; 480,000,000 shares authorized; 198,354,851 and 201,039,764 shares issued; 197,841,276 and 200,383,886 outstanding at December 31, 2010 and 2009	2.0	2.0
Additional paid-in capital	2,601.5	2,619.7
Accumulated deficit	(3,238.6)	(3,266.9)
Accumulated other comprehensive loss	(160.0)	(136.1)
Common shares in treasury, at cost: 513,575 and 655,878 shares at December 31, 2010 and 2009	(2.1)	(2.7)
Total shareowners' deficit	(667.8)	(654.6)
Total liabilities and shareowners' deficit	$ 2,653.6	$ 2,064.3

The accompanying notes are an integral part of the consolidated financial statements.

Cincinnati Bell Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Millions of Dollars)

	Year Ended December 31,		
	2010	2009	2008
Cash flows from operating activities			
Net income	$ 28.3	$ 89.6	$ 102.6
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	167.9	160.8	149.0
Amortization	11.6	4.1	4.9
Loss (gain) on extinguishment of debt	46.5	10.3	(14.1)
Loss on sale of asset and asset impairment	—	4.8	1.2
Provision for loss on receivables	15.2	22.3	19.7
Noncash interest expense	8.0	3.8	5.0
Deferred income tax expense, including valuation allowance change	38.2	61.0	67.7
Pension and other postretirement payments (in excess of) less than expense	(10.7)	(65.6)	61.4
Restricted stock and stock options amortization	3.3	8.5	5.6
Other, net	(3.5)	(2.1)	0.1
Changes in operating assets and liabilities, net of effect of acquisitions			
Increase in receivables	(26.7)	(16.4)	(7.4)
Decrease (increase) in inventory, materials, supplies, prepaid expenses and other current assets	22.2	(1.7)	—
Increase (decrease) in accounts payable	4.6	(6.4)	15.8
Increase (decrease) in accrued and other current liabilities	4.0	(16.3)	(16.4)
Decrease (increase) in other noncurrent assets	(5.4)	9.0	1.2
Increase (decrease) in other noncurrent liabilities	(3.5)	(0.1)	7.6
Net cash provided by operating activities	300.0	265.6	403.9
Cash flows from investing activities			
Capital expenditures	(149.7)	(195.1)	(230.9)
Acquisitions of businesses, net of cash acquired	(526.7)	(3.4)	(21.6)
Proceeds/deposits from sale of wireless towers	—	99.9	—
Proceeds from sale of wireless licenses	—	6.0	—
Return of deposit of wireless licenses	—	—	1.6
Other, net	0.9	(1.2)	0.4
Net cash used in investing activities	(675.5)	(93.8)	(250.5)
Cash flows from financing activities			
Issuance of long-term debt	2,134.3	492.8	23.0
Net change in credit and receivables facilities with initial maturities less than 90 days	(85.9)	(42.1)	(2.0)
Repayment of debt	(1,554.5)	(506.5)	(105.7)
Debt issuance costs and consent fees	(42.6)	(15.3)	(0.3)
Preferred stock dividends	(10.4)	(10.4)	(10.4)
Common stock repurchase	(10.0)	(73.2)	(76.8)
Other, net	(1.1)	(0.8)	(0.6)
Net cash provided by (used in) financing activities	429.8	(155.5)	(172.8)
Net increase (decrease) in cash and cash equivalents	54.3	16.3	(19.4)
Cash and cash equivalents at beginning of year	23.0	6.7	26.1
Cash and cash equivalents at end of year	$ 77.3	$ 23.0	$ 6.7

The accompanying notes are an integral part of the consolidated financial statements.

Cincinnati Bell Inc.
CONSOLIDATED STATEMENTS OF SHAREOWNERS' DEFICIT AND COMPREHENSIVE INCOME
(in Millions)

	6¾% Cumulative Convertible Preferred Shares		Common Shares		Additional Paid-in Shares	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Shares		Total
	Shares	Amount	Shares	Amount				Shares	Amount	
Balance at December 31, 2007	3.1	$129.4	256.7	$ 2.6	$2,922.7	$(3,459.1)	$(115.9)	(8.3)	$(147.3)	$(667.6)
Net income	—	—	—	—	—	102.6	—	—	—	102.6
Amortization of pension and postretirement costs, net of taxes of ($3.6)	—	—	—	—	—	—	6.3	—	—	6.3
Remeasurement of pension and postretirement liabilities and other, net of taxes of $39.8	—	—	—	—	—	—	(67.5)	—	—	(67.5)
Comprehensive income										41.4
Shares issued under employee plans	—	—	0.5	—	0.3	—	—	—	—	0.3
Shares purchased under employee plans and other	—	—	(0.3)	—	(1.2)	—	—	(0.1)	(0.6)	(1.8)
Restricted stock and stock options amortization	—	—	—	—	5.6	—	—	—	—	5.6
Repurchase of shares	—	—	—	—	—	—	—	(20.6)	(76.8)	(76.8)
Retirement of shares	—	—	(28.4)	(0.3)	(221.7)	—	—	28.4	222.0	—
Dividends on preferred stock	—	—	—	—	(10.4)	—	—	—	—	(10.4)
Balance at December 31, 2008	3.1	129.4	228.5	2.3	2,695.3	(3,356.5)	(177.1)	(0.6)	(2.7)	(709.3)
Net income	—	—	—	—	—	89.6	—	—	—	89.6
Amortization of pension and postretirement benefits, net of taxes of $2.1	—	—	—	—	—	—	(3.6)	—	—	(3.6)
Remeasurement of pension and postretirement liabilities and other, net of taxes of ($26.3)	—	—	—	—	—	—	44.6	—	—	44.6
Comprehensive income										130.6
Shares issued under employee plans	—	—	0.9	—	—	—	—	—	0.1	0.1
Shares purchased under employee plans and other	—	—	(0.4)	—	(0.8)	—	—	(0.1)	(0.1)	(0.9)
Restricted stock and stock options amortization	—	—	—	—	8.5	—	—	—	—	8.5
Repurchase and retirement of shares	—	—	(28.0)	(0.3)	(72.9)	—	—	—	—	(73.2)
Dividends on preferred stock	—	—	—	—	(10.4)	—	—	—	—	(10.4)
Balance at December 31, 2009	3.1	129.4	201.0	2.0	2,619.7	(3,266.9)	(136.1)	(0.7)	(2.7)	(654.6)
Net income	—	—	—	—	—	28.3	—	—	—	28.3
Amortization of pension and postretirement benefits, net of taxes of ($0.7)	—	—	—	—	—	—	1.2	—	—	1.2
Remeasurement of pension and postretirement liabilities and other, net of taxes of $13.9	—	—	—	—	—	—	(25.1)	—	—	(25.1)
Comprehensive income										4.4
Shares issued under employee plans	—	—	1.9	—	0.5	—	—	0.2	0.6	1.1
Shares purchased under employee plans and other	—	—	(0.6)	—	(1.6)	—	—	—	—	(1.6)
Restricted stock and stock options amortization	—	—	—	—	3.3	—	—	—	—	3.3
Repurchase and retirement of shares	—	—	(4.0)	—	(10.0)	—	—	—	—	(10.0)
Dividends on preferred stock	—	—	—	—	(10.4)	—	—	—	—	(10.4)
Balance at December 31, 2010	3.1	$129.4	198.3	$ 2.0	$2,601.5	$(3,238.6)	$(160.0)	(0.5)	$ (2.1)	$(667.8)

The accompanying notes are an integral part of the consolidated financial statements.

Notes to Consolidated Financial Statements

1. Description of Business and Significant Accounting Policies

Description of Business — Cincinnati Bell Inc. and its consolidated subsidiaries (the "Company") provides diversified telecommunications and technology services through businesses in four segments: Wireline, Wireless, Data Center Colocation and IT Services and Hardware. In the fourth quarter of 2010, the Company realigned its reportable business segments to be consistent with changes to its management reporting. The segment formerly known as the Technology Solutions segment was separated into the Data Center Colocation segment and the IT Services and Hardware segment. The changes to the Company's management reporting have been made primarily as a result of the June 2010 acquisition of Cyrus Networks, LLC ("CyrusOne"). Prior year amounts have been reclassified to conform to the current segment reporting. See Note 14 for information on the Company's reportable segments.

The Company generates a large portion of its revenue by serving customers in the Greater Cincinnati and Dayton, Ohio areas. An economic downturn or natural disaster occurring in this limited operating territory could have a disproportionate effect on the Company's business, financial condition, results of operations and cash flows compared to similar companies of a national scope and similar companies operating in different geographic areas.

Additionally, since approximately 35% of the Company's workforce is party to collective bargaining agreements, which expire in May 2011, a dispute or failed renegotiation of the collective bargaining agreements could have a material adverse effect on the business.

Basis of Presentation — The consolidated financial statements of the Company have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC") in accordance with generally accepted accounting principles ("GAAP") in the United States of America.

Basis of Consolidation — The consolidated financial statements include the consolidated accounts of Cincinnati Bell Inc. and its majority-owned subsidiaries over which it exercises control. Intercompany accounts and transactions have been eliminated in the consolidated financial statements. Investments over which the Company exercises significant influence are recorded under the equity method. At December 31, 2010 and 2009, the Company had no equity method investments. Investments in which the Company owns less than 20% and cannot exercise significant influence over the investee's operations are recorded at cost.

Use of Estimates — Preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates. In the normal course of business, the Company is subject to various regulatory and tax proceedings, lawsuits, claims, and other matters. The Company believes adequate provision has been made for all such asserted and unasserted claims in accordance with GAAP. Such matters are subject to many uncertainties and outcomes that are not predictable with assurance.

Business Combinations — In accounting for business combinations, the Company applies the accounting requirements of ASC 805, "Business Combinations," which requires the recording of net assets of acquired businesses at fair value. In developing estimates of fair value of acquired assets and assumed liabilities, the Company analyzes a variety of factors including market data, estimated future cash flows of the acquired operations, industry growth rates, current replacement cost for fixed assets, and market rate assumptions for contractual obligations. Such a valuation requires management to make significant estimates and assumptions, particularly with respect to the intangible assets. In addition, contingent consideration is presented at fair value at the date of acquisition and transaction costs are expensed as incurred.

Cash Equivalents — Cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less.

Receivables — Receivables consist principally of trade receivables from customers and are generally unsecured and due within 30 days. The Company has receivables with one large customer that exceed 10% of the Company's outstanding accounts receivable balance at December 31, 2010 and 2009. Unbilled receivables arise from services rendered but not yet billed. As of December 31, 2010 and 2009, unbilled receivables totaled $25.1 million and $28.7 million, respectively. Expected credit losses related to trade receivables are recorded as an

allowance for uncollectible accounts in the Consolidated Balance Sheets. The Company establishes the allowances for uncollectible accounts using percentages of aged accounts receivable balances to reflect the historical average of credit losses as well as specific provisions for certain identifiable, potentially uncollectible balances. When internal collection efforts on accounts have been exhausted, the accounts are written off and the associated allowance for uncollectible accounts are reduced.

Inventory, Materials and Supplies — Inventory, materials and supplies consists of wireless handsets, wireline network components, various telephony and IT equipment to be sold to customers, maintenance inventories, and other materials and supplies, which are carried at the lower of average cost or market.

Property, Plant and Equipment — Property, plant and equipment is stated at original cost and presented net of accumulated depreciation and impairment charges. The majority of the Wireline network property, plant and equipment used to generate its voice and data revenue is depreciated using the group method, which develops a depreciation rate annually based on the average useful life of a specific group of assets rather than for each individual asset as would be utilized under the unit method. The estimated life of the group changes as the composition of the group of assets and their related lives change. Provision for depreciation of other property, plant and equipment, except for leasehold improvements, is based on the straight-line method over the estimated economic useful life. Depreciation of leasehold improvements is based on a straight-line method over the lesser of the economic useful life or the term of the lease, including option renewal periods if renewal of the lease is reasonably assured.

Additions and improvements, including interest and certain labor costs incurred during the construction period, are capitalized, while expenditures that do not enhance the asset or extend its useful life are charged to operating expenses as incurred. Capitalized interest for 2010, 2009, and 2008 was $0.9 million, $2.2 million, and $3.1 million, respectively. The Company records the fair value of a legal liability for an asset retirement obligation in the period it is incurred. The removal cost is initially capitalized and depreciated over the remaining life of the underlying asset. The associated liability is accreted to its present value each period. Once the obligation is ultimately settled, any difference between the final cost and the recorded liability is recognized as income or loss on disposition.

Goodwill and Indefinite-Lived Intangible Assets

Goodwill — Goodwill represents the excess of the purchase price consideration over the fair value of net assets acquired and recorded in connection with business acquisitions. Impairment testing for goodwill is performed annually in the fourth quarter or more frequently if indications of potential impairment exist. The fair value of the respective reporting unit exceeds the corresponding carrying value for all reporting units with goodwill, and therefore no impairments exist for the periods presented.

Intangible assets not subject to amortization — Indefinite-lived intangible assets consist of FCC licenses for wireless spectrum and trademarks for the Wireless segment. The Company may renew the wireless licenses in a routine manner every ten years for a nominal fee, provided the Company continues to meet the service and geographic coverage provisions required by the FCC. Intangible assets not subject to amortization are tested for impairment annually, or when events or changes in circumstances indicate that the asset might be impaired. The fair value of each intangible asset was greater than the corresponding carrying value, and therefore no impairments exist for the periods presented.

Long-Lived Assets — The Company reviews the carrying value of property, plant and equipment and other long-lived assets, including intangible assets with definite lives (primarily customer relationships), when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An impairment loss is recognized when the estimated future undiscounted cash flows expected to result from the use of an asset (or group of assets) and its eventual disposition is less than its carrying amount. An impairment loss is measured as the amount by which the asset's carrying value exceeds its estimated fair value. No such impairments were recorded in 2010. Long-lived intangible assets are amortized based on the estimated economic value generated by the asset in future years.

Investments — The Company has certain cost method investments that do not have readily determinable fair values. The carrying value of these investments was $3.1 million and $2.2 million as of December 31, 2010 and 2009, respectively, and was included in “Other noncurrent assets” in the Consolidated Balance Sheets. Investments are reviewed annually for impairment. If the carrying value of the investment exceeds its estimated fair value and the decline in value is determined to be other-than-temporary, an impairment loss is recognized for the difference. The Company estimates fair value using external information and discounted cash flow analyses.

Revenue Recognition — The Company adheres to revenue recognition principles described in Financial Accounting Standards Board (“FASB”) Accounting Standards Codification Topic (“ASC”) 605, “Revenue Recognition.” Under ASC 605, revenue is recognized when there is persuasive evidence of a sale arrangement, delivery has occurred or services have been rendered, the sales price is fixed or determinable, and collectability is reasonably assured.

With respect to arrangements with multiple deliverables, the Company determines whether more than one unit of accounting exists in an arrangement. To the extent that the deliverables are separable into multiple units of accounting, total consideration is allocated to the individual units of accounting based on their relative fair value, determined by the price of each deliverable when it is regularly sold on a stand-alone basis. Revenue is recognized for each unit of accounting as delivered or as service is performed depending on the nature of the deliverable comprising the unit of accounting.

Wireline — Revenue from local telephone, special access, and internet product services, which are billed monthly prior to performance of service, is not recognized upon billing or cash receipt but rather is deferred until the service is provided. Long distance and switched access are billed monthly in arrears. The Company bills service revenue in regular monthly cycles, which are spread throughout the days of the month. As the last day of each billing cycle rarely coincides with the end of the Company’s reporting period for usage-based services such as long distance and switched access, the Company must estimate service revenues earned but not yet billed. The Company bases its estimates upon historical usage and adjusts these estimates during the period in which the Company can determine actual usage, typically in the following reporting period.

Initial billings for Wireline service connection and activation are deferred and amortized into revenue on a straight-line basis over the average customer life. The associated connection and activation costs, to the extent of the upfront fees, are also deferred and amortized on a straight-line basis over the average customer life.

Pricing of local voice services is generally subject to oversight by both state and federal regulatory commissions. Such regulation also covers services, competition, and other public policy issues. Various regulatory rulings and interpretations could result in increases or decreases to revenue in future periods.

Wireless — Postpaid wireless and reciprocal compensation are billed monthly in arrears. The Company bills service revenue in regular monthly cycles, which are spread throughout the days of the month. As the last day of each billing cycle rarely coincides with the end of the Company’s reporting period for usage-based services such as postpaid wireless, the Company must estimate service revenues earned but not yet billed. The Company bases its estimates upon historical usage and adjusts these estimates during the period in which the Company can determine actual usage, typically in the following reporting period.

Revenue from prepaid wireless service, which is collected in advance, is not recognized upon billing or cash receipt but rather is deferred until the service is provided.

Wireless handset revenue and the related activation revenue are recognized when the products are delivered to and accepted by the customer, as this is considered to be a separate earnings process from the sale of wireless services. Wireless equipment costs are also recognized upon handset sale and are in excess of the related handset and activation revenue.

Data Center Colocation — Data center colocation services consist primarily of recurring revenue streams from rent of data center space, power, cabinets and cages. These recurring revenue streams are generally billed monthly in advance and may have escalating payments over the term of the contract. In such arrangements with increasing or decreasing monthly billings, revenues are recognized on a straight-line basis over the contract term unless the pattern of service indicates otherwise.

Data center colocation services can also include revenues from non-recurring revenue streams. Non-recurring revenue for services or products that are separate units of accounting are recognized as revenue consistent with the Company’s policy for arrangements with multiple deliverables presented above. Certain

non-recurring installation fees, although generally paid in lump sum upon installation, are not considered separate units of accounting and therefore revenues and associated costs are deferred and recognized ratably over the estimated term of the customer relationship unless pattern of service suggests otherwise.

Agreements with data center customers require certain levels of service or performance. Although the occurrence is rare, if the Company fails to meet these levels, customers may be able to receive service credits for their accounts. The Company records these credits against revenue when an event occurs that gives rise to such credits.

IT Services and Hardware — IT Services and Hardware professional services, including product installations, are recognized as the service is provided. IT Services and Hardware also provides maintenance services on telephony equipment under one to four year contract terms. This revenue is deferred and recognized ratably over the term of the underlying customer contract.

The Company recognizes equipment revenue upon the completion of contractual obligations, such as shipment, delivery, installation, or customer acceptance.

The Company is a reseller of IT and telephony equipment and considers the gross versus net revenue recording criteria of ASC 605, such as title transfer, risk of product loss, and collection risk. Based on this criteria, these equipment revenues and associated costs have generally been recorded on a gross basis, rather than recording the revenues net of the associated costs. The Company benefits from vendor rebate plans, particularly rebates on hardware sold by IT Services and Hardware. If the rebate is earned and the amount is determinable based on the sale of the product, the Company recognizes the rebate as an offset to costs of products sold upon sale of the related equipment to the customer.

The Company often is contracted to install the IT equipment that it sells. The revenue recognition guidance in ASC 985, "Software," is applied, which requires vendor specific objective evidence ("VSOE") in order to recognize the IT equipment separate from the installation. The Company has customers to which it sells IT equipment without the installation service, customers to which it provides installation services without the sale of IT equipment, and also customers to which it provides both the IT equipment and the installation service. As such, the Company has VSOE that permits the separation of the IT equipment from the installation services. The Company recognizes the revenue from the sale of IT equipment upon completion of its contractual obligations, generally upon delivery of the IT equipment to the customer, and recognizes installation service revenue upon completion of the installation.

Advertising Expenses — Costs related to advertising are expensed as incurred and amounted to $22.0 million, $22.8 million, and $25.1 million in 2010, 2009, and 2008, respectively.

Legal Expenses — In the normal course of business the Company is involved in various claims and legal proceedings. Legal costs incurred in connection with loss contingencies are expensed as incurred. Legal claim accruals are recorded once determined to be both probable and estimable.

Income, Operating, and Regulatory Taxes

Income taxes — The income tax provision consists of an amount for taxes currently payable and an amount for tax consequences deferred to future periods. Deferred investment tax credits are amortized as a reduction of the provision for income taxes over the estimated useful lives of the related property, plant and equipment.

Deferred income taxes are provided for temporary differences in the bases between financial statement and income tax assets and liabilities. Deferred income taxes are recalculated annually at rates then in effect. Valuation allowances are recorded to reduce deferred tax assets to amounts that are more likely than not to be realized. The ultimate realization of the deferred income tax assets depends upon the Company's ability to generate future taxable income during the periods in which basis differences and other deductions become deductible and prior to the expiration of the net operating loss carryforwards.

The Company's previous tax filings are subject to normal reviews by regulatory agencies until the related statute of limitations expires.

Operating taxes — The Company incurs certain operating taxes that are reported as expenses in operating income, such as property, sales, use, and gross receipts taxes. These taxes are not included in income tax expense because the amounts to be paid are not dependent on the level of income generated by the Company. The Company also records expense against operating income for the establishment of liabilities related to certain operating tax audit exposures. These liabilities are established based on the Company's assessment of the

probability of payment. Upon resolution of an audit, any remaining liability not paid is released and increases operating income. The Company recognized income of $0.5 million in 2010 and 2009, and expense of $1.5 million in 2008 upon resolution of operating tax audits, net of new liabilities established.

Regulatory taxes — The Company incurs federal regulatory taxes on certain revenue producing transactions. The Company is permitted to recover certain of these taxes by billing the customer; however, collections cannot exceed the amount due to the federal regulatory agency. These federal regulatory taxes are presented in sales and cost of services on a gross basis because, while the Company is required to pay the tax, it is not required to collect the tax from customers and, in fact, does not collect the tax from customers in certain instances. The amounts recorded as revenue for 2010, 2009, and 2008 were $19.9 million, $16.7 million, and $16.6 million, respectively. Excluding an operating tax settlement gain of $10.2 million in 2008, the amount expensed for 2010, 2009, and 2008 was $22.0 million, $17.2 million, and $17.0 million, respectively. The Company records all other taxes collected from customers on a net basis. In the fourth quarter of 2008, the Company settled certain operating tax issues and as a result recorded $10.2 million of income, which is presented as an "Operating tax settlement" in the Consolidated Statements of Operations.

Stock-Based Compensation — The Company values all share-based payments to employees at fair value on the date of grant and expenses this amount over the applicable vesting period. The fair value of stock options and stock appreciation rights is determined using the Black-Scholes option-pricing model using assumptions such as volatility, risk-free interest rate, holding period and dividends. The fair value of stock awards is based on the Company's closing share price on the date of grant. For all share-based payments, an assumption is also made for the estimated forfeiture rate based on the historical behavior of employees. The forfeiture rate reduces the total fair value of the awards to be recognized as compensation expense. The Company's policy for graded vesting awards is to recognize compensation expense on a straight-line basis over the vesting period. The Company also has granted employee awards to be ultimately paid in cash which are indexed to the change in the Company's common stock price. These liability awards are marked to fair market value at each quarter-end, and the adjusted fair value is expensed on a pro-rata basis over the vesting period. Refer to Note 13 for further discussion related to stock-based and deferred compensation plans.

Employee Benefit Plans — As more fully described in Note 10, the Company maintains qualified and non-qualified defined benefit pension plans, and also provides postretirement healthcare and life insurance benefits for eligible employees. The Company recognizes the overfunded or underfunded status of its defined benefit pension and other postretirement benefit plans as either an asset or liability in its Consolidated Balance Sheets and recognizes changes in the funded status in the year in which the changes occur as a component of comprehensive income. Pension and postretirement healthcare and life insurance benefits earned during the year and interest on the projected benefit obligations are accrued and recognized currently in net periodic benefit cost. Prior service costs and credits resulting from changes in management plan benefits are amortized over the average life expectancy of the participants while non-management plan benefits are amortized over the average remaining service period of the employees expected to receive the benefits. Net gains or losses resulting from differences between actuarial experience and assumptions or from changes in actuarial assumptions are recognized as a component of annual net periodic benefit cost. Unrecognized actuarial gains or losses that exceed 10% of the projected benefit obligation are amortized on a straight-line basis over the average remaining service life of active employees (approximately 15 years).

Termination Benefits — The Company has written severance plans covering both its management and union employees and, as such, accrues probable and estimable employee separation liabilities in accordance with ASC 712, "Compensation — Nonretirement Postemployment Benefits." These liabilities are based on the Company's historical experience of severance, historical costs associated with severance, and management's expectation of future severance.

The Company accrues for special termination benefits upon acceptance by an employee of any voluntary termination offer and determines if the employee terminations give rise to a pension and postretirement curtailment charge in accordance with ASC 715. The Company's policy is that terminations in a calendar year involving 10% or more of the plan future service years will result in a curtailment of the pension or postretirement plan. See Note 9 for further discussion of the Company's restructuring plans.

Fair Value Measurements — Fair value of financial and non-financial assets and liabilities is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The three-tier hierarchy for inputs used in measuring fair value, which prioritizes the inputs used in the methodologies of measuring fair value for asset and liabilities, is as follows:

Level 1 — Observable inputs for identical instruments such as quoted market prices;

Level 2 — Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs); and

Level 3 — Unobservable inputs that reflect the Company's determination of assumptions that market participants would use in pricing the asset or liability. These inputs are developed based on the best information available, including the Company's own data.

Derivative Financial Instruments — Historically, the Company has been exposed to the impact of interest rate fluctuations on its indebtedness. The Company periodically employs derivative financial instruments to manage its balance of fixed rate and variable rate indebtedness. The Company does not hold or issue derivative financial instruments for trading or speculative purposes. Interest rate swap agreements, a particular type of derivative financial instrument, involve the exchange of fixed and variable rate interest payments and do not represent an actual exchange of the notional amounts between the parties.

Changes in the fair value of derivative financial instruments used effectively as a fair value hedge are recognized in "Interest expense" in the Consolidated Statements of Operations. Changes in the fair value of derivative financial instruments not qualifying as hedges or any ineffective portion of hedges are recognized in "Other expense, net" in the Consolidated Statements of Operations.

Indemnifications — During the normal course of business, the Company makes certain indemnities, commitments, and guarantees under which it may be required to make payments in relation to certain transactions. These include (a) intellectual property indemnities to customers in connection with the use, sales, and/or license of products and services, (b) indemnities to customers in connection with losses incurred while performing services on their premises, (c) indemnities to vendors and service providers pertaining to claims based on negligence or willful misconduct of the Company, (d) indemnities involving the representations and warranties in certain contracts, and (e) outstanding letters of credit which totaled $23.1 million as of December 31, 2010. In addition, the Company has made contractual commitments to several employees providing for payments upon the occurrence of certain prescribed events. The majority of these indemnities, commitments, and guarantees do not provide for any limitation on the maximum potential for future payments that the Company could be obligated to make. Except for indemnification amounts recorded in relation to the sale of its national broadband business in 2003, the Company has not recorded a liability for these indemnities, commitments, and other guarantees in the Consolidated Balance Sheets.

Treasury Shares — The repurchase of common shares is recorded at purchase cost as treasury shares. The Company's policy is to retire, either formally or constructively, treasury shares that the Company anticipates will not be reissued. Upon retirement, the purchase cost of the treasury shares that exceeds par value is recorded as a reduction to "Additional paid-in capital" in the Consolidated Balance Sheets.

Recently Issued Accounting Standards — In September 2009, new accounting guidance under ASC 605 related to revenue arrangements with multiple deliverables was issued. The guidance addresses the unit of accounting for arrangements involving multiple deliverables, how arrangement consideration should be allocated to the separate units of accounting, and eliminates the criterion that objective and reliable evidence of fair value of any undelivered items must exist for the delivered item to be considered a separate unit of accounting. Such guidance is effective for fiscal years beginning on or after June 15, 2010. The adoption of this accounting standard is not expected to have a material impact on the consolidated financial statements.

In September 2009, new accounting guidance under ASC 605, was issued regarding tangible products containing both software and non-software components that function together to deliver the product's essential functionality. Such guidance is effective for fiscal years beginning on or after June 15, 2010. The adoption of this accounting standard is not expected to have a material impact on the consolidated financial statements.

2. Acquisitions of Businesses

Cyrus Networks, LLC

On June 11, 2010 (the "Acquisition Date"), the Company purchased CyrusOne, a data center operator based in Texas, for approximately $526 million, net of cash acquired. CyrusOne is the largest data center colocation provider in Texas, servicing primarily large businesses. CyrusOne is now a wholly-owned subsidiary of the Company. The purchase of CyrusOne has been accounted for as a business combination under the acquisition method.

The following table summarizes the allocation of the assets acquired and liabilities assumed at the Acquisition Date:

(dollars in millions)	
Assets acquired	
Receivables	$ 10.4
Other current assets	0.5
Property, plant and equipment	153.6
Goodwill	269.6
Intangible assets	138.0
Other noncurrent assets	0.1
Total assets acquired	572.2
Liabilities assumed	
Accounts payable	3.1
Unearned revenue and customer deposits	7.7
Accrued taxes	1.5
Accrued payroll and benefits	0.7
Other current liabilities	0.8
Noncurrent liabilities	32.1
Total liabilities assumed	45.9
Net assets acquired	$526.3

As required under ASC 805, the Company has valued the assets acquired and liabilities assumed at fair value. The Company has determined the fair value of property, plant and equipment, identifiable intangible assets and noncurrent liabilities with the assistance of an independent valuation firm. All other fair value determinations were made solely by the Company. During the quarter ended December 31, 2010, goodwill decreased by approximately $1.3 million due to changes in the purchase price allocation.

The following table presents detail of the purchase price allocated to intangible assets of CyrusOne at the Acquisition Date:

(dollars in millions)	Fair Value	Weighted Average Amortization Period in Years
Intangible assets subject to amortization:		
Customer relationships	$126.7	15 years
Trademark	7.4	15 years
Favorable leasehold interest	3.9	56 years
Total intangible assets	$138.0	16 years

The customer relationships and trademark assets are being amortized relative to the estimated economic value generated by these assets in future years. The favorable leasehold interest is being amortized on a straight-line basis, which approximates the estimated economic value generated by this asset in future years. The Company anticipates both the goodwill and intangible assets to be fully deductible for tax purposes.

The results of operations of CyrusOne are included in the consolidated results of operations beginning June 11, 2010, and are included in the Data Center Colocation segment. For the twelve months ended December 31, 2010, $45.0 million of revenue and $11.1 million of operating income is included in the consolidated results of operations. The Company incurred approximately $9.1 million of acquisition-related costs.

The following unaudited pro forma consolidated results of operations assume the acquisition of CyrusOne was completed as of the beginning of the annual reporting periods presented:

	Year Ended December 31,	
(dollars in millions, except per share amounts)	2010	2009
Revenue	$1,408.6	$1,392.7
Net income	23.3	65.1
Earnings per share:		
Basic earnings per common share	0.06	0.26
Diluted earnings per common share	0.06	0.25

These results include adjustments related to the purchase price allocation and financing of the acquisition, primarily to reduce revenue for the elimination of the unearned revenue liability in the opening balance sheet, to increase depreciation and amortization associated with the higher values of property, plant and equipment and identifiable intangible assets, to increase interest expense for the additional debt incurred to complete the acquisition, and to reflect the related income tax effect and change in tax status. The pro forma information does not necessarily reflect the actual results of operations had the acquisition been consummated at the beginning of the annual reporting period indicated nor is it necessarily indicative of future operating results. The pro forma information does not include any (i) potential revenue enhancements, cost synergies or other operating efficiencies that could result from the acquisition or (ii) transaction or integration costs relating to the acquisition.

Virtual Blocks Inc. and Cintech LLC

In 2009, for a total acquisition price of $2.5 million, Cincinnati Bell Technology Solutions, Inc. ("CBTS") purchased the assets of Toronto, Canada-based Virtual Blocks Inc., a leading software developer in the area of data center virtualization, and Cincinnati, Ohio-based Cintech LLC, a hosted provider of an outbound notification service. The financial results have been included in the IT Services and Hardware segment and were immaterial to the Company's financial statements for the years ended December 31, 2010 and 2009.

3. Earnings Per Common Share

Basic earnings per common share ("EPS") is based on the weighted average number of common shares outstanding during the period. Diluted EPS reflects the potential dilution that would occur if common stock equivalents were exercised, but only to the extent that they are considered dilutive to the Company's diluted EPS. The impact of participating securities on the calculations of basic and diluted EPS was immaterial. The following table is a reconciliation of the numerators and denominators of the basic and diluted EPS computations:

	Year Ended December 31,		
(in millions, except per share amounts)	**2010**	**2009**	**2008**
Numerator:			
Net income	$ 28.3	$ 89.6	$102.6
Preferred stock dividends	10.4	10.4	10.4
Numerator for basic and diluted EPS	$ 17.9	$ 79.2	$ 92.2
Denominator:			
Denominator for basic EPS — weighted average common shares outstanding	201.0	212.2	237.5
Warrants	0.6	0.6	3.4
Stock-based compensation arrangements	2.4	2.4	1.8
Denominator for diluted EPS	204.0	215.2	242.7
Basic earnings per common share	$ 0.09	$ 0.37	$ 0.39
Diluted earnings per common share	$ 0.09	$ 0.37	$ 0.38
Potentially issuable common shares excluded from denominator for diluted EPS due to anti-dilutive effect	40.5	42.4	42.0

4. Property, Plant and Equipment

Property, plant and equipment is comprised of the following:

	December 31,		
(dollars in millions)	**2010**	**2009**	**Depreciable Lives (Years)**
Land and rights-of-way	$ 9.8	$ 9.8	20-Indefinite
Buildings and leasehold improvements	616.9	466.8	2-50
Network equipment	2,609.2	2,519.2	2-50
Office software, furniture, fixtures and vehicles	122.7	122.5	3-14
Construction in process	41.2	26.8	n/a
Gross value	3,399.8	3,145.1	
Accumulated depreciation	(2,135.4)	(2,021.8)	
Net book value	$ 1,264.4	$ 1,123.3	

Gross property, plant and equipment includes $161.5 million and $139.9 million of assets accounted for as capital leases as of December 31, 2010 and 2009, respectively, primarily related to wireless towers, and data center equipment and facilities. These assets are primarily included in the captions "Buildings and leasehold improvements," "Network equipment," and "Office software, furniture, fixtures and vehicles." See Note 7 for further discussion regarding capital leases related to wireless towers. The Company currently has capital leases for five data center facilities with an option to extend the initial lease term and, for two of the facilities, the Company has the option to purchase the buildings. Amortization of capital leases is included in "Depreciation" in the Consolidated Statements of Operations. Approximately 82%, 82%, and 81% of "Depreciation," as presented in the Consolidated Statements of Operations in 2010, 2009, and 2008, respectively, was associated with the cost of providing services and products.

The following table presents the activity for the Company's asset retirement obligations, which are included in "Other noncurrent liabilities" in the Consolidated Balance Sheets.

(dollars in millions)	December 31, 2010	December 31, 2009
Balance, beginning of period	$ 5.0	$ 9.1
Liabilities settled due to sale of wireless towers	(0.2)	(4.6)
Accretion expense	0.3	0.5
Balance, end of period	$ 5.1	$ 5.0

5. Goodwill and Intangible Assets

Goodwill

The changes in the carrying amount of goodwill for the years ended December 31, 2010 and 2009 are as follows:

(dollars in millions)	Wireless	Wireline	Data Center Colocation	IT Services and Hardware	Total
Balance as of December 31, 2008	$50.3	$12.6	$ 6.7	$2.2	$ 71.8
Virtual Blocks Inc. and Cintech LLC acquisition (see Note 2)	—	—	—	0.1	0.1
Balance as of December 31, 2009	$50.3	$12.6	$ 6.7	$2.3	$ 71.9
CyrusOne acquisition (see Note 2)	—	—	269.6	—	269.6
Other acquired during the year	—	—	—	0.2	0.2
Balance as of December 31, 2010	$50.3	$12.6	$276.3	$2.5	$341.7

Intangible Assets Not Subject to Amortization

The intangible assets with indefinite lives are included in the Wireless segment and are comprised of the following:

(dollars in millions)	December 31, 2010	December 31, 2009
FCC licenses	$88.2	$88.2
Trademarks	6.2	6.2

Intangible Assets Subject to Amortization

Summarized below are the carrying values for the major classes of intangible assets:

(dollars in millions)	Average Weighted Average Life in Years	December 31, 2010		December 31, 2009	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer relationships					
Wireline	10	$ 7.0	$ (3.4)	$ 7.0	$ (2.5)
Wireless	9	8.7	(6.8)	9.5	(6.3)
Data Center Colocation	15	136.6	(11.4)	9.9	(2.4)
IT Services and Hardware	5	2.0	(1.9)	2.0	(1.5)
		$154.3	$(23.5)	$28.4	$(12.7)
Trademark — Data Center Colocation	15	$ 7.4	$ (0.5)	$ —	$ —
Favorable leasehold interest — Data Center Colocation	56	3.9	—	—	—

The increase in the Data Center Colocation segment resulted from the CyrusOne acquisition in June 2010. See Note 2 for further discussion.

Amortization expense for intangible assets subject to amortization was $11.6 million in 2010, $4.1 million in 2009, and $4.9 million in 2008. The following table presents estimated amortization expense for 2011 through 2015:

(dollars in millions)	
2011	$17.5
2012	18.4
2013	18.6
2014	18.4
2015	15.7

6. Debt

Debt is comprised of the following:

(dollars in millions)	December 31, 2010	December 31, 2009
Current portion of long-term debt:		
Credit facility, Tranche B Term Loan	$ —	$ 2.1
Capital lease obligations and other debt	16.5	13.7
Current portion of long-term debt	16.5	15.8
Long-term debt, less current portion:		
Credit facility, Tranche B Term Loan	—	202.8
$8^3/_8$ % Senior Subordinated Notes due 2014*	—	569.8
7% Senior Notes due 2015*	251.4	252.3
$8^1/_4$% Senior Notes due 2017	500.0	500.0
$8^3/_4$ % Senior Subordinated Notes due 2018	625.0	—
$8^3/_8$ % Senior Notes due 2020	775.0	—
$7^1/_4$% Senior Notes due 2023	40.0	40.0
Receivables Facility	—	85.9
Various Cincinnati Bell Telephone notes	207.5	207.5
Capital lease obligations and other debt	118.5	111.8
	2,517.4	1,970.1
Net unamortized discount	(10.3)	(6.8)
Long-term debt, less current portion	2,507.1	1,963.3
Total debt	$2,523.6	$1,979.1

* The face amount of these notes has been adjusted for the unamortized called amounts received on terminated interest rate swaps.

Capital lease obligations are addressed in Note 7.

Corporate Credit Facilities

On June 11, 2010, the Company entered into a new Corporate credit facility agreement, which included a new revolving credit facility, replacing the existing revolving credit facility that would have expired in August 2012, and a $760 million secured term loan credit facility (“Tranche B Term Loan”). The new Corporate revolving credit facility provides a $210 million revolving line of credit and terminates in June 2014. The net proceeds of $737 million from the Tranche B Term Loan were used to fund the acquisition of CyrusOne, to repay the Company’s previous term loan facility totaling $204.3 million, and to pay related fees and expenses. The

average interest rate charged on borrowings under the revolving credit facilities was 3.7%, 3.3%, and 4.8% for 2010, 2009, and 2008, respectively. Under the Tranche B Term Loan, the average interest rate charged was 6.5% in 2010. Interest charged on the previous term loan facility was 1.8%, 2.5%, and 5.0% in 2010, 2009, and 2008, respectively. The Company recorded interest expense of $20.1 million, $7.3 million, and $14.6 million in 2010, 2009, and 2008, respectively, on the various corporate credit facilities.

In the fourth quarter of 2010, the Company issued $775 million of $8^{3}/_{8}$% Senior Notes due 2020, and extinguished the entire $760 million Tranche B Term Loan. The Company incurred a loss on extinguishment of debt of $36.1 million, consisting of the write-off of unamortized discount and debt issuance costs.

The new Corporate revolving credit facility is funded by 11 different financial institutions, with no financial institution having more than 15% of the total facility. Borrowings under the new Corporate revolving credit facility bear interest, at the Company's election, at a rate per annum equal to (i) LIBOR plus the applicable margin or (ii) the base rate plus the applicable margin. The applicable margin is based on certain Company financial ratios and ranges between 4.25% and 5.00% for LIBOR rate advances, and 3.25% and 4.00% for base rate advances. Base rate is the greater of the bank prime rate, the LIBOR rate plus one percent or the federal funds rate plus one-half percent. As of December 31, 2010, the Company did not have any outstanding borrowings under its revolving credit facility, and had outstanding letters of credit totaling $23.1 million, leaving $186.9 million in additional borrowing availability under its revolving credit facility.

The Company pays commitment fees for the unused amount of borrowings on the revolving credit facility and letter of credit fees on outstanding letters of credit at an annual rate ranging from 0.50% to 0.75% and 4.25% to 5.00%, respectively, based on certain Company financial ratios. These fees were $2.3 million in 2010 and $1.4 million in both 2009 and 2008.

The Company and all its future or existing subsidiaries (other than Cincinnati Bell Telephone Company LLC ("CBT"), Cincinnati Bell Extended Territories ("CBET"), Cincinnati Bell Funding LLC ("CBF"), its foreign subsidiaries and certain immaterial subsidiaries) guarantee borrowings of CBI under the Corporate credit facility. Each of the Company's current subsidiaries that is a guarantor of the Corporate credit facility is also a guarantor of the 7% Senior Notes due 2015, $8^{1}/_{4}$% Senior Notes due 2017, $8^{3}/_{4}$% Senior Subordinated Notes due 2018, and $8^{3}/_{8}$% Senior Notes due 2020, with certain immaterial exceptions. Refer to Notes 16 and 17 for supplemental guarantor information. The Company's obligations under the Corporate credit facility are also collateralized by perfected first priority pledges and security interests in the following:

- substantially all of the equity interests of the Company's U.S. subsidiaries (other than CBF and subsidiaries of CBT, CBET, and certain immaterial subsidiaries) and 66% of its equity interests in its foreign subsidiaries; and
- certain personal property and intellectual property of the Company and its subsidiaries (other than that of CBT, CBET, CBF, its foreign subsidiaries and certain immaterial subsidiaries) with a total carrying value of approximately $500 million at December 31, 2010.

Accounts Receivable Securitization Facility

In March 2007, the Company and certain subsidiaries entered into an accounts receivable securitization facility ("Receivables Facility"), which permitted borrowings of up to $80 million. In March 2009 and July 2009, the Company amended the Receivables Facility to include additional subsidiaries and increased the maximum potential borrowing amount to $115 million, depending on the level of eligible receivables and other factors. In June 2010, the Company amended the Receivables Facility and reduced the total borrowing capacity from $115 million to $100 million. In December 2010 the Company amended the Receivables Facility to add its subsidiary Cincinnati Bell Data Centers Inc. ("CBDC"). Under the amended Receivables Facility, CBT, CBET, Cincinnati Bell Wireless Company ("CBW"), Cincinnati Bell Any Distance, Inc. ("CBAD"), CBTS, eVolve Business Solutions LLC ("eVolve"), Cincinnati Bell Complete Protection ("CBCP") and CBDC sell their respective trade receivables on a continuous basis to CBF, a wholly-owned limited liability company. In turn, CBF grants, without recourse, a senior undivided interest in the pooled receivables to commercial paper conduits in exchange for cash while maintaining a subordinated undivided interest, in the form of over-collateralization, in the pooled receivables. The Company has agreed to continue servicing the receivables for CBF at market rates; accordingly,

no servicing asset or liability has been recorded. The Receivables Facility is subject to bank renewals in the second quarter of each year, and in any event expires in March 2012. In the event the Receivables Facility is not renewed, the Company believes it would be able to refinance any outstanding borrowings under the Corporate revolving credit facility.

Although CBF is a wholly-owned consolidated subsidiary of the Company, CBF is legally separate from the Company and each of the Company's other subsidiaries. Upon and after the sale or contribution of the accounts receivable to CBF, such accounts receivable are legally assets of CBF, and as such are not available to creditors of other subsidiaries or the parent company.

For the purposes of consolidated financial reporting, the Receivables Facility is accounted for as a secured financing. Because CBF has the ability to prepay the Receivables Facility at any time by making a cash payment and effectively repurchasing the receivables transferred pursuant to the facility, the transfers do not qualify for "sale" treatment on a consolidated basis under ASC 860, "Transfers and Servicing." At December 31, 2010, the Company had no outstanding borrowings under the Receivables Facility and had $100 million in borrowing availability. Based on the eligible receivables at December 31, 2009, the Company had borrowed $85.9 million, which was the maximum borrowing permitted at that date. Interest on the Receivables Facility is based on the commercial paper rate plus 1.35% and was $0.9 million in 2010, $1.7 million in 2009, and $3.0 million in 2008. The average interest rate on the Receivables Facility was 1.6% in 2010, 1.8% in 2009, and 3.9% in 2008.

7% Senior Notes due 2015

In February 2005, the Company sold $250 million of 7% Senior Notes due 2015 ("7% Senior Notes"). Net proceeds from this issuance together with those of other concurrently issued bonds and amounts under the Corporate credit facility were used to repay and terminate the prior credit facility. The 7% Senior Notes are fixed rate bonds to maturity.

Interest on the 7% Senior Notes is payable semi-annually in cash in arrears on February 15 and August 15 of each year, commencing August 15, 2005. The 7% Senior Notes are unsecured senior obligations ranking equally with all existing and future senior debt and ranking senior to all existing and future senior subordinated indebtedness and subordinated indebtedness. Each of the Company's current and future subsidiaries that is a guarantor under the Corporate credit facility is also a guarantor of the 7% Senior Notes on an unsecured senior basis, with certain immaterial exceptions. The indenture governing the 7% Senior Notes contains covenants including but not limited to the following: limitations on dividends to shareowners and other restricted payments; dividend and other payment restrictions affecting the Company's subsidiaries such that the subsidiaries are not permitted to enter into an agreement that would limit their ability to make dividend payments to the parent; issuance of indebtedness; asset dispositions; transactions with affiliates; liens; investments; issuances and sales of capital stock of subsidiaries; and redemption of debt that is junior in right of payment. The indenture governing the 7% Senior Notes provides for customary events of default, including for nonpayment at final maturity and for a default of any other existing debt instrument that exceeds $20 million.

The Company may redeem the 7% Senior Notes for a redemption price of 102.333%, 101.167%, and 100.000% on or after February 15, 2011, 2012, and 2013, respectively. The Company incurred interest expense related to these notes of $17.3 million in both 2010 and 2009 and $17.5 million in 2008.

In 2008, the Company purchased and extinguished $2.5 million of 7% Senior Notes and recognized a gain on extinguishment of debt of $0.7 million.

8$^{1}/_{4}$% Senior Notes due 2017

In October 2009, the Company issued $500 million of 8$^{1}/_{4}$% Senior Notes due 2017 ("8$^{1}/_{4}$% Senior Notes"). Net proceeds of $492.8 million, after debt discount, were used to redeem the outstanding 7$^{1}/_{4}$% Senior Notes due 2013 of $439.9 million plus accrued and unpaid interest, related call premium, and for general corporate purposes, including the repayment of other debt. The 8$^{1}/_{4}$% Senior Notes are fixed rate bonds to maturity.

Interest on the 8$^{1}/_{4}$% Senior Notes is payable semi-annually in cash in arrears on April 15 and October 15 of each year, commencing April 15, 2010. The 8$^{1}/_{4}$% Senior Notes are unsecured senior obligations ranking equally

with all existing and future senior debt and ranking senior to all existing and future senior subordinated indebtedness and subordinated indebtedness. Each of the Company's current and future subsidiaries that is a guarantor under the Corporate credit facility is also a guarantor of the $8^1/_4$% Senior Notes on an unsecured senior basis, with certain immaterial exceptions. The indenture governing the $8^1/_4$% Senior Notes contains covenants including but not limited to the following: limitations on dividends to shareowners and other restricted payments; dividend and other payment restrictions affecting the Company's subsidiaries such that the subsidiaries are not permitted to enter into an agreement that would limit their ability to make dividend payments to the parent; issuance of indebtedness; asset dispositions; transactions with affiliates; liens; investments; issuances and sales of capital stock of subsidiaries; and redemption of debt that is junior in right of payment. The indenture governing the $8^1/_4$% Senior Notes provides for customary events of default, including for nonpayment at final maturity and for a default of any other existing debt instrument that exceeds $35 million.

The Company may redeem the $8^1/_4$% Senior Notes for a redemption price of 104.125%, 102.063%, and 100.000% on or after October 15, 2013, 2014, and 2015, respectively. At any time prior to October 15, 2013, the Company may redeem all or part of the $8^1/_4$% Senior Notes at a redemption price equal to the sum of (1) 100% of the principal, plus (2) the greater of (a) 1% of the face value of the $8^1/_4$% Senior Notes or (b) the excess over the principal amount of the sum of the present values of (i) 104.125% of the face value of the $8^1/_4$% Senior Notes, and (ii) interest payments due from the date of redemption to October 15, 2013, in each case discounted to the redemption date on a semi-annual basis at the applicable U.S. Treasury rates plus one-half percent, plus (3) accrued and unpaid interest, if any, to the date of redemption. Prior to October 15, 2012, the Company may redeem up to a maximum of 35% of the aggregate principal amount of the $8^1/_4$% Senior Notes with the net cash proceeds of one or more equity offerings by the Company, at a redemption price equal to 108.250% of the principal amount thereof, plus accrued and unpaid interest thereon, if any, to the redemption date. The Company incurred interest expense related to these notes of $41.3 million and $9.7 million in 2010 and 2009, respectively.

$8^3/_4$% Senior Subordinated Notes due 2018

In March 2010, the Company issued $625 million of $8^3/_4$% Senior Subordinated Notes due 2018 ("$8^3/_4$% Subordinated Notes"), which are fixed rate bonds to maturity. The net proceeds of $616.2 million, after debt discount, were used to call and redeem $560.0 million of $8^3/_8$% Subordinated Notes plus accrued and unpaid interest and related call premium.

Interest on the $8^3/_4$% Subordinated Notes is payable semi-annually in cash in arrears on March 15 and September 15 of each year, commencing September 15, 2010. The $8^3/_4$% Subordinated Notes are unsecured senior subordinated obligations ranking junior to all existing and future senior debt, ranking equally to all existing and future senior subordinated indebtedness, and ranking senior to all existing and future subordinated indebtedness. Each of the Company's current and future subsidiaries that is a guarantor under the Corporate credit facility is also a guarantor of the $8^3/_4$% Subordinated Notes on an unsecured senior subordinated basis, with certain immaterial exceptions. The indenture governing the $8^3/_4$% Subordinated Notes contains covenants including but not limited to the following: limitations on dividends to shareowners and other restricted payments; dividend and other payment restrictions affecting the Company's subsidiaries such that the subsidiaries are generally not permitted to enter into an agreement that would limit their ability to make dividend payments to the parent; issuance of indebtedness; asset dispositions; transactions with affiliates; liens; investments; issuances and sales of capital stock of subsidiaries; and redemption of debt that is junior in right of payment. The indenture governing the $8^3/_4$% Subordinated Notes provides for customary events of default, including for nonpayment at final maturity and for a default of any other existing debt instrument that exceeds $35 million.

The Company may redeem the $8^3/_4$% Subordinated Notes for a redemption price of 104.375%, 102.188%, and 100.000% on or after March 15, 2014, 2015, and 2016, respectively. At any time prior to March 15, 2014, the Company may redeem all or part of the $8^3/_4$% Subordinated Notes at a redemption price equal to the sum of (1) 100% of the principal, plus (2) the greater of (a) 1% of the face value of the $8^3/_4$% Subordinated Notes or (b) the excess over the principal amount of the sum of the present values of (i) 104.375% of the face value of the $8^3/_4$% Subordinated Notes, and (ii) interest payments due from the date of redemption to March 15, 2014, in each case discounted to the redemption date on a semi-annual basis at the applicable U.S. Treasury rates plus one-half percent, plus (3) accrued and unpaid interest, if any, to the date of redemption. Prior to March 15, 2013, the

Company may redeem up to a maximum of 35% of the aggregate principal amount of the $8^3/_4$% Subordinated Notes with the net cash proceeds of one or more equity offerings by the Company, at a redemption price equal to 108.750% of the principal amount thereof, plus accrued and unpaid interest thereon, if any, to the redemption date. The Company incurred interest expense related to these notes of $43.3 million in 2010.

$8^3/_8$% Senior Notes due 2020

In the fourth quarter of 2010, the Company issued $775 million of $8^3/_8$% Senior Notes due 2020 ("$8^3/_8$% Senior Notes"). The net proceeds of $779.3 million, after premiums, were used to redeem $756.2 million of the Company's Tranche B Term Loan. The $8^3/_8$% Senior Notes are fixed rate bonds to maturity.

Interest on the $8^3/_8$% Senior Notes is payable semi-annually in cash in arrears on April 15 and October 15 of each year, commencing April 15, 2011. The $8^3/_8$% Senior Notes are unsecured senior obligations ranking equally with all existing and future senior debt and ranking senior to all existing and future senior subordinated indebtedness and subordinated indebtedness. Each of the Company's current and future subsidiaries that is a guarantor under the Corporate credit facility is also a guarantor of the $8^3/_8$% Senior Notes on an unsecured senior basis, with certain immaterial exceptions. The indenture governing the $8^3/_8$% Senior Notes contains covenants including but not limited to the following: limitations on dividends to shareowners and other restricted payments; dividend and other payment restrictions affecting the Company's subsidiaries such that the subsidiaries are not permitted to enter into an agreement that would limit their ability to make dividend payments to the parent; issuance of indebtedness; asset dispositions; transactions with affiliates; liens; investments; issuances and sales of capital stock of subsidiaries; and redemption of debt that is junior in right of payment. The indenture governing the $8^3/_8$% Senior Notes provides for customary events of default, including for nonpayment at final maturity and for a default of any other existing debt instrument that exceeds $35 million.

The Company may redeem the $8^3/_8$% Senior Notes for a redemption price of 104.188%, 102.792%, 101.396%, and 100.000% on or after October 15, 2015, 2016, 2017, and 2018, respectively. At any time prior to October 15, 2015, the Company may redeem all or part of the $8^3/_8$% Senior Notes at a redemption price equal to the sum of (1) 100% of the principal, plus (2) the greater of (a) 1% of the face value of the $8^3/_8$% Senior Notes or (b) the excess over the principal amount of the sum of the present values of (i) 104.188% of the face value of the $8^3/_8$% Senior Notes, and (ii) interest payments due from the date of redemption to October 15, 2015, in each case discounted to the redemption date on a semi-annual basis at the applicable U.S. Treasury rates plus one-half percent, plus (3) accrued and unpaid interest, if any, to the date of redemption. Prior to October 15, 2013, the Company may redeem up to a maximum of 35% of the aggregate principal amount of the $8^3/_8$% Senior Notes with the net cash proceeds of one or more equity offerings by the Company, at a redemption price equal to 108.375% of the principal amount thereof, plus accrued and unpaid interest thereon, if any, to the redemption date. The Company incurred interest expense related to these notes of $12.0 million in 2010.

$7^1/_4$% Senior Notes due 2023

In July 1993, the Company issued $50 million of $7^1/_4$% Senior Notes due 2023 ("$7^1/_4$% Senior Notes"). The indenture related to these $7^1/_4$% Senior Notes does not subject the Company to restrictive financial covenants, but it does contain a covenant providing that if the Company incurs certain liens on its property or assets, the Company must secure the outstanding $7^1/_4$% Senior Notes equally and ratably with the indebtedness or obligations secured by such liens. The $7^1/_4$% Senior Notes are collateralized on a basis consistent with the Corporate credit facility. Interest on the $7^1/_4$% Senior Notes is payable semi-annually on June 15 and December 15. The Company may not call the $7^1/_4$% Senior Notes prior to maturity. The indenture governing the $7^1/_4$% Senior Notes provides for customary events of default, including for failure to make any payment when due and for a default of any other existing debt instrument that exceeds $20 million. The Company recorded interest expense related to these notes of $2.9 million, $3.4 million, and $3.6 million in 2010, 2009, and 2008, respectively.

In 2009, the Company purchased and extinguished $10.0 million of $7^1/_4$% Senior Notes due 2023 and recognized a gain on extinguishment of debt of $2.1 million.

Cincinnati Bell Telephone Notes

CBT issued $80 million in unsecured notes that are guaranteed on a subordinated basis by Cincinnati Bell Inc. but not the subsidiaries of Cincinnati Bell Inc. These notes have various final maturity dates occurring in 2023, and may not be called prior to maturity. The fixed interest rates on these notes range from 7.18% to 7.27%.

CBT also issued $150 million in aggregate principal of 6.30% unsecured senior notes due 2028, which is guaranteed on a subordinated basis by Cincinnati Bell Inc. but not the subsidiaries of Cincinnati Bell Inc. All of these 2028 notes may be called at any time, subject to proper notice and redemption price. The indentures governing these notes provides for customary events of default, including for failure to make any payment when due and for a default of any other existing debt instrument of Cincinnati Bell Inc. or CBT that exceeds $20 million. The Company incurred interest expense related to these notes of $13.7 million, $14.7 million, and $15.2 million in 2010, 2009, and 2008, respectively.

In 2009, the Company purchased and extinguished $22.5 million of these notes and recognized a gain on extinguishment of debt of $5.6 million.

Debt Maturity Schedule

The following table summarizes the Company's annual principal maturities of debt and capital leases for the five years subsequent to December 31, 2010, and thereafter:

(dollars in millions)	Debt	Capital Leases	Total Debt
Year ended December 31,			
2011	$ 0.5	$ 16.0	$ 16.5
2012	0.8	8.4	9.2
2013	0.1	9.7	9.8
2014	0.1	4.9	5.0
2015	247.7	3.5	251.2
Thereafter	2,147.5	90.9	2,238.4
	2,396.7	133.4	2,530.1
Net unamortized call amounts on terminated interest rate swaps	3.8	—	3.8
Net unamortized discount	(10.3)	—	(10.3)
Total debt	$2,390.2	$133.4	$2,523.6

Total capital lease payments including interest are expected to be $25.7 million for 2011, $17.0 million for 2012, $17.7 million for 2013, $12.3 million for 2014, $10.6 million for 2015, and $152.0 million thereafter.

Deferred Financing Costs

Deferred financing costs are costs incurred in connection with obtaining long-term financing, which are amortized on the effective interest method. As of December 31, 2010 and 2009, deferred financing costs totaled $41.7 million and $24.3 million, respectively. The related amortization, included in "Interest expense" in the Consolidated Statements of Operations, totaled $6.6 million in 2010, $6.0 million in 2009, and $5.1 million in 2008. In 2010, the Company incurred $13.5 million of debt issuance costs related to the issuance of the $8^3/_4$% Subordinated Notes, $19.4 million of debt issuance costs related to the issuance of the Tranche B Term Loan, and $9.7 million of debt issuance costs related to the issuance of the $8^3/_8$% Senior Notes. In 2010, the Company wrote-off $19.2 million of deferred financing costs related to the redemption of the $8^3/_8$% Subordinated Notes and the repayment of the Tranche B Term Loan. In 2009, the Company incurred $15.3 million of debt issuance costs related to the issuance of $8^1/_4$% Senior Notes and the amendment of the Corporate credit facility. In 2009, the Company wrote-off $7.5 million of deferred financing costs related to the redemption of the $7^1/_4$% Senior Notes due 2013, the amendment of the Corporate credit facility and the purchase and extinguishment of a portion of the Cincinnati Bell Telephone notes. In 2008, the Company wrote-off deferred financing costs of $1.6 million related to the purchase and extinguishment of the $7^1/_4$% Senior Notes due 2013, $8^3/_8$% Subordinated Notes, and 7% Senior Notes.

Debt Compliance

The Corporate credit facility has financial covenants that require the Company maintain certain leverage, interest coverage, and fixed charge ratios. The Corporate credit facility also contains certain covenants which, among other things, restrict the Company's ability to incur additional debt or liens, pay dividends, repurchase Company common stock, sell, transfer, lease, or dispose of assets and make investments or merge with another company. If the Company were to violate any of its covenants and were unable to obtain a waiver, it would be considered a default. If the Company were in default under the Corporate credit facility, no additional borrowings under this facility would be available until the default was waived or cured. The Corporate credit facility provides for customary events of default, including for failure to make any payment when due and for a default on any other existing debt instrument having an aggregate principal amount that exceeds $35 million. The Company is in compliance with its Corporate credit facility covenants.

Various issuances of the Company's public debt, which include the 7% Senior Notes due 2015, $8^{1}/_{4}$% Senior Notes due 2017, $8^{3}/_{4}$% Senior Subordinated Notes due 2018, and $8^{3}/_{8}$% Senior Notes due 2020, are governed by indentures which contain covenants that, among other things, limit the Company's ability to incur additional debt or liens, pay dividends or make other restricted payments, sell, transfer, lease, or dispose of assets and make investments or merge with another company. Restricted payments include common stock dividends, repurchase of common stock, and certain public debt repayments. The Company is in compliance with its public debt indentures as of December 31, 2010.

Extinguished Notes

$7^{1}/_{4}$% Senior Notes due 2013

In July 2003, the Company issued $500 million of $7^{1}/_{4}$% Senior Notes due 2013. Net proceeds were used to prepay term credit facilities and permanently reduce commitments under the Company's then existing revolving credit facility.

In 2009, the net proceeds from the issuance of $8^{1}/_{4}$% Senior Notes due 2017 discussed above were used to redeem the outstanding $7^{1}/_{4}$% Senior Notes due 2013 of $439.9 million plus accrued and unpaid interest and related call premium. As a result, the Company incurred a loss on debt extinguishment of $17.7 million, which consisted of the call premium and write-off of debt issuance costs. Also, in 2008 the Company purchased and extinguished $30.6 million of these senior notes and recognized a gain on extinguishment of debt of $5.3 million. The Company recorded interest expense of $26.9 million in 2009 and $33.8 million in 2008 related to these senior notes.

$8^{3}/_{8}$% Senior Subordinated Notes due 2014

In November 2003, the Company issued $540.0 million of $8^{3}/_{8}$% Senior Subordinated Notes due 2014 ("$8^{3}/_{8}$% Subordinated Notes"). The net proceeds were used to purchase outstanding corporate bonds.

In February 2005, the Company issued an additional $100.0 million of $8^{3}/_{8}$% Senior Subordinated Notes pursuant to the existing indenture. Net proceeds from this issuance together with those of the 7% Senior Notes due 2015 and amounts under the Corporate credit facility were used to repay and terminate the prior credit facility. All of the $8^{3}/_{8}$% Subordinated Notes constitute a single class of security with the same terms and are fixed rate bonds to maturity.

During 2008, the Company purchased and extinguished $75.0 million of $8^{3}/_{8}$% Subordinated Notes and recognized a gain on extinguishment of debt of $8.1 million.

In March 2010, net proceeds from the issuance of the $8^{3}/_{4}$% Senior Subordinated Notes due 2018 were used to redeem the outstanding $8^{3}/_{8}$% Subordinated Notes in the amount of $560.0 million. As a result of the redemption of the $8^{3}/_{8}$% Subordinated Notes in March 2010, the Company incurred a pre-tax loss on extinguishment of debt of $10.3 million, which consists of the call premium and write-off of debt issuance costs offset by the unamortized call premiums received on terminated interest rate swaps and the original issuance premium.

The Company incurred interest expense related to these notes of $13.5 million, $46.9 million, and $49.6 million, in 2010, 2009, and 2008, respectively.

Tranche B Term Loan

In the fourth quarter of 2010, the Company issued $775 million of $8^{3}/_{8}$% Senior Notes due 2020, and extinguished the entire $760 million Tranche B Term Loan.

7. Leasing Arrangements

Operating Leases

The Company leases certain circuits, facilities, and equipment used in its operations. Operating lease expense was $16.2 million, $19.3 million, and $20.8 million in 2010, 2009, and 2008, respectively. Certain facilities leases and tower site leases provide for renewal options with fixed rent escalations beyond the initial lease term.

At December 31, 2010, future minimum lease payments required under operating leases, excluding certain leases which are recorded as a restructuring liability (refer to Note 9), having initial or remaining non-cancelable lease terms in excess of one year are as follows:

(dollars in millions)	
2011	$11.7
2012	9.5
2013	8.2
2014	7.5
2015	4.0
Thereafter	1.9
Total	$42.8

The Company is the lessor on building lease contracts on which it received rental income of $83.4 million, $49.4 million, and $38.6 million, in 2010, 2009, and 2008, respectively. The increase from 2009 to 2010 was primarily due to the acquisition of CyrusOne in June 2010. Contractual minimum rental income, assuming no renewals, is $97.0 million in 2011, $73.9 million in 2012, $59.3 million in 2013, $35.3 million in 2014, and $26.2 million in 2015. These amounts exclude monthly recurring payments for certain subleases which are recorded as an offset against data center lease restructuring liabilities (refer to Note 9).

Capital Lease Obligations

The Company leases facilities and equipment used in its operations, some of which are required to be treated as capital leases in accordance with ASC 840, "Leases." The Company had $133.4 million and $125.1 million in capital lease obligations at December 31, 2010 and 2009, respectively, of which $117.4 million and $111.7 million, respectively, was long-term debt. For 2010, 2009, and 2008, the Company recorded $10.3 million, $4.3 million, and $3.1 million, respectively, of interest expense related to capital lease obligations.

CyrusOne Leased Facilities

CyrusOne is party to three agreements to lease operations facility space (the "CyrusOne Leased Facilities"). CyrusOne made structural changes to this leased space in excess of normal tenant improvements in order to equip the space for data center operations. For accounting purposes, in accordance with ASC 840, CyrusOne is considered to be the owner of these facilities as the tenant improvements are considered structural in nature. In the opening balance sheet, the CyrusOne Leased Facilities have been presented at fair value in property, plant and equipment with a corresponding credit to noncurrent liabilities for amounts totaling $32.1 million. Due to CyrusOne's continuing involvement, the obligation for leased facilities will remain until the end of the lease term for each facility, and at December 31, 2010, this noncurrent liability totals $32.5 million.

Certain CyrusOne Leased Facilities agreements contain renewal options and fixed rent escalations. Future minimum payments for the next five years are as follows:

(dollars in millions)	
2011	$2.8
2012	3.2
2013	3.4
2014	3.4
2015	3.4

Sale of Wireless Towers

In December 2009, the Company sold 196 wireless towers for $99.9 million in cash proceeds, and leased back a portion of the space on these towers for a term of 20 years. The 196 towers sold were composed of 148 towers that were sold without purchase price contingencies, and 48 towers that were sold with purchase price contingencies related to collection of net tower rents from other tenants for amounts represented by the Company and on which the purchase price was based.

Contingencies on these 48 sites were resolved subsequent to the sale with no change to the purchase price, and the Company recognized these sites as sold for accounting purposes. As a result, the Consolidated Balance Sheets reflect a reduction at December 31, 2010 compared to December 31, 2009 in the "Deposit received for sale of wireless towers" of $25.6 million for the purchase price associated with these sites and a reduction in "Property, plant and equipment, net" of $12.6 million and other assets for approximately $1 million for the net book value of these sites.

In December 2009, proceeds of $75.4 million received for the 148 wireless towers sold without purchase price contingencies resulted in a deferred gain of $35.1 million. The Company recognized an increase in the deferred gain of approximately $11 million during 2010 due to the resolution of the 48 contingent sites. The deferred gain is included in "Other noncurrent liabilities" on the Consolidated Balance Sheet and will be amortized to income on a straight-line basis over the 20-year term of the leaseback of the space on the towers.

For the 148 wireless towers sold without purchase price contingencies during December 2009, the capital lease asset totaled $46.7 million and is recorded in "Property, plant and equipment, net" on the Consolidated Balance Sheet at December 31, 2009. A capital lease liability was recorded for the same amount. For the 48 towers sold during 2010, the Company recorded a capital lease asset and liability of approximately $15 million related to these sites.

In addition to the tower sale-leaseback, during December 2009 the Company extended by 20 years the lease term of the space on 53 other wireless towers that were previously recorded as operating leases. This extension of the lease term resulted in new capital leases of $22.5 million.

8. Financial Instruments and Fair Value Measurements

Interest Rate Swaps

In 2004 and 2005, the Company entered into a series of fixed-to-variable long-term interest rate swaps with total notional amounts of $450.0 million that qualified for fair value hedge accounting ("long-term interest rate swaps"). In December 2008 and January 2009, certain counterparties exercised their right to call $250.0 million of the notional amount of long-term interest rate swaps for the 8$^{3}/_{8}$% Subordinated Notes, for which the Company received $10.5 million in the first quarter of 2009 upon termination of the swaps. In the third quarter of 2009, the Company terminated the remaining long-term interest rate swaps, which related to the 7% Senior Notes, and received $6.5 million. These swap termination amounts received related to the 7% Senior Notes are being amortized as a reduction to interest expense over the term of the 7% Senior Notes. Unamortized amounts received for the 8$^{3}/_{8}$% Subordinated Notes were included in the loss on extinguishment of debt when the 8$^{3}/_{8}$% Subordinated Notes were repaid in 2010 and, as such, are no longer amortized. Prior to the termination of the swaps, realized gains of $4.0 million were recognized as an adjustment to "Interest expense" in the Consolidated Statement of Operations for the year ended December 31, 2009.

In both May and July 2008, the Company entered into six-month interest rate swap contracts with notional amounts totaling $450.0 million each, which effectively fixed the floating interest rates for the second half of 2008 and the first half of 2009 on the long-term interest rate swaps. The Company did not designate these swaps as hedging instruments. There are no outstanding interest rate swaps at December 31, 2010.

Fair Value of Debt

The carrying values of the Company's financial instruments do not materially differ from the estimated fair values as of December 31, 2010 and 2009, except for the Company's debt. The carrying amounts of debt, excluding capital leases and net unamortized discount, at December 31, 2010 and 2009 were $2,400.5 million and $1,860.8 million, respectively. The estimated fair values at December 31, 2010 and 2009 were $2,284

million and $1,792 million, respectively. These fair values were estimated based on the year-end closing market prices of the Company's debt and of similar liabilities.

9. Restructuring Charges

A summary of the "Restructuring charges" recognized in the Consolidated Statements of Operations follows:

(dollars in millions)	2010	2009	2008
Employee separation	$ 8.7	$10.5	$(14.2)
Special termination benefits	—	2.1	27.0
Pension and postretirement curtailment	—	(7.6)	15.5
Lease abandonment	3.5	—	—
Other	1.5	—	(0.2)
	$13.7	$ 5.0	$ 28.1

The following table summarizes restructuring expense by segment for 2008, 2009, and 2010:

(dollars in millions)	2010	2009	2008
Wireline	$ 8.2	$5.0	$27.1
Wireless	1.0	—	0.5
Data Center Colocation	1.4	—	—
IT Services and Hardware	2.8	—	0.7
Corporate	0.3	—	(0.2)
	$13.7	$5.0	$28.1

Employee Separation and Related Charges

In 2010, the Company incurred an $8.7 million employee separation charge for payments made and probable termination payments to occur under its written severance plans associated with headcount reductions in 2010 and over the next several years to conform its operations to the decreased access lines being served by the Company and to integrate certain operations.

In 2009, the Company incurred an employee separation charge of $10.5 million. In addition, the Company announced a significant change to its pension and postretirement plans, which resulted in a curtailment gain of $7.6 million. The remaining $2.1 million of special termination benefits provided in previous years was amortized in 2009.

In 2008, the Company reached an agreement with its union workforce on a three-year labor agreement expiring May 2011. As part of this agreement, 284 union employees accepted special termination benefits offered by the Company totaling $25 million of which $22.1 million had been earned and accrued through March 31, 2008. A similar agreement was reached in 2007 with 105 management employees accepting special termination benefits of $12 million for which $8.2 million had been previously earned. Remaining special termination benefits for both union and management employees were subject to future service requirements and were amortized to expense over the future service period, of which $4.9 million was amortized in 2008. These terminations represented approximately 11% of the plan service years for both the pension and postretirement plans, resulting in a curtailment charge of $15.5 million for the plans. The acceptance of the special termination benefits reduced the number of employees to be severed and decreased the severance liability by $14.2 million. See Note 10 for further information related to the special termination benefits and curtailment charges discussed above.

At December 31, 2010, $5.9 million of the employee separation obligation was included in "Other current liabilities," and $5.8 million was included in "Other noncurrent liabilities" in the Consolidated Balance Sheet. At December 31, 2009, $6.4 million of employee separation obligation was included in "Other current liabilities," and $8.0 million was included in "Other noncurrent liabilities" in the Consolidated Balance Sheet. The special

termination benefits and curtailment charges are included in “Pension and postretirement obligations” in the Consolidated Balance Sheets at December 31, 2010 and 2009.

The following table summarizes the activity in the employee separation obligation liability:

(dollars in millions)	December 31, 2010	December 31, 2009
Balance, beginning of period	$ 14.4	$ 8.0
Charge	8.7	10.5
Utilization	(11.4)	(4.1)
Balance, end of period	$ 11.7	$14.4

Lease Abandonment

The lease abandonment charges primarily consist of $3.3 million incurred by the Wireline segment in the second quarter of 2010 representing future lease costs, net of sublease income, on office space abandoned by the Company primarily resulting from the decrease in headcount over the past several years. In addition, existing liabilities for the abandoned space were transferred to the restructuring reserve. The lease obligations are expected to continue through 2015.

In 2001, the Company adopted a restructuring plan which included initiatives to eliminate non-strategic operations and merge internet operations in the Company’s other operations. The Company completed the plan prior to 2003, except for certain lease obligations, which are expected to continue through 2015 and for which a $3.6 million liability remains as of December 31, 2010.

At December 31, 2010, $2.0 million of the lease abandonment reserve was included in “Other current liabilities” and $5.2 million was included in “Other noncurrent liabilities” in the Consolidated Balance Sheet. At December 31, 2009, $0.7 million of the lease abandonment reserve was included in “Other current liabilities” and $3.7 million was included in “Other noncurrent liabilities” in the Consolidated Balance Sheet.

(dollars in millions)	December 31, 2010	December 31, 2009
Balance, beginning of period	$ 4.4	$ 5.1
Reclassification	0.9	—
Charge	3.5	—
Utilization, net	(1.6)	(0.7)
Balance, end of period	$ 7.2	$ 4.4

Other

Other 2010 restructuring charges primarily consist of $1.4 million for payments to be made in order to conform the Company’s commission incentive program for the Data Center Colocation segment.

10. Employee Benefit Plans and Postretirement Benefits

Savings Plans

The Company sponsors several defined contribution plans covering substantially all employees. The Company’s contributions to the plans are based on matching a portion of the employee contributions. Company and employee contributions are invested in various investment funds at the direction of the employee. Company contributions to the defined contribution plans were $4.8 million, $3.6 million, and $6.0 million for 2010, 2009, and 2008, respectively. In May 2009, Company contributions were suspended for management employees through the end of 2009. These contributions were restored in 2010.

Pension Plans

The Company sponsors three noncontributory defined benefit pension plans: one for eligible management employees, one for non-management employees, and one supplemental, nonqualified, unfunded plan for certain senior executives. The management pension plan is a cash balance plan in which the pension benefit is determined by a combination of compensation-based credits and annual guaranteed interest credits. The non-management pension plan is also a cash balance plan in which the combination of service and job-classification-based credits and annual interest credits determine the pension benefit. Benefits for the supplemental plan are based on eligible pay, adjusted for age and service upon retirement. The Company funds both the management and non-management plans in an irrevocable trust through contributions, which are determined using the traditional unit credit cost method. The Company also uses the traditional unit credit cost method for determining pension cost for financial reporting purposes.

Postretirement Health and Life Insurance Plans

The Company also provides health care and group life insurance benefits for eligible retirees. The Company funds health care benefits and other group life insurance benefits using Voluntary Employee Benefit Association ("VEBA") trusts. It is the Company's practice to fund amounts as deemed appropriate from time to time. Contributions are subject to IRS limitations developed using the traditional unit credit cost method. The actuarial expense calculation for the Company's postretirement health plan is based on numerous assumptions, estimates, and judgments including health care cost trend rates and cost sharing with retirees.

Significant Events

In 2009, the Company announced significant changes to its management pension plan and its postretirement plans. The Company announced that it had frozen pension benefits for certain management employees below 50 years of age and had provided a 10-year transition period for those employees over the age of 50 after which the pension benefits will be frozen. Additionally, the Company announced it will phase out the retiree healthcare plans for all management employees and certain retirees from the bargained plan in 10 years.

The significant changes in 2009 caused a 90% decrease in the expected future service years for active participants in the management pension plan, which triggered a plan curtailment. The curtailment gain of $7.6 million consisted of the acceleration of unrecognized prior service benefits. The Company also determined that the significant changes to the postretirement plan benefits required a remeasurement of these plans. The Company remeasured its management pension plan and its postretirement plans, using revised assumptions, including modified retiree benefit payment assumptions, revised discount rates and updated plan asset information. Additionally, the Company determined that these benefit changes result in substantially all of the remaining participants in the management postretirement plan to be either fully eligible for benefits or retired. As such, the unrecognized prior service gain and unrecognized actuarial gains are amortized over the average life expectancy of the participants rather than the shorter service periods previously used. As a result of the remeasurement, the Company's pension and postretirement obligations were reduced by approximately $124 million, deferred tax assets were reduced for the related tax effect by $45 million, and equity was increased by $79 million.

In the first quarter of 2008, the Company incurred a $22.1 million special termination benefit charge related to 284 union employees accepting early retirement special termination benefits. The Company also recorded $2.1 million and $4.9 million of expense during 2009 and 2008, respectively, related to remaining special termination benefits being amortized over the future service period for both the management and union employees. As a result of the early retirement special termination benefits, which decreased the expected future service years of the plan participants, the Company determined curtailment charges were required. The 2008 curtailment charge for the union pension plan and union postretirement plan consisted of an increase in the benefit obligation of $2.2 million and $12.5 million, and the acceleration of unrecognized prior service cost of $0.9 million and a benefit of $0.1 million, respectively. In the first quarter of 2008, as a result of the early retirement special termination benefits, the Company remeasured its non-management pension and postretirement obligations using revised assumptions, including modified retiree benefit payment assumptions and a revised discount rate. As a result of the remeasurement, the Company's pension and postretirement obligations were reduced by approximately $17 million, deferred tax assets were reduced for the related tax effect by $6 million, and equity was increased by $11 million.

Components of Net Periodic Cost

The following information relates to all Company noncontributory defined benefit pension plans, postretirement health care plans, and life insurance benefit plans. Approximately 8% in 2010, 10% in 2009, and 9% in 2008 of these costs were capitalized to property, plant and equipment related to network construction in the Wireline segment. Pension and postretirement benefit costs for these plans were comprised of:

	Pension Benefits			Postretirement and Other Benefits		
(dollars in millions)	2010	2009	2008	2010	2009	2008
Service cost	$ 5.2	$ 5.7	$ 9.0	$ 0.2	$ 0.4	$ 1.8
Interest cost on projected benefit obligation	26.8	29.0	28.8	8.0	10.3	18.3
Expected return on plan assets	(30.3)	(26.0)	(34.8)	—	(0.9)	(1.9)
Amortization of:						
Transition obligation	—	—	—	—	0.1	2.0
Prior service cost (benefit)	0.5	0.7	0.4	(13.1)	(12.1)	0.4
Actuarial loss	9.3	8.7	2.8	5.2	4.5	3.5
Special termination benefit	—	1.8	26.2	—	0.3	0.8
Curtailment (gain) charge	—	(7.6)	3.1	—	—	12.4
Benefit costs	$ 11.5	$ 12.3	$ 35.5	$ 0.3	$ 2.6	$37.3

Funded Status

Reconciliation of the beginning and ending balances of the plans' funded status follows:

	Pension Benefits		Postretirement and Other Benefits	
(dollars in millions)	2010	2009	2010	2009
Change in benefit obligation:				
Benefit obligation at January 1,	$ 506.3	$ 473.7	$ 166.1	$ 298.0
Service cost	5.2	5.7	0.2	0.4
Interest cost	26.8	29.0	8.0	10.3
Amendments	—	—	—	(127.9)
Actuarial loss	36.6	58.8	11.5	8.1
Benefits paid	(48.8)	(62.7)	(27.3)	(25.6)
Special termination benefits	—	1.8	—	0.3
Retiree drug subsidy received	—	—	1.0	0.4
Other	—	—	4.0	2.1
Benefit obligation at December 31,	$ 526.1	$ 506.3	$ 163.5	$ 166.1
Change in plan assets:				
Fair value of plan assets at January 1,	$ 325.4	$ 300.5	$ 20.9	$ 14.2
Actual return on plan assets	39.7	35.4	—	1.5
Employer contribution	7.7	52.2	17.7	30.4
Retiree drug subsidy received	—	—	1.0	0.4
Benefits paid	(48.8)	(62.7)	(27.3)	(25.6)
Fair value of plan assets at December 31,	$ 324.0	$ 325.4	$ 12.3	$ 20.9
Unfunded status	$(202.1)	$(180.9)	$(151.2)	$(145.2)

The amounts recognized in the Consolidated Balance Sheets consist of:

(dollars in millions)	Pension Benefits December 31, 2010	Pension Benefits December 31, 2009	Postretirement and Other Benefits December 31, 2010	Postretirement and Other Benefits December 31, 2009
Accrued payroll and benefits (current liability)	$ (1.9)	$ (1.9)	$ (22.1)	$ (13.0)
Pension and postretirement benefit obligations (noncurrent liability)	(200.2)	(179.0)	(129.1)	(132.2)

As of December 31, 2010 and 2009, the Company's accumulated benefit obligation related to its pension plans was $526.1 million and $506.3 million, respectively.

Amounts recognized in "Accumulated other comprehensive loss" in the Consolidated Balance Sheets consisted of the following:

(dollars in millions)	Pension Benefits December 31, 2010	Pension Benefits December 31, 2009	Postretirement and Other Benefits December 31, 2010	Postretirement and Other Benefits December 31, 2009
Prior service benefit (cost)	$ (5.2)	$ (5.7)	$ 98.2	$111.3
Actuarial loss	(248.4)	(230.6)	(96.3)	(89.6)
	(253.6)	(236.3)	1.9	21.7
Income tax effect	92.4	86.4	(0.7)	(7.9)
	$(161.2)	$(149.9)	$ 1.2	$ 13.8

Amounts recognized in "Accumulated other comprehensive loss" on the Consolidated Statements of Shareowners' Deficit and Comprehensive Income for the year ended December 31, 2010, are shown below:

(dollars in millions)	Pension Benefits	Postretirement and Other Benefits
Prior service cost recognized:		
Reclassification adjustments	$ 0.5	$(13.1)
Actuarial loss recognized:		
Reclassification adjustments	9.3	5.2
Actuarial loss arising during the period	(27.1)	(11.9)

The following amounts currently included in "Accumulated other comprehensive loss" are expected to be recognized in 2011 as a component of net periodic pension and postretirement cost:

(dollars in millions)	Pension Benefits	Postretirement and Other Benefits
Prior service cost (benefit)	$ 0.5	$(13.1)
Actuarial loss	13.3	5.9

Plan Assets, Investment Policies and Strategies

The primary investment objective for the trusts holding the assets of the pension and postretirement plans is preservation of capital with a reasonable amount of long-term growth and income without undue exposure to risk. This is provided by a balanced strategy using fixed income and equity securities. The target allocations for the pension plan assets are 61% equity securities, 31% investment grade fixed income securities and 8% in pooled real estate funds. Equity securities are primarily held in the form of passively managed funds that seek to track the performance of a benchmark index. Equity securities include investments in growth and value common stocks of companies located in the United States, which represents approximately 80% of the equity securities held by the pension plans at December 31, 2010, as well as stock of international companies located in both developed and emerging markets around the world. Fixed income securities primarily include holdings of funds which generally invest in a variety of intermediate and long-term investment grade corporate bonds from diversified industries. The postretirement plan assets are currently invested in various short-term liquid funds.

The fair values of the Company's pension plan assets at December 31, 2010 and 2009 by asset category are as follows:

(dollars in millions)	December 31, 2010	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
Mutual funds				
U.S equity index funds	$159.2	$159.2	$ —	$ —
International equity index funds	46.1	46.1	—	—
Fixed income long-term bond	96.5	96.5	—	—
Fixed income short-term money market	1.1	—	1.1	—
Real estate pooled funds	21.1	—	—	21.1
Total	$324.0	$301.8	$1.1	$21.1

(dollars in millions)	December 31, 2009	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
Mutual funds				
U.S equity index funds	$133.6	$133.6	$ —	$ —
International equity index funds	39.1	39.1	—	—
Fixed income long-term bond	84.6	84.6	—	—
Fixed income short-term money market	48.5	46.0	2.5	—
Real estate pooled funds	19.6	—	—	19.6
Total	$325.4	$303.3	$2.5	$19.6

The fair values of Level 1 investments are based on quoted prices in active markets. The fair values of Level 2 investments, which consist of funds that hold securities in active markets, are determined based on the net asset value as reported by the fund manager.

The Level 3 investments, which consist solely of real estate pooled funds, are valued at the net asset values disclosed by the fund managers which are based on estimated fair values of the real estate investments using independent appraisal. The Level 3 investments had the following changes for 2010:

(dollars in millions)	December 31, 2010	December 31, 2009
Balance, beginning of year	$19.6	$31.3
Realized gains, net	1.3	1.2
Unrealized gains (losses), net	1.3	(9.2)
Purchases, sales, issuances and settlements, net	(1.1)	(3.7)
Balance, end of year	$21.1	$19.6

At December 31, 2009 the postretirement plan assets consisted of fixed income Level 2 investments of $12.5 million and fixed income Level 1 investments of $8.4 million. During November 2010, the $12.3 million remaining postretirement plan assets were re-allocated into a group insurance contract, which represents a Level 3 investment. There were no contributions or withdrawals from the time of this Level 3 investment to December 31, 2010 and realized / unrealized gains (losses) during this time period were inconsequential.

Company contributions to its qualified pension plans were $5.6 million in 2010 and $50.0 million in 2009, while no contributions were made in 2008. Company contributions to its non-qualified pension plan were $2.1 million, $2.2 million, and $2.3 million for 2010, 2009, and 2008, respectively.

Based on current assumptions, the Company believes it will pay an estimated $246 million to fully fund its qualified pension plans during the period 2011 to 2017, of which $23.4 million is expected to be paid in 2011. Contributions to non-qualified pension plans in 2011 are expected to be approximately $2.0 million. The Company expects to make cash payments of approximately $22.1 million related to its postretirement health plans in 2011.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid over the next ten years by the Company and the assets of the Company's pension plans and postretirement health plans:

(dollars in millions)	Pension Benefits	Postretirement and Other Benefits	Medicare Subsidy Receipts
2011	$ 46.0	$23.1	$0.7
2012	44.3	22.0	0.7
2013	40.3	21.0	0.7
2014	41.8	17.2	0.7
2015	41.0	16.7	0.7
Years 2016-2020	212.7	59.2	2.7

Assumptions

The following are the weighted average assumptions used in accounting for the pension and postretirement benefit cost:

	Pension Benefits			Postretirement and Other Benefits		
	2010	2009	2008	2010	2009	2008
Discount rate	5.50%	6.35%	6.28%	5.10%	6.30%	6.28%
Expected long-term rate of return on pension and health and life plan assets	8.25%	8.25%	8.25%	0.00%	8.25%	8.25%
Future compensation growth rate	3.00%	4.00%	4.10%			

The following are the weighted average assumptions used in accounting for and measuring the pension and postretirement benefit obligation:

	Pension Benefits		Postretirement and Other Benefits	
	December 31,		December 31,	
	2010	2009	2010	2009
Discount rate	4.90%	5.50%	4.50%	5.10%
Future compensation growth rate	3.50%	3.00%		

The expected long-term rate of return on plan assets, developed using the building block approach, is based on the mix of investments held directly by the plans and the current view of expected future returns, which is influenced by historical averages. Changes in actual asset return experience and discount rate assumptions can impact the Company's operating results, financial position and cash flows.

The assumed health care cost trend rate used to measure the postretirement health benefit obligation at December 31, 2010, was 8.0% and is assumed to decrease gradually to 4.5% by the year 2018. A one-percentage point change in assumed health care cost trend rates would have the following effect on the postretirement benefit costs and obligation:

(dollars in millions)	1% Increase	1% Decrease
2010 service and interest costs	$0.3	$(0.2)
Postretirement benefit obligation at December 31, 2010	5.5	(5.0)

11. Shareowners' Deficit

Common Shares

The par value of the Company's common shares is $0.01 per share. At December 31, 2010 and 2009, common shares outstanding were 197.8 million and 200.4 million, respectively.

In February 2010, the Board of Directors approved an additional plan for the repurchase of the Company's outstanding common stock in an amount up to $150 million. The Company repurchased and retired approximately 4 million shares for $10.0 million in 2010.

In 2009, the Company completed the two-year $150 million share repurchase program authorized by the Board of Directors in February 2008. As part of this program, in 2009, the Company repurchased 28.0 million common shares for $73.2 million and, in 2008, the Company repurchased 20.6 million common shares for $76.8 million.

In 2009, the Company retired the 28.0 million common shares repurchased. In 2008, the Company retired both the 20.6 million common shares repurchased during the year along with 7.8 million common shares repurchased under the Company's 1999 share repurchase program. At December 31, 2010 and 2009, treasury shares for common shares repurchased under certain management deferred compensation arrangements were 0.5 million and 0.7 million, with a total cost of $2.1 million and $2.7 million, respectively.

Preferred Shares

The Company is authorized to issue 1,357,299 shares of voting preferred stock without par value and 1,000,000 shares of nonvoting preferred stock without par value. The Company issued 155,250 voting shares of $6^3/_4$% cumulative convertible preferred stock at stated value. These shares were subsequently deposited into a trust in which the underlying 155,250 shares are equivalent to 3,105,000 depositary shares. Shares of this preferred stock can be converted at any time at the option of the holder into common stock of the Company at a conversion rate of 1.44 shares of the Company common stock per depositary share of $6^3/_4$% convertible preferred stock. Annual dividends of $10.4 million on the outstanding $6^3/_4$% convertible preferred stock are payable quarterly in arrears in cash, or in common stock in certain circumstances if cash payment is not legally permitted. The liquidation preference on the $6^3/_4$% preferred stock is $1,000 per share (or $50 per depositary share). The Company paid $10.4 million in dividends in 2010, 2009, and 2008.

Warrants

The Company has 17.5 million outstanding common stock warrants, which expire in March 2013 allowing the holder of each warrant to purchase one share of Cincinnati Bell common stock at $3.00 each. There were no exercises of warrants in 2010, 2009, or 2008.

Accumulated Other Comprehensive Loss

The Company's shareowners' deficit includes an accumulated other comprehensive loss that is comprised of pension and postretirement unrecognized prior service cost, transition obligation, and unrecognized actuarial losses, net of taxes, of $160.0 million and $136.1 million at December 31, 2010 and 2009, respectively. Refer to Note 10 for further discussion.

12. Income Taxes

Income tax expense consists of the following:

(dollars in millions)	Year Ended December 31, 2010	2009	2008
Current:			
Federal	$ 0.3	$ 2.5	$ 3.5
State and local	0.7	1.5	2.8
Total current	1.0	4.0	6.3
Investment tax credits	(0.3)	(0.3)	(0.4)
Deferred:			
Federal	44.0	59.8	64.7
State and local	1.4	6.9	70.1
Total deferred	45.4	66.7	134.8
Valuation allowance	(7.2)	(5.7)	(67.1)
Total	$38.9	$64.7	$ 73.6

The following is a reconciliation of the statutory federal income tax rate with the effective tax rate for each year:

	Year Ended December 31, 2010	2009	2008
U.S. federal statutory rate	35.0%	35.0%	35.0%
State and local income taxes, net of federal income tax	2.6	1.3	3.3
Change in valuation allowance, net of federal income tax	(7.1)	(2.4)	(24.7)
State net operating loss adjustments	0.1	2.3	24.1
Nondeductible interest expense	13.3	3.8	3.7
Medicare drug subsidy law change	5.8	—	—
FIN 48 liability change	5.7	0.8	0.2
Other differences, net	2.5	1.1	0.2
Effective tax rate	57.9%	41.9%	41.8%

Income tax recognized by the Company in the Consolidated Statements of Operations and the Consolidated Statements of Shareowners' Deficit and Comprehensive Income consists of the following:

(dollars in millions)	Year Ended December 31, 2010	2009	2008
Income tax provision (benefit) related to:			
Continuing operations	$ 38.9	$64.7	$ 73.6
Other comprehensive income (loss)	(13.2)	24.2	(36.2)
Excess tax benefits or stock option exercises	—	—	0.4

The components of the Company's deferred tax assets and liabilities are as follows:

(dollars in millions)	December 31, 2010	2009
Deferred tax assets:		
Net operating loss carryforwards	$445.8	$454.3
Pension and postretirement benefits	134.6	131.9
Other	67.3	82.5
Total deferred tax assets	647.7	668.7
Valuation allowance	(60.0)	(67.2)
Total deferred tax assets, net of valuation allowance	587.7	601.5
Deferred tax liabilities:		
Property, plant and equipment	127.9	117.9
Federal deferred liability on state deferred tax assets	8.0	5.6
Other	—	0.5
Total deferred tax liabilities	135.9	124.0
Net deferred tax assets	$451.8	$477.5

As of December 31, 2010, the Company had approximately $1.1 billion of federal tax operating loss carryforwards with a deferred tax asset value of $385.3 million, alternative minimum tax credit carryforwards of $14.4 million, state tax credits of $12.5 million, and $60.5 million in deferred tax assets related to state and local tax operating loss carryforwards. The majority of the remaining tax loss carryforwards will generally expire between 2021 and 2023. U.S. tax laws limit the annual utilization of tax loss carryforwards of acquired entities. These limitations should not materially impact the utilization of the tax carryforwards.

The ultimate realization of the deferred income tax assets depends upon the Company's ability to generate future taxable income during the periods in which basis differences and other deductions become deductible, and prior to the expiration of the net operating loss carryforwards. Due to its historical and future projected earnings, the Company believes it will utilize future federal deductions and available net operating loss carryforwards prior to their expiration. The Company also concluded that it was more likely than not that certain state tax loss carryforwards would not be realized based upon the analysis described above and therefore provided a valuation allowance.

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is $20.3 million at December 31, 2010 and $16.4 million at December 31, 2009. The Company does not currently anticipate that the amount of unrecognized tax benefits will change significantly over the next year.

A reconciliation of the unrecognized tax benefits is as follows:

(dollars in millions)	December 31, 2010	2009	2008
Balance, beginning of year	$16.7	$15.6	$14.8
Changes for tax positions for the current year	4.0	1.1	—
Changes for tax positions for prior years	(0.2)	—	0.8
Balance, end of year	$20.5	$16.7	$15.6

During the year, a change of $4.0 million was recorded due to tax matters associated with the refinancing of the $8^3/_8$% Subordinated Notes.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various state and local jurisdictions. With a few exceptions, the Company is no longer subject to U.S. federal, state or local examinations for years before 2007. In 2010, the Internal Revenue Service commenced an examination of the Company's U.S. federal income tax return for 2008.

The Company recognizes accrued penalties related to unrecognized tax benefits in income tax expense. The Company recognizes accrued interest related to unrecognized tax benefits in interest expense. Accrued interest and penalties are insignificant at December 31, 2010 and December 31, 2009.

13. Stock-Based and Deferred Compensation Plans

The Company grants stock options, stock appreciation rights, performance-based awards, and time-based restricted shares. Shares authorized and available for grant under these plans were 30.1 million and 8.1 million, respectively, at December 31, 2010.

Stock Options and Stock Appreciation Rights

Generally, the awards of stock options and stock appreciation rights fully vest three years from grant date and expire ten years from grant date.

The following table summarizes stock options and stock appreciation rights activity:

	2010		2009		2008	
(in thousands, except per share amounts)	**Shares**	**Weighted-Average Exercise Prices Per Share**	**Shares**	**Weighted-Average Exercise Prices Per Share**	**Shares**	**Weighted-Average Exercise Prices Per Share**
Outstanding at January 1,	20,172	$ 7.15	22,770	$ 9.34	20,625	$10.76
Granted	1,374	2.99	1,918	1.47	3,699	2.20
Exercised	(419)	1.58	(4)	1.75	(85)	3.86
Forfeited	(464)	2.05	(248)	1.87	—	—
Expired	(2,847)	16.83	(4,264)	16.57	(1,469)	11.58
Outstanding at December 31,	17,816	$ 5.55	20,172	$ 7.15	22,770	$ 9.34
Expected to vest at December 31,	17,766	$ 5.56	20,079	$ 7.18	22,597	$ 9.40
Exercisable at December 31,	14,348	$ 6.26	15,250	$ 8.76	17,999	$11.07
(dollars in millions)						
Compensation expense for the year	$ 1.5		$ 3.7		$ 1.8	
Tax benefit related to compensation expense	$ (0.6)		$ (1.4)		$ (0.7)	
Intrinsic value of awards exercised	$ 0.4		$ —		$ —	
Grant date fair value of awards vested	$ 2.6		$ 1.6		$ 1.1	

The following table summarizes the Company's outstanding and exercisable awards at December 31, 2010 (shares in thousands):

	Outstanding		Exercisable	
Range of Exercise Prices	**Shares**	**Weighted-Average Exercise Prices Per Share**	**Shares**	**Weighted-Average Exercise Prices Per Share**
$1.30 to $2.91	4,689	$ 1.87	2,270	$ 1.60
$2.93 to $3.75	3,338	3.56	2,990	3.58
$3.76 to $4.91	3,804	4.32	3,102	4.43
$5.05 to $9.65	4,703	7.09	4,704	7.09
$15.95 to $27.30	1,282	22.20	1,282	22.20
Total	17,816	$ 5.55	14,348	$ 6.26

As of December 31, 2010, the aggregate intrinsic value for awards outstanding was approximately $4.5 million and for exercisable awards was $2.7 million. The weighted-average remaining contractual life for awards outstanding and exercisable is approximately five years and four years, respectively. As of December 31, 2010, there was $1.5 million of unrecognized stock compensation expense, which is expected to be recognized over a weighted-average period of approximately two years.

The Company granted 959,000 cash-payment stock appreciation rights awards in 2010, with a grant date value of $1.0 million. The final payments of these awards will be indexed to the percentage change in the

Company's stock price from the date of grant. At December 31, 2010, there was $0.7 million of unrecognized compensation, which is expected to be recognized over three years.

The fair values at the date of grant were estimated using the Black-Scholes pricing model with the following assumptions:

	2010	2009	2008
Expected volatility	43.7%	41.7%	34.7%
Risk-free interest rate	2.2%	2.1%	2.0%
Expected holding period — years	5	5	5
Expected dividends	0.0%	0.0%	0.0%
Weighted-average grant date fair value	$1.16	$1.45	$0.74

The expected volatility assumption used in the Black-Scholes pricing model was based on historical volatility. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. The expected holding period was estimated using the historical exercise behavior of employees and adjusted for abnormal activity. Expected dividends are based on the Company's history of not paying dividends.

Performance-Based Restricted Awards

Awards granted generally vest over three to four years and upon the achievement of certain performance-based objectives. Performance-based awards are expensed based on their grant date fair value if it is probable that the performance conditions will be achieved.

The following table summarizes the Company's outstanding performance-based restricted award activity:

	2010		2009		2008	
(in thousands, except per share amounts)	Shares	Weighted-Average Grant Date Fair Value Per Share	Shares	Weighted-Average Grant Date Fair Value Per Share	Shares	Weighted-Average Grant Date Fair Value Per Share
Non-vested as of January 1,	4,218	$3.39	2,307	$4.20	2,932	$4.75
Granted*	736	2.92	2,786	2.95	1,438	3.98
Vested	(1,146)	3.59	(838)	4.16	(550)	4.51
Forfeited	(1,167)	3.20	(37)	2.99	(1,513)	4.95
Non-vested at December 31,	2,641	$3.25	4,218	$3.39	2,307	$4.20
(dollars in millions)						
Compensation expense for the year	$ 0.5		$ 3.9		$ 3.1	
Tax benefit related to compensation expense	$ (0.2)		$ (1.4)		$ (1.2)	
Grant date fair value of shares vested	$ 4.1		$ 3.5		$ 2.5	

* Assumes the maximum number of awards that can be earned if the performance conditions are achieved.

As of December 31, 2010, unrecognized compensation expense related to performance-based awards was $0.6 million, which is expected to be recognized over a weighted average period of approximately one year.

The Company also granted cash-payment performance awards in 2010 and 2009 with a base award of $0.9 million and $1.3 million, respectively, with the final award payment indexed to the percentage change in the Company's stock price from the date of grant. In 2010 and 2009, the Company recorded expense of $0.1 million and $3.3 million, respectively, related to these awards.

Time-Based Restricted Awards

Awards granted generally vest in one-third increments over a period of three years.

The following table summarizes time-based restricted award activity:

	2010		2009		2008	
(in thousands, except per share amounts)	Shares	Weighted-Average Grant Date Fair Value Per Share	Shares	Weighted-Average Grant Date Fair Value Per Share	Shares	Weighted-Average Grant Date Fair Value Per Share
Non-vested as of January 1,	213	$3.85	303	$4.82	375	$4.87
Granted	84	3.35	107	2.90	60	4.69
Vested	(62)	4.91	(171)	4.82	(97)	4.85
Forfeited	(6)	4.91	(26)	4.87	(35)	5.03
Non-vested at December 31,	229	$3.36	213	$3.85	303	$4.82
(dollars in millions)						
Compensation expense for the year	$ 0.5		$ 0.9		$ 0.7	
Tax benefit related to compensation expense	$(0.2)		$ (0.3)		$(0.3)	
Grant date fair value of shares vested	$ 0.3		$ 0.8		$ 0.5	

As of December 31, 2010, there was $0.4 million of unrecognized compensation expense related to these shares, which is expected to be recognized over a weighted average period of approximately two years.

Other Awards

In the fourth quarter of 2010, the Company's Board of Directors approved a new long-term incentive program for certain Corporate and Data Center Colocation senior management. The program will be implemented through the grant of performance units. No awards were granted in 2010.

The Company granted an award of 300,000 common shares in the third quarter of 2010 to the newly-hired president of Cincinnati Bell Communications, whose responsibility encompasses the Cincinnati-based operations, primarily the Wireline and Wireless segments. This award vested immediately. The Company recognized expense of $0.8 million for the year ended December 31, 2010 associated with this award, which was recorded in the Corporate segment.

Deferred Compensation Plans

The Company currently has deferred compensation plans for both the Board of Directors and certain executives of the Company. Under the directors deferred compensation plan, each director can defer receipt of all or a part of their director fees and annual retainers, which can be invested in various investment funds including the Company's common stock. The fair value of the Level 1 investments, not including the Company's common stock, was $1.8 million and $1.0 million as of December 31, 2010 and 2009, respectively. In addition, the Company annually grants 6,000 phantom shares to each non-employee director on the first business day of each year, which are fully vested once a director has five years of service. Distributions to the directors are generally in the form of cash. The executive deferred compensation plan allows for certain executives to defer a portion of their annual base pay, bonus, or stock awards. Under the executive deferred compensation plan, participants can elect to receive distributions in the form of either cash or common shares. At December 31, 2010 and 2009, there were 0.7 million and 0.9 million common shares deferred in these plans. As these awards can be settled in cash, the Company records compensation costs each period based on the change in the Company's stock price. The Company recognized compensation benefit of $0.2 million in 2010, expense of $1.4 million in 2009, and benefit of $2.0 million in 2008.

14. Business Segment Information

The Company operates in four segments: Wireline, Wireless, Data Center Colocation, and IT Services and Hardware, as described below. The Company's segments are strategic business units that offer distinct products and services and are aligned with its internal management structure and reporting.

In the fourth quarter of 2010, the Company realigned its reportable business segments to be consistent with changes to its management reporting. The segment formerly known as the Technology Solutions segment was separated into the Data Center Colocation segment and the IT Services and Hardware segment. The changes to the Company's management reporting have been made primarily as a result of the June 2010 acquisition of CyrusOne. Prior year amounts have been reclassified to conform to the current segment reporting.

The Wireline segment provides local voice, data, long distance, VoIP, entertainment, and other services. Local voice services include local telephone service, switched access, information services such as directory assistance, and value-added services such as caller identification, voicemail, call waiting, and call return. Data services include Fioptics and DSL high-speed internet access, dial-up internet access, dedicated network access, and Gig-E-ATM based data transport. Long distance and VoIP services include long distance voice, audio conferencing, VoIP and other broadband services including private line and multi-protocol label switching. Entertainment services represent television entertainment through fiber optic and coaxial cable in limited areas, and DirecTV© commissioning over the Company's entire operating area. Other services mainly consist of security monitoring services, public payphones, inside wire installation for business enterprises, and billing, clearinghouse and other ancillary services primarily for inter-exchange (long distance) carriers. These services are primarily provided to customers in southwestern Ohio, northern Kentucky, and southeastern Indiana. In February 2008, eGIX, a CLEC provider of voice and long distance services primarily to business customers in Indiana and Illinois, was purchased for $18.1 million. Wireline operating income includes restructuring charges of $8.2 million in 2010, $5.0 million in 2009, and $27.1 million in 2008, as described in Note 9. Wireline operating income in 2008 also includes an operating tax settlement gain of $10.2 million and an asset impairment charge of $1.2 million.

The Wireless segment provides advanced digital wireless voice and data communications services and sales of related handset equipment to customers in the Greater Cincinnati and Dayton, Ohio operating areas. During 2010, the Wireless segment incurred restructuring charges of $1.0 million, as described in Note 9. In 2009, the Company sold 196 towers for $99.9 million of cash proceeds. Refer to Note 7 for further discussion regarding sale of wireless towers. Also in 2009, the Wireless segment sold almost all of its owned wireless licenses for areas outside of its Cincinnati and Dayton operating territories. These licenses, which were primarily for the Indianapolis, Indiana region, were sold for $6.0 million, resulting in a loss on sale of the spectrum asset of $4.8 million. The loss on sale is included in "Loss on sale of asset and asset impairment" in the Consolidated Statement of Operations.

The Data Center Colocation segment provides data center colocation services to primarily large businesses. The Company operates 17 data centers in Texas, Ohio, Kentucky, Indiana, Michigan, and Illinois. On June 11, 2010, the Company purchased CyrusOne, a data center operator based in Texas, for approximately $526 million, net of cash acquired. The CyrusOne financial results are included in the Data Center Colocation segment. A restructuring charge of $1.4 million was incurred in 2010 for payments to be made in order to conform the Cincinnati-based operation's commission incentive program to the CyrusOne program.

The IT Services and Hardware segment provides a range of fully managed and outsourced IT and telecommunications services along with the sale, installation, and maintenance of major branded IT and telephony equipment. During 2010, the IT Services and Hardware segment incurred employee separation charges of $2.8 million associated with the integration of certain functions with the Wireline segment.

Corporate operating income for 2010 includes acquisition costs associated with the purchase of CyrusOne totaling $9.1 million, and Corporate operating income for 2008 includes costs associated with the settlement of a patent lawsuit totaling $2.0 million.

Certain corporate administrative expenses have been allocated to segments based upon the nature of the expense and the relative size of the segment. Intercompany transactions between segments have been eliminated. The Company's business segment information is as follows:

(dollars in millions)	Year Ended December 31, 2010	2009	2008
Revenue			
Wireline	$ 742.5	$ 763.1	$ 795.8
Wireless	289.2	307.0	316.1
Data Center Colocation	125.3	71.8	55.8
IT Services and Hardware	254.7	231.3	267.2
Intersegment	(34.7)	(37.2)	(31.9)
Total revenue	$1,377.0	$1,336.0	$1,403.0
Intersegment revenue			
Wireline	$ 24.4	$ 25.7	$ 25.4
Wireless	2.6	3.4	3.2
Data Center Colocation	1.8	0.9	—
IT Services and Hardware	5.9	7.2	3.3
Total intersegment revenue	$ 34.7	$ 37.2	$ 31.9
Operating income			
Wireline	$ 233.5	$ 255.6	$ 258.4
Wireless	56.3	33.0	46.8
Data Center Colocation	34.2	17.0	8.0
IT Services and Hardware	4.3	10.7	13.4
Corporate	(29.0)	(20.8)	(21.4)
Total operating income	$ 299.3	$ 295.5	$ 305.2
Expenditures for long-lived assets			
Wireline	$ 98.7	$ 133.5	$ 121.5
Wireless	11.7	34.9	48.7
Data Center Colocation	557.4	23.3	75.7
IT Services and Hardware	8.6	6.4	4.3
Corporate	—	0.4	0.7
Total expenditure for long-lived assets	$ 676.4	$ 198.5	$ 250.9
Depreciation and amortization			
Wireline	$ 103.9	$ 103.9	$ 101.2
Wireless	33.4	39.4	35.5
Data Center Colocation	34.6	15.0	11.2
IT Services and Hardware	7.3	6.2	5.8
Corporate	0.3	0.4	0.2
Total depreciation and amortization	$ 179.5	$ 164.9	$ 153.9

	As of December 31, 2010	2009
Assets		
Wireline	$ 694.1	$ 704.9
Wireless	359.3	383.4
Data Center Colocation	857.2	279.6
IT Services and Hardware	34.7	23.2
Corporate and eliminations	708.3	673.2
Total assets	$2,653.6	$2,064.3

Details of the Company's service and product revenues including eliminations are as follows:

(dollars in millions)	Year Ended December 31, 2010	2009	2008
Service revenue			
Wireline	$ 710.9	$ 729.7	$ 763.0
Wireless	267.1	281.1	287.5
Data center colocation	123.5	70.9	55.8
IT services	97.8	88.2	89.3
Total service revenue	$1,199.3	$1,169.9	$1,195.6
Product revenue			
Handsets and accessories	$ 19.5	$ 22.5	$ 25.4
IT, telephony and other equipment	158.2	143.6	182.0
Total product revenue	$ 177.7	$ 166.1	$ 207.4

The reconciliation of the Consolidated Statement of Cash Flows to expenditures for long-lived assets is as follows:

(dollars in millions)	Year Ended December 31, 2010	2009	2008
Per Consolidated Statement of Cash Flows:			
Capital expenditures	$ 149.7	$ 195.1	$ 230.9
Acquisitions of businesses, net of cash acquired	526.7	3.4	21.6
Return of deposit of wireless licenses	—	—	(1.6)
Total expenditure for long-lived assets	$ 676.4	$ 198.5	$ 250.9

15. Supplemental Cash Flow Information

(dollars in millions)	Year Ended December 31, 2010	2009	2008
Capitalized interest expense	$ 0.9	$ 2.2	$ 3.1
Cash paid for:			
Interest	172.4	118.8	145.0
Income taxes, net of refunds	3.5	6.0	2.0
Noncash investing and financing activities:			
Increase in assets and liabilities due to capital lease transactions	21.9	79.3	28.1
Noncash operating and investing activities:			
Increase (decrease) in accrual for capital expenditures	(4.1)	2.8	(11.3)

Form 10-K

16. Supplemental Guarantor Information — Cincinnati Bell Telephone Notes

CBT, a wholly-owned subsidiary of CBI, the parent company, has $207.5 million in notes outstanding that are guaranteed on a subordinated basis by CBI and no other subsidiaries of CBI. The guarantee is full and unconditional. CBI's subsidiaries generate substantially all of its income and cash flow and generally distribute or advance the funds necessary to meet CBI's debt service obligations. Separately, in connection with a fifteen year contract for data center space between CBTS and a data center customer, CBI has guaranteed the performance obligations of CBTS in relation to providing the data center space and managed services under that long-term contract. In addition, CBI has also guaranteed capital leases, mainly for CBTS, totaling $20.9 million. In December 2010, the Company completed a legal entity restructuring and recapitalization, which had the effect of increasing equity and decreasing intercompany payables owed to CBI on the balance sheets of certain non-guarantor entities.

The following information sets forth the Condensed Consolidating Balance Sheets of the Company as of December 31, 2010 and 2009 and the Condensed Consolidating Statements of Operations and Cash Flows for the years ended December 31, 2010, 2009, and 2008 of (1) CBI, the parent company, as the guarantor, (2) CBT, as the issuer, and (3) the non-guarantor subsidiaries on a combined basis:

Condensed Consolidating Statements of Operations

	Year Ended December 31, 2010				
(dollars in millions)	Parent (Guarantor)	CBT	Other (Non-guarantors)	Eliminations	Total
Revenue	$ —	$668.1	$766.7	$ (57.8)	$1,377.0
Operating costs and expenses	29.9	435.0	670.6	(57.8)	1,077.7
Operating income (loss)	(29.9)	233.1	96.1	—	299.3
Interest expense	160.2	9.8	37.5	(22.3)	185.2
Other expense (income), net	22.8	7.6	(5.8)	22.3	46.9
Income (loss) before equity in earnings of subsidiaries and income taxes	(212.9)	215.7	64.4	—	67.2
Income tax expense (benefit)	(61.6)	82.2	18.3	—	38.9
Equity in earnings of subsidiaries, net of tax	179.6	—	—	(179.6)	—
Net income	28.3	133.5	46.1	(179.6)	28.3
Preferred stock dividends	10.4	—	—	—	10.4
Net income applicable to common shareowners	$ 17.9	$133.5	$ 46.1	$(179.6)	$ 17.9

	Year Ended December 31, 2009				
	Parent (Guarantor)	CBT	Other (Non-guarantors)	Eliminations	Total
Revenue	$ —	$688.9	$704.2	$ (57.1)	$1,336.0
Operating costs and expenses	20.1	441.9	635.6	(57.1)	1,040.5
Operating income (loss)	(20.1)	247.0	68.6	—	295.5
Interest expense	111.5	14.4	16.2	(11.4)	130.7
Other expense (income), net	3.2	(0.8)	(3.3)	11.4	10.5
Income (loss) before equity in earnings of subsidiaries and income taxes	(134.8)	233.4	55.7	—	154.3
Income tax expense (benefit)	(41.0)	84.8	20.9	—	64.7
Equity in earnings of subsidiaries, net of tax	183.4	—	—	(183.4)	—
Net income	89.6	148.6	34.8	(183.4)	89.6
Preferred stock dividends	10.4	—	—	—	10.4
Net income applicable to common shareowners	$ 79.2	$148.6	$ 34.8	$(183.4)	$ 79.2

	Year Ended December 31, 2008				
	Parent (Guarantor)	CBT	Other (Non-guarantors)	Eliminations	Total
Revenue	$ —	$716.7	$736.4	$ (50.1)	$1,403.0
Operating costs and expenses	20.8	480.6	646.5	(50.1)	1,097.8
Operating income (loss)	(20.8)	236.1	89.9	—	305.2
Interest expense	119.6	14.8	25.2	(19.9)	139.7
Other expense (income), net	(30.9)	7.1	(6.8)	19.9	(10.7)
Income (loss) before equity in earnings of subsidiaries and income taxes	(109.5)	214.2	71.5	—	176.2
Income tax expense (benefit)	(32.7)	79.3	27.0	—	73.6
Equity in earnings of subsidiaries, net of tax	179.4	—	—	(179.4)	—
Net income	102.6	134.9	44.5	(179.4)	102.6
Preferred stock dividends	10.4	—	—	—	10.4
Net income applicable to common shareowners	$ 92.2	$134.9	$ 44.5	$(179.4)	$ 92.2

Condensed Consolidating Balance Sheets

	As of December 31, 2010				
(dollars in millions)	Parent (Guarantor)	CBT	Other (Non-guarantors)	Eliminations	Total
Cash and cash equivalents	$ 69.8	$ 1.8	$ 5.7	$ —	$ 77.3
Receivables, net	2.4	0.9	180.9	—	184.2
Other current assets	6.4	22.5	39.0	(6.5)	61.4
Total current assets	78.6	25.2	225.6	(6.5)	322.9
Property, plant and equipment, net	0.5	623.7	640.2	—	1,264.4
Goodwill and other intangibles, net	—	2.6	575.1	—	577.7
Investments in and advances to subsidiaries	1,648.2	146.5	—	(1,794.7)	—
Other noncurrent assets	363.3	9.5	218.2	(102.4)	488.6
Total assets	$2,090.6	$807.5	$1,659.1	$(1,903.6)	$2,653.6
Current portion of long-term debt	$ —	$ 2.2	$ 14.3	$ —	$ 16.5
Accounts payable	2.2	45.8	62.2	—	110.2
Other current liabilities	89.1	52.3	64.6	(4.0)	202.0
Total current liabilities	91.3	100.3	141.1	(4.0)	328.7
Long-term debt, less current portion	2,181.4	214.1	111.6	—	2,507.1
Other noncurrent liabilities	344.6	89.1	156.8	(104.9)	485.6
Intercompany payables	141.1	—	612.5	(753.6)	—
Total liabilities	2,758.4	403.5	1,022.0	(862.5)	3,321.4
Shareowners' equity (deficit)	(667.8)	404.0	637.1	(1,041.1)	(667.8)
Total liabilities and shareowners' equity (deficit)	$2,090.6	$807.5	$1,659.1	$(1,903.6)	$2,653.6

	As of December 31, 2009				
	Parent (Guarantor)	CBT	Other (Non-guarantors)	Eliminations	Total
Cash and cash equivalents	$ 20.1	$ 2.1	$ 0.8	$ —	$ 23.0
Receivables, net	—	—	159.9	—	159.9
Other current assets	47.8	22.0	69.0	(0.7)	138.1
Total current assets	67.9	24.1	229.7	(0.7)	321.0
Property, plant and equipment, net	0.8	629.6	492.9	—	1,123.3
Goodwill and other intangibles, net	—	2.8	179.2	—	182.0
Investments in and advances to subsidiaries	912.4	10.1	—	(922.5)	—
Other noncurrent assets	329.7	10.9	186.8	(89.4)	438.0
Total assets	$ 1,310.8	$ 677.5	$1,088.6	$(1,012.6)	$ 2,064.3
Current portion of long-term debt	$ 2.1	$ 1.3	$ 12.4	$ —	$ 15.8
Accounts payable	0.4	44.8	61.0	—	106.2
Other current liabilities	67.8	56.0	78.1	(0.1)	201.8
Total current liabilities	70.3	102.1	151.5	(0.1)	323.8
Long-term debt, less current portion	1,558.4	214.5	190.4	—	1,963.3
Other noncurrent liabilities	328.5	90.2	103.1	(90.0)	431.8
Intercompany payables	8.2	—	298.9	(307.1)	—
Total liabilities	1,965.4	406.8	743.9	(397.2)	2,718.9
Shareowners' equity (deficit)	(654.6)	270.7	344.7	(615.4)	(654.6)
Total liabilities and shareowners' equity (deficit)	$ 1,310.8	$ 677.5	$1,088.6	$(1,012.6)	$ 2,064.3

Condensed Consolidating Statements of Cash Flows

	Year Ended December 31, 2010				
(dollars in millions)	Parent (Guarantor)	CBT	Other (Non-guarantors)	Eliminations	Total
Cash flows provided by (used in) operating activities	$ (55.2)	$ 224.9	$ 130.3	$ —	$ 300.0
Capital expenditures	—	(88.7)	(61.0)	—	(149.7)
Acquisitions of businesses, net of cash acquired	—	—	(526.7)	—	(526.7)
Other investing activities	—	0.3	0.6	—	0.9
Cash flows used in investing activities	—	(88.4)	(587.1)	—	(675.5)
Funding between Parent and subsidiaries, net	(423.2)	(137.0)	560.2	—	—
Issuance of long-term debt	2,132.7	1.6	—	—	2,134.3
Net change in credit and receivables facilities with initial maturities less than 90 days	—	—	(85.9)	—	(85.9)
Repayment of debt	(1,540.5)	(1.4)	(12.6)	—	(1,554.5)
Common stock repurchase	(10.0)	—	—	—	(10.0)
Debt issuance costs	(42.6)	—	—	—	(42.6)
Other financing activities	(11.5)	—	—	—	(11.5)
Cash flows provided by (used in) financing activities	104.9	(136.8)	461.7	—	429.8
Increase (decrease) in cash and cash equivalents	49.7	(0.3)	4.9	—	54.3
Beginning cash and cash equivalents	20.1	2.1	0.8	—	23.0
Ending cash and cash equivalents	$ 69.8	$ 1.8	$ 5.7	$ —	$ 77.3

	Year Ended December 31, 2009				
	Parent (Guarantor)	CBT	Other (Non-guarantors)	Eliminations	Total
Cash flows provided by (used in) operating activities	$(165.1)	$ 297.2	$ 133.5	$—	$ 265.6
Capital expenditures	(0.6)	(126.5)	(68.0)	—	(195.1)
Acquisition of businesses, net of cash acquired	—	(0.5)	(2.9)	—	(3.4)
Proceeds/deposits from sales of wireless licenses and towers	—	—	105.9	—	105.9
Other investing activities	0.4	0.5	(2.1)	—	(1.2)
Cash flows provided by (used in) investing activities	(0.2)	(126.5)	32.9	—	(93.8)
Funding between Parent and subsidiaries, net	321.3	(152.8)	(168.5)	—	—
Issuance of long-term debt	492.8	—	—	—	492.8
Net change in credit and receivables facilities with initial maturities less than 90 days	(53.0)	—	10.9	—	(42.1)
Repayment of debt	(480.5)	(17.6)	(8.4)	—	(506.5)
Common stock repurchase	(73.2)	—	—	—	(73.2)
Debt issuance costs	(15.3)	—	—	—	(15.3)
Other financing activities	(11.2)	—	—	—	(11.2)
Cash flows provided by (used in) financing activities	180.9	(170.4)	(166.0)	—	(155.5)
Increase in cash and cash equivalents	15.6	0.3	0.4	—	16.3
Beginning cash and cash equivalents	4.5	1.8	0.4	—	6.7
Ending cash and cash equivalents	$ 20.1	$ 2.1	$ 0.8	$—	$ 23.0

	Year Ended December 31, 2008				
	Parent (Guarantor)	CBT	Other (Non-guarantors)	Eliminations	Total
Cash flows provided by (used in) operating activities	$ (27.8)	$ 208.1	$ 223.6	$—	$ 403.9
Capital expenditures	(0.6)	(97.5)	(132.8)	—	(230.9)
Acquisition of businesses and wireless licenses	—	(2.3)	(17.7)	—	(20.0)
Other investing activities	0.1	0.7	(0.4)	—	0.4
Cash flows used in investing activities	(0.5)	(99.1)	(150.9)	—	(250.5)
Funding between Parent and subsidiaries, net	175.6	(108.5)	(67.1)	—	—
Issuance of long-term debt	20.0	—	3.0	—	23.0
Net change in credit and receivables facilities with initial maturities less than 90 days	(2.0)	—	—	—	(2.0)
Repayment of debt	(96.6)	(0.6)	(8.5)	—	(105.7)
Common stock repurchase	(76.8)	—	—	—	(76.8)
Other financing activities	(11.0)	—	(0.3)	—	(11.3)
Cash flows provided by (used in) financing activities	9.2	(109.1)	(72.9)	—	(172.8)
Decrease in cash and cash equivalents	(19.1)	(0.1)	(0.2)	—	(19.4)
Beginning cash and cash equivalents	23.6	1.9	0.6	—	26.1
Ending cash and cash equivalents	$ 4.5	$ 1.8	$ 0.4	$—	$ 6.7

17. Supplemental Guarantor Information — 8 3/8% Senior Notes due 2020, 8 3/4% Senior Subordinated Notes due 2018, 8 1/4% Senior Notes Due 2017, and 7% Senior Notes Due 2015

The Company's 8 3/8% Senior Notes due 2020, 8 3/4% Senior Subordinated Notes due 2018, 8 1/4% Senior Notes due 2017, and 7% Senior Notes due 2015 are guaranteed by the following subsidiaries: Cincinnati Bell Entertainment Inc., Cincinnati Bell Complete Protection Inc., Cincinnati Bell Any Distance Inc., Cincinnati Bell Telecommunication Services LLC, Cincinnati Bell Wireless LLC, GramTel Inc, CBTS Software LLC, Cyrus Networks LLC, Cincinnati Bell Shared Services LLC, Cincinnati Bell Technology Solutions Inc., Cincinnati Bell Any Distance of Virginia LLC, eVolve Business Solutions LLC and Cincinnati Bell Data Centers Inc. CBI owns directly or indirectly 100% of each guarantor and each guarantee is full and unconditional and joint and several. CBI's subsidiaries generate substantially all of its income and cash flow and generally distribute or advance the funds necessary to meet CBI's debt service obligations. Separately, in connection with a fifteen year contract for data center space between CBTS and a data center customer, CBI has guaranteed the performance obligations of CBTS in relation to providing the data center space and managed services under that long-term contract. In addition, CBI has also guaranteed capital leases, mainly for CBTS, totaling $20.9 million. In December 2010, the Company completed a legal entity restructuring and recapitalization, which had the effect of increasing equity and decreasing intercompany payables owed to CBI on the balance sheets of certain guarantor entities.

The following information sets forth the Condensed Consolidating Balance Sheets of the Company as of December 31, 2010 and 2009 and the Condensed Consolidating Statements of Operations and Cash Flows for the three years ended December 31, 2010, 2009, and 2008 of (1) CBI, the parent company, as the issuer, (2) the guarantor subsidiaries on a combined basis, and (3) the non-guarantor subsidiaries on a combined basis:

Condensed Consolidating Statements of Operations

	Year Ended December 31, 2010				
(dollars in millions)	Parent (Issuer)	Guarantors	Non-guarantors	Eliminations	Total
Revenue	$ —	$823.9	$610.9	$ (57.8)	$1,377.0
Operating costs and expenses	29.9	723.9	381.7	(57.8)	1,077.7
Operating income (loss)	(29.9)	100.0	229.2	—	299.3
Interest expense	160.2	31.6	15.7	(22.3)	185.2
Other expense (income), net	22.8	8.8	(7.0)	22.3	46.9
Income (loss) before equity in earnings of subsidiaries and income taxes	(212.9)	59.6	220.5	—	67.2
Income tax expense (benefit)	(61.6)	15.9	84.6	—	38.9
Equity in earnings of subsidiaries, net of tax	179.6	—	—	(179.6)	—
Net income	28.3	43.7	135.9	(179.6)	28.3
Preferred stock dividends	10.4	—	—	—	10.4
Net income applicable to common shareowners	$ 17.9	$ 43.7	$135.9	$(179.6)	$ 17.9

	Year Ended December 31, 2009				
	Parent (Issuer)	Guarantors	Non-guarantors	Eliminations	Total
Revenue	$ —	$755.8	$637.3	$ (57.1)	$1,336.0
Operating costs and expenses	20.1	693.6	383.9	(57.1)	1,040.5
Operating income (loss)	(20.1)	62.2	253.4	—	295.5
Interest expense	111.5	10.2	20.4	(11.4)	130.7
Other expense (income), net	3.2	3.2	(7.3)	11.4	10.5
Income (loss) before equity in earnings of subsidiaries and income taxes	(134.8)	48.8	240.3	—	154.3
Income tax expense (benefit)	(41.0)	18.5	87.2	—	64.7
Equity in earnings of subsidiaries, net of tax	183.4	—	—	(183.4)	—
Net income	89.6	30.3	153.1	(183.4)	89.6
Preferred stock dividends	10.4	—	—	—	10.4
Net income applicable to common shareowners	$ 79.2	$ 30.3	$153.1	$(183.4)	$ 79.2

	Year Ended December 31, 2008				
	Parent (Issuer)	Guarantors	Non-guarantors	Eliminations	Total
Revenue	$ —	$789.7	$663.4	$ (50.1)	$1,403.0
Operating costs and expenses	20.8	711.2	415.9	(50.1)	1,097.8
Operating income (loss)	(20.8)	78.5	247.5	—	305.2
Interest expense	119.6	20.2	19.8	(19.9)	139.7
Other expense (income), net	(30.9)	(1.0)	1.3	19.9	(10.7)
Income (loss) before equity in earnings of subsidiaries and income taxes	(109.5)	59.3	226.4	—	176.2
Income tax expense (benefit)	(32.7)	22.5	83.8	—	73.6
Equity in earnings of subsidiaries, net of tax	179.4	—	—	(179.4)	—
Net income	102.6	36.8	142.6	(179.4)	102.6
Preferred stock dividends	10.4	—	—	—	10.4
Net income applicable to common shareowners	$ 92.2	$ 36.8	$142.6	$(179.4)	$ 92.2

Condensed Consolidating Balance Sheets

	As of December 31, 2010				
(dollars in millions)	Parent (Issuer)	Guarantors	Non-guarantors	Eliminations	Total
Cash and cash equivalents	$ 69.8	$ 5.7	$ 1.8	$ —	$ 77.3
Receivables, net	2.4	11.2	170.6	—	184.2
Other current assets	6.4	34.4	27.1	(6.5)	61.4
Total current assets	78.6	51.3	199.5	(6.5)	322.9
Property, plant and equipment, net	0.5	640.2	623.7	—	1,264.4
Goodwill and other intangibles, net	—	575.1	2.6	—	577.7
Investments in and advances to subsidiaries	1,648.2	—	134.7	(1,782.9)	—
Other noncurrent assets	363.3	219.5	8.2	(102.4)	488.6
Total assets	$2,090.6	$1,486.1	$968.7	$(1,891.8)	$2,653.6
Current portion of long-term debt	$ —	$ 14.3	$ 2.2	$ —	$ 16.5
Accounts payable	2.2	73.2	34.8	—	110.2
Other current liabilities	89.1	68.1	48.8	(4.0)	202.0
Total current liabilities	91.3	155.6	85.8	(4.0)	328.7
Long-term debt, less current portion	2,181.4	111.6	214.1	—	2,507.1
Other noncurrent liabilities	344.6	157.2	88.7	(104.9)	485.6
Intercompany payables	141.1	476.7	148.1	(765.9)	—
Total liabilities	2,758.4	901.1	536.7	(874.8)	3,321.4
Shareowners' equity (deficit)	(667.8)	585.0	432.0	(1,017.0)	(667.8)
Total liabilities and shareowners' equity (deficit)	$2,090.6	$1,486.1	$968.7	$(1,891.8)	$2,653.6

	As of December 31, 2009				
	Parent (Issuer)	Guarantors	Non-guarantors	Eliminations	Total
Cash and cash equivalents	$ 20.1	$ 0.8	$ 2.1	$ —	$ 23.0
Receivables, net	—	0.9	159.0	—	159.9
Other current assets	47.8	64.1	26.9	(0.7)	138.1
Total current assets	67.9	65.8	188.0	(0.7)	321.0
Property, plant and equipment, net	0.8	492.9	629.6	—	1,123.3
Goodwill and other intangibles, net	—	179.2	2.8	—	182.0
Investments in and advances to subsidiaries	912.4	—	21.9	(934.3)	—
Other noncurrent assets	329.7	188.6	9.1	(89.4)	438.0
Total assets	$ 1,310.8	$ 926.5	$ 851.4	$(1,024.4)	$ 2,064.3
Current portion of long-term debt	$ 2.1	$ 12.4	$ 1.3	$ —	$ 15.8
Accounts payable	0.4	73.0	32.8	—	106.2
Other current liabilities	67.8	81.0	53.1	(0.1)	201.8
Total current liabilities	70.3	166.4	87.2	(0.1)	323.8
Long-term debt, less current portion	1,558.4	104.5	300.4	—	1,963.3
Other noncurrent liabilities	328.5	104.4	88.9	(90.0)	431.8
Intercompany payables	8.2	241.3	69.4	(318.9)	—
Total liabilities	1,965.4	616.6	545.9	(409.0)	2,718.9
Shareowners' equity (deficit)	(654.6)	309.9	305.5	(615.4)	(654.6)
Total liabilities and shareowners' equity (deficit)	$ 1,310.8	$ 926.5	$ 851.4	$(1,024.4)	$ 2,064.3

Condensed Consolidating Statements of Cash Flows

	Year Ended December 31, 2010				
(dollars in millions)	Parent (Issuer)	Guarantors	Non-guarantors	Eliminations	Total
Cash flows provided by (used in) operating activities	$ (55.2)	$ 137.9	$ 217.3	$ —	$ 300.0
Capital expenditures	—	(61.0)	(88.7)	—	(149.7)
Acquisitions of businesses, net of cash acquired	—	(526.7)	—	—	(526.7)
Other investing activities	—	0.6	0.3	—	0.9
Cash flows used in investing activities	—	(587.1)	(88.4)	—	(675.5)
Funding between Parent and subsidiaries, net	(423.2)	465.1	(41.9)	—	—
Issuance of long-term debt	2,132.7	1.6	—	—	2,134.3
Net change in credit and receivables facilities with initial maturities less than 90 days	—	—	(85.9)	—	(85.9)
Repayment of debt	(1,540.5)	(12.6)	(1.4)	—	(1,554.5)
Common stock repurchase	(10.0)				(10.0)
Debt issuance costs	(42.6)	—	—	—	(42.6)
Other financing activities	(11.5)	—	—	—	(11.5)
Cash flows provided by (used in) financing activities	104.9	454.1	(129.2)	—	429.8
Increase (decrease) in cash and cash equivalents	49.7	4.9	(0.3)	—	54.3
Beginning cash and cash equivalents	20.1	0.8	2.1	—	23.0
Ending cash and cash equivalents	$ 69.8	$ 5.7	$ 1.8	$ —	$ 77.3

	Year Ended December 31, 2009				
	Parent (Issuer)	Guarantors	Non-guarantors	Eliminations	Total
Cash flows provided by (used in) operating activities	$(165.1)	$ 184.6	$ 246.1	$—	$ 265.6
Capital expenditures	(0.6)	(68.0)	(126.5)	—	(195.1)
Acquisitions of businesses, net of cash acquired	—	(2.9)	(0.5)	—	(3.4)
Proceeds/deposits from sales of wireless licenses and towers	—	105.9	—	—	105.9
Other investing activities	0.4	(2.1)	0.5	—	(1.2)
Cash flows provided by (used in) investing activities	(0.2)	32.9	(126.5)	—	(93.8)
Funding between Parent and subsidiaries, net	321.3	(208.7)	(112.6)	—	—
Issuance of long-term debt	492.8	—	—	—	492.8
Net change in credit and receivables facilities with initial maturities less than 90 days	(53.0)	—	10.9	—	(42.1)
Repayment of debt	(480.5)	(8.4)	(17.6)	—	(506.5)
Common stock repurchase	(73.2)	—	—	—	(73.2)
Debt issuance costs	(15.3)	—	—	—	(15.3)
Other financing activities	(11.2)	—	—	—	(11.2)
Cash flows provided by (used in) financing activities	180.9	(217.1)	(119.3)	—	(155.5)
Increase in cash and cash equivalents	15.6	0.4	0.3	—	16.3
Beginning cash and cash equivalents	4.5	0.4	1.8	—	6.7
Ending cash and cash equivalents	$ 20.1	$ 0.8	$ 2.1	$—	$ 23.0

	Year Ended December 31, 2008				
	Parent (Issuer)	Guarantors	Non-guarantors	Eliminations	Total
Cash flows provided by (used in) operating activities	$ (27.8)	$ 195.4	$ 236.3	$—	$ 403.9
Capital expenditures	(0.6)	(132.8)	(97.5)	—	(230.9)
Acquisitions of businesses and wireless licenses	—	(17.7)	(2.3)	—	(20.0)
Other investing activities	0.1	(0.4)	0.7	—	0.4
Cash flows used in investing activities	(0.5)	(150.9)	(99.1)	—	(250.5)
Funding between Parent and subsidiaries, net	175.6	(39.4)	(136.2)	—	—
Issuance of long-term debt	20.0	—	3.0	—	23.0
Net change in credit and receivables facilities with initial maturities less than 90 days	(2.0)	—	—	—	(2.0)
Repayment of debt	(96.6)	(5.5)	(3.6)	—	(105.7)
Common stock repurchase	(76.8)	—	—	—	(76.8)
Other financing activities	(11.0)	—	(0.3)	—	(11.3)
Cash flows provided by (used in) financing activities	9.2	(44.9)	(137.1)	—	(172.8)
Increase (decrease) in cash and cash equivalents	(19.1)	(0.4)	0.1	—	(19.4)
Beginning cash and cash equivalents	23.6	0.8	1.7	—	26.1
Ending cash and cash equivalents	$ 4.5	$ 0.4	$ 1.8	$—	$ 6.7

18. Quarterly Financial Information (Unaudited)

	2010				
(dollars in millions, except per common share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenue	$323.7	$338.6	$351.9	$362.8	$1,377.0
Operating income	82.4	69.8	82.6	64.5	299.3
Net income (loss)	22.8	9.6	14.5	(18.6)	28.3
Basic earnings (loss) per common share	0.10	0.03	0.06	(0.11)	0.09
Diluted earnings (loss) per common share	0.10	0.03	0.06	(0.11)	0.09

	2009				
(dollars in millions, except per common share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenue	$325.5	$327.6	$337.7	$345.2	$1,336.0
Operating income	80.3	75.6	73.2	66.4	295.5
Net income	28.8	26.3	27.7	6.8	89.6
Basic earnings per common share	0.12	0.11	0.12	0.02	0.37
Diluted earnings per common share	0.12	0.11	0.12	0.02	0.37

The effects of assumed common share conversions are determined independently for each respective quarter and year and may not be dilutive during every period due to variations in operating results. Therefore, the sum of quarterly per share results will not necessarily equal the per share results for the full year.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

No reportable information under this item.

Item 9A. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

The term "disclosure controls and procedures" (defined in SEC Rule 13a-15(e)) refers to the controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized and reported within required time periods. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Cincinnati Bell Inc.'s management, with the participation of the Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2010 (the "Evaluation Date"). Based on that evaluation, Cincinnati Bell Inc.'s Chief Executive Officer and Chief Financial Officer have concluded that, as of the Evaluation Date, such controls and procedures were effective to ensure that information the Company is required to disclose in reports that are filed or submitted under the Exchange Act are recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

(b) Management's annual report on internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting and the Report of Independent Registered Public Accounting Firm are set forth in Part II, Item 8 of this Annual Report on Form 10-K.

(c) Changes in internal control over financial reporting.

The term "internal control over financial reporting" (defined in SEC Rule 13a-15(f)) refers to the process of a company that is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Cincinnati Bell Inc.'s management, with the participation of the Chief Executive Officer and Chief Financial Officer, have evaluated any changes in the Company's internal control over financial reporting that occurred during the fourth quarter of 2010, and they have concluded that there was not any change to Cincinnati Bell Inc.'s internal control over financial reporting in the fourth quarter of 2010 that has materially affected, or is reasonably likely to materially affect, Cincinnati Bell Inc.'s internal control over financial reporting.

Item 9B. Other Information

No reportable information under this item.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by Item 401, Item 405, Item 406 and 407 (c)(3), (d)(4) and (d)(5) of Regulation S-K regarding directors of Cincinnati Bell Inc. can be found in the Proxy Statement for the Annual Meeting and is incorporated herein by reference.

The Company's Code of Ethics for Senior Financial Officers that applies to its Chief Executive Officer, Chief Financial Officer, and Chief Accounting Officer is filed as an exhibit to this Form 10-K and is posted on the Company's website at *http://www.cincinnatibell.com*. Within the time period required by the SEC and the New York Stock Exchange ("NYSE"), the Company will post on its website any amendment to the Code of Ethics for Senior Financial Officers and any waiver of such code relating to such senior executive officers of the Company.

In addition to the certifications of the Company's Chief Executive Officer and Chief Financial Officer required under Section 302 of the Sarbanes-Oxley Act of 2002 and filed as exhibits to this Annual Report on Form 10-K, in May 2010 the Company's Chief Executive Officer submitted to the NYSE the certification regarding compliance with the NYSE's corporate governance listing standards required by Section 303 A.12 of the NYSE Listed Company Manual.

Executive Officers of the Registrant:

The names, ages and positions of the executive officers of the Company are as follows:

Name	Age	Title
John F. Cassidy (a)	56	President and Chief Executive Officer
Theodore H. Torbeck	54	President and General Manager, Cincinnati Bell Communications Group
Gary J. Wojtaszek	44	Chief Financial Officer
Tara L. Khoury	54	Senior Vice President and Chief Marketing Officer
Christopher J. Wilson	45	Vice President, General Counsel, and Secretary
Brian G. Keating	57	Vice President, Human Resources and Administration
Kurt A. Freyberger	44	Vice President, Investor Relations and Controller

(a) Member of the Board of Directors

Officers are elected annually but are removable at the discretion of the Board of Directors.

JOHN F. CASSIDY, President and Chief Executive Officer since July 2003; Director of the Company since September 2002; President and Chief Operating Officer of Cincinnati Bell Telephone since May 2001; President of Cincinnati Bell Wireless since 1997; Senior Vice President, National Sales & Distribution of Rogers Cantel in Canada from 1992-1996; Vice President, Sales and Marketing, Ericsson Mobile Communications from 1990-1992; Vice President, Sales and Marketing, General Electric Company from 1988-1990.

THEODORE H. TORBECK, President and General Manager of Cincinnati Bell Communications Group since September 2010; Chief Executive Officer of The Freedom Group, Inc. from 2008-2010; Vice President of Operations of General Electric Industrial from 2006-2008; President and Chief Executive Officer of General Electric Rail Services from 2003-2006.

GARY J. WOJTASZEK, Chief Financial Officer of the Company since August 2008; Senior Vice President, Treasurer, and Chief Accounting Officer of Laureate Education Corporation from 2006-2008; Vice President of Finance and Principal Accounting Officer of Agere Systems, Inc. from 2001-2006.

TARA L. KHOURY, Senior Vice President and Chief Marketing Officer of the Company since March 2009; Senior Vice President and Chief Global Marketing Officer of Kao Brands Company from 2005-2008; Senior Vice President, Hillshire Farm division of Sara Lee Corporation from 2004-2005.

CHRISTOPHER J. WILSON, Vice President and General Counsel of the Company since August 2003; Associate General Counsel and Assistant Corporate Secretary for the Company's Cincinnati-based operating subsidiaries from 1999-2003.

BRIAN G. KEATING, Vice President, Human Resources and Administration of the Company since August 2003; Vice President, Human Resources and Administration of the Cincinnati Operations from 2000-2003; Director of Labor Relations, Staffing and Safety of the Company from 1988-2000.

KURT A. FREYBERGER, Vice President, Investor Relations and Controller of the Company since May 2009; Vice President and Controller from March 2005 to May 2009; Assistant Corporate Controller of Chiquita Brands International, Inc. from 2000 to March 2005; various financial reporting roles at Chiquita from 1996-2000.

Items 11 and 12. Executive Compensation and Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by these items can be found in the Proxy Statement for the 2011 Annual Meeting of Shareholders and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by these items can be found in the Proxy Statement for the 2011 Annual Meeting of Shareholders and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information required by these items can be found in the Proxy Statement for the 2011 Annual Meeting of Shareholders and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

Financial Statements

Consolidated Financial Statements are included beginning on page 60.

Financial Statement Schedules

Financial Statement Schedule II — Valuation and Qualifying Accounts is included on page 121. All other schedules are not required under the related instructions or are not applicable.

Exhibits

Exhibits identified in parenthesis below, on file with the Securities and Exchange Commission, are incorporated herein by reference as exhibits hereto.

Exhibit Number	DESCRIPTION
(3.1)	Amended and Restated Articles of Incorporation of Cincinnati Bell Inc. (Exhibit 3.1 to Current Report on Form 8-K, date of Report April 25, 2008, File No. 1-8519).
(3.2)	Amended and Restated Regulations of Cincinnati Bell Inc. (Exhibit 3.2 to Current Report on Form 8-K, date of Report April 25, 2008, File No. 1-8519).
(4.1)	Indenture dated July 1, 1993, between Cincinnati Bell Inc., as Issuer, and The Bank of New York, as Trustee, relating to Cincinnati Bell Inc.'s $7^1/_4$% Notes Due June 15, 2023 (Exhibit 4-A to Current Report on Form 8-K, date of report July 12, 1993, File No. 1-8519).
(4.2)	Indenture dated as of February 16, 2005, by and among Cincinnati Bell Inc., as Issuer, the Guarantor parties thereto, and the Bank of New York, as Trustee in connection with Cincinnati Bell Inc.'s 7% Senior Notes due 2015 (Exhibit 4.1 to Current Report on Form 8-K, filed on February 23, 2005, File No. 1-8519).
(4.3)	Indenture dated as of October 5, 2009, by and among Cincinnati Bell Inc., as issuer, the guarantors party thereto and The Bank of New York Mellon, as trustee, relating to Cincinnati Bell Inc.'s 8.25% Senior Notes due 2017. (Exhibit 4.1 to Current Report on Form 8-K, date of Report September 30, 2009, File No. 1-8519).
(4.4)	Indenture dated as of March 15, 2010, by and among Cincinnati Bell Inc., as issuer, the subsidiaries of Cincinnati Bell Inc. party thereto as guarantors, and The Bank of New York Mellon, as trustee, relating to Cincinnati Bell Inc.'s $8^3/_4$% Senior Subordinated Notes due 2018. (Exhibit 4.1 to Current Report on Form 8-K, date of Report March 15, 2010, File No. 1-8519).
(4.5)	Indenture dated as of October 13, 2010, by and among Cincinnati Bell Inc., as issuer, the subsidiaries of Cincinnati Bell Inc. party thereto as guarantors and The Bank of New York Mellon, as trustee, relating to Cincinnati Bell Inc.'s $8^3/_8$% Senior Notes due 2020. (Exhibit 4.1 to Current Report on Form 8-K, date of Report October 13, 2010, File No. 1-8519).
(4.6)	Indenture dated as of October 27, 1993, among Cincinnati Bell Telephone Company as Issuer, Cincinnati Bell Inc., as Guarantor, and The Bank of New York, as Trustee (Exhibit 4-A to Current Report on Form 8-K, filed October 27, 1993, File No. 1-8519).
(4.7)	First Supplemental Indenture dated as of January 10, 2005 to the Indenture dated as of October 27, 1993 by and among Cincinnati Bell Telephone Company as Issuer, Cincinnati Bell Inc. as Guarantor, and The Bank of New York, as Trustee (Exhibit 4(c)(ii)(2) to Annual Report on Form 10-K for the year ended December 31, 2004, File No. 1-8519).
(4.8)	Second Supplemental Indenture dated as of January 10, 2005 to the Indenture dated as of October 27, 1993 by and among Cincinnati Bell Telephone Company LLC (as successor entity to Cincinnati Bell Telephone Company), as Issuer, Cincinnati Bell Inc. as Guarantor, and The Bank of New York, as Trustee (Exhibit 4(c)(ii)(3) to Annual Report on Form 10-K for the year ended December 31, 2004, File No. 1-8519).

Exhibit Number	DESCRIPTION
(4.9)	Indenture dated as of November 30, 1998 among Cincinnati Bell Telephone Company, as Issuer, Cincinnati Bell Inc., as Guarantor, and The Bank of New York, as Trustee (Exhibit 4-A to Current Report on Form 8-K, filed November 30, 1998, File No. 1-8519).
(4.10)	First Supplemental Indenture dated as of December 31, 2004 to the Indenture dated as of November 30, 1998 among Cincinnati Bell Telephone Company as Issuer, Cincinnati Bell Inc. as Guarantor, and The Bank of New York, as Trustee (Exhibit 4(c)(iii)(2) to Annual Report on Form 10-K for the year ended December 31, 2004, File No. 1-8519).
(4.11)	Second Supplemental Indenture dated as of January 10, 2005 to the Indenture dated as of November 30, 1998 among Cincinnati Bell Telephone Company LLC (as successor entity Cincinnati Bell Telephone Company), as Issuer, Cincinnati Bell Inc. as Guarantor, and The Bank of New York, as Trustee (Exhibit (4)(c)(iii)(3) to Annual Report on Form 10-K for the year ended December 31, 2004, File No. 1-8519).
(4.12)	Warrant Agreement, dated as of March 26, 2003, by and among Broadwing Inc., GS Mezzanine Partners II, L.P., GS Mezzanine Partners II Offshore, L.P., and any other affiliate purchasers (Exhibit (4)(c)(vii) to Annual Report on Form 10-K for the year ended December 31, 2002, File No. 1-8519).
(4.13)	Equity Registration Rights Agreement, dated as of March 26, 2003 by and between Broadwing Inc., GS Mezzanine Partners II, L.P., GS Mezzanine Partners II Offshore, L.P., and any other affiliate purchasers (Exhibit (4)(c)(ix) to Annual Report on Form 10-K for the year ended December 31, 2002, File No. 1-8519).
(4.14)	Purchase Agreement, dated as of March 26, 2003 by and among Broadwing Inc., GS Mezzanine Partners II, L.P., GS Mezzanine Partners II Offshore, L.P., and any other affiliate purchasers of Senior Subordinated Notes due 2009 (Exhibit (4)(c)(x)(1) to Annual Report on Form 10-K for the year ended December 31, 2002, File No. 1-8519).
(4.15)	First Amendment to Purchase Agreement, dated as of March 26, 2003 by and among Broadwing Inc., GS Mezzanine Partners II, L.P., GS Mezzanine Partners II Offshore, L.P., and any other affiliate purchasers of Senior Subordinated Notes due 2009 (Exhibit (4)(c)(x)(2) to Annual Report on Form 10-K for the year ended December 31, 2002, File No. 1-8519).
(4.16)	Second Amendment to Purchase Agreement, dated as of April 30, 2004 by and among Broadwing Inc., GS Mezzanine Partners II, L.P., GS Mezzanine Partners II Offshore, L.P., and any other affiliate purchasers of Senior Subordinated Notes due 2009 (Exhibit (4)(c)(x)(3) to Quarterly Report on Form 10-Q for the quarter ended March 31, 2004, File No. 1-8519).
(4.17)	Third Amendment to Purchase Agreement, dated April 30, 2004, by and among Cincinnati Bell Inc., GS Mezzanine Partners II, L.P., GS Mezzanine Partners II Offshore, L.P., and any other affiliate purchasers of Senior Subordinated Notes due 2009 (Exhibit 4(c)(viii)(4) to Annual Report on Form 10-K for the year ended December 31, 2004, File No. 1-8519).
(4.18)	Fourth Amendment to Purchase Agreement, dated January 31, 2005, by and among Cincinnati Bell Inc., GS Mezzanine Partners II, L.P., GS Mezzanine Partners II Offshore, L.P., and any other affiliate purchasers of Senior Subordinated Notes due 2009 (Exhibit 4(c)(viii)(5) to Annual Report on Form 10-K for the year ended December 31, 2004, File No. 1-8519).
(4.19)	No other instrument which defines the rights of holders of long term debt of the registrant is filed herewith pursuant to Regulation S-K, Item 601(b)(4)(iii)(A). Pursuant to this regulation, the registrant hereby agrees to furnish a copy of any such instrument to the SEC upon request.
(10.1)	Purchase and Sale Agreement, dated as of March 23, 2007, among Cincinnati Bell Funding LLC as Purchaser, Cincinnati Bell Inc. as Servicer and sole member of Cincinnati Bell Funding LLC, and various Cincinnati Bell subsidiaries as Sellers (Exhibit 99.1 to Current Report on Form 8-K, filed March 29, 2007, File No. 1-8519).

Exhibit Number	DESCRIPTION
(10.2)	Joinder and First Amendment to the Purchase and Sale Agreement, dated as of March 19, 2009, to the Purchase and Sale Agreement dated as of March 23, 2007, among Cincinnati Bell Technology Solutions Inc. as a New Originator, the Originators identified therein, Cincinnati Bell Funding LLC, and Cincinnati Bell Inc. as Servicer (Exhibit 99.2 to Current Report on Form 8-K, date of Report March 19, 2009, File No. 1-8519).
(10.3)	Joinder and Second Amendment to the Purchase and Sale Agreement, dated as of July 1, 2009, to Purchase and Sale Agreement dated as of March 23, 2007, among eVolve Business Solutions LLC as a New Originator, the Originators identified therein, Cincinnati Bell Funding LLC, and Cincinnati Bell Inc. as Servicer (Exhibit 99.2 to Current Report on Form 8-K, date of Report July 1, 2009, File No. 1-8519).
(10.4)	Joinder and Third Amendment to Purchase and Sale Agreement dated as of June 7, 2010, among Cincinnati Bell Any Distance of Virginia LLC as a New Originator, the Originators identified therein, Cincinnati Bell Funding LLC, and Cincinnati Bell Inc. as sole member of Cincinnati Bell Funding and as Servicer (Exhibit 99.2 to Current Report on Form 8-K, date of Report June 7, 2010, File No. 1-8519).
(10.5)	Joinder and Fourth Amendment to Purchase and Sale Agreement dated as of December 23, 2010, among Cincinnati Bell Data Centers Inc. as a New Originator, the Originators identified therein, Cincinnati Bell Funding LLC, and Cincinnati Bell Inc. as sole member of Cincinnati Bell Funding and as Servicer (Exhibit 99.2 to Current Report on Form 8-K, date of Report December 23, 2010, File No. 1-8519).
(10.6)	Receivables Purchase Agreement, dated as of March 23, 2007, among Cincinnati Bell Funding LLC, as Seller, Cincinnati Bell Inc., as Servicer, various Purchasers and Purchaser Agents, and PNC Bank, National Association, as Administrator. (Exhibit 99.2 to Current Report on Form 8-K, filed March 29, 2007, File No. 1-8519).
(10.7)	First Amendment to Receivables Purchase Agreement, dated as of March 18, 2008, to the Receivables Purchase Agreement dated as of March 23, 2007, among Cincinnati Bell Funding LLC, as Seller, Cincinnati Bell Inc., as Servicer, the Purchasers and Purchaser Agents and PNC Bank, National Association, as Administrator for each Purchaser Group (Exhibit 99.1 to Current Report on Form 8-K, date of Report March 26, 2008, File No. 1-8519).
(10.8)	Second Amendment to Receivables Purchase Agreement, dated as of March 20, 2008, to the Receivables Purchase Agreement dated as of March 23, 2007, among Cincinnati Bell Funding LLC, as Seller, Cincinnati Bell Inc., as Servicer, the Purchasers and Purchaser Agents and PNC Bank, National Association, as Administrator for each Purchaser Group (Exhibit 99.2 to Current Report on Form 8-K, date of Report March 26, 2008, File No. 1-8519).
(10.9)	Third Amendment to Receivables Purchase Agreement, dated as of March 19, 2009, to the Receivables Purchase Agreement dated as of March 23, 2007, among Cincinnati Bell Funding LLC, as Seller, Cincinnati Bell Inc., as Servicer, the Purchasers and Purchaser Agents identified therein and PNC Bank, National Association, as Administrator for each Purchaser Group (Exhibit 99.1 to Current Report on Form 8-K, date of Report March 19, 2009, File No. 1-8519).
(10.10)	Fourth Amendment to Receivables Purchase Agreement, dated as of June 8, 2009, to the Receivables Purchase Agreement dated as of March 23, 2007, among Cincinnati Bell Funding LLC, as Seller, Cincinnati Bell Inc., as Servicer, the Purchasers and Purchaser Agents identified therein, and PNC Bank, National Association, as Administrator for each Purchaser Group. (Exhibit 99.1 to Current Report on Form 8-K, date of Report June 8, 2009, File No. 1-8519).
(10.11)	Fifth Amendment to Receivables Purchase Agreement, dated as of July 1, 2009, to the Receivables Purchase Agreement dated as of March 23, 2007, among Cincinnati Bell Funding LLC, as Seller, Cincinnati Bell Inc., as Servicer, the Purchasers and Purchaser Agents identified therein, and PNC Bank, National Association, as Administrator for each Purchaser Group. (Exhibit 99.1 to Current Report on Form 8-K, date of Report July 1, 2009, File No. 1-8519).

Exhibit Number	DESCRIPTION
(10.12)	Sixth Amendment to Receivables Purchase Agreement dated as of June 7, 2010, to the Receivables Purchase Agreement, dated as of March 23, 2007, among Cincinnati Bell Funding LLC, as Seller, Cincinnati Bell Inc., as Servicer, the Purchasers and Purchaser Agents identified therein, and PNC Bank, National Association, as Administrator for each Purchaser Group. (Exhibit 99.1 to Current Report on Form 8-K, date of Report June 7, 2010, File No. 1-8519).
(10.13)	Seventh Amendment to Receivables Purchase Agreement dated as of December 23, 2010, to the Receivables Purchase Agreement, dated as of March 23, 2007, among Cincinnati Bell Funding LLC as Seller, Cincinnati Bell Inc. as Servicer, the Purchasers and Purchaser Agents identified therein, and PNC Bank, National Association as Administrator for each Purchaser Group (Exhibit 99.1 to Current Report on Form 8-K, date of Report December 23, 2010, File No. 1-8519).
(10.14)	Credit Agreement dated as of June 11, 2010 among Cincinnati Bell Inc., as Borrower, the Guarantors party thereto, Bank of America, N.A., as Administrative Agent and an L/C Issuer, PNC Bank, National Association, as Swingline Lender and an L/C Issuer, and the other Lenders party thereto. (Exhibit 10.1 to Current Report on Form 8-K, date of Report June 11, 2010, File No. 1- 8519).
(10.15)	Equity Purchase Agreement dated as of May 12, 2010 among Cincinnati Bell Technology Solutions Inc., Cincinnati Bell Inc., Cy-One Parent LLC, Cy-One Holdings LLC, the interest holders of Cy-One Holdings LLC and Cyrus Networks LLC. (Exhibit 2.1 to Current Report on Form 8-K, date of Report May 13, 2010, File No. 1-8519).
(10.16)*	Short Term Incentive Plan of Cincinnati Bell Inc., as amended and restated effective July 24, 2000 (Exhibit (10)(iii)(A)(1) to Quarterly Report on Form 10-Q for the quarter ended June 30, 2000, File No. 1-8519).
(10.17)*	Amendment to Cincinnati Bell Inc. Short Term Incentive Plan effective as of May 27, 2003 (Exhibit (10)(iii)(A)(1.1) to Annual Report on Form 10-K for the year ended December 31, 2007, File No. 1-8519).
(10.18)*	Amendment to Cincinnati Bell Inc. Short Term Incentive Plan effective as of January 1, 2009. (Exhibit (10)(iii)(A)(4) to Annual Report on Form 10-K for the year ended December 31, 2008, File No. 1-8519).
(10.19)*	Cincinnati Bell Inc. Deferred Compensation Plan for Outside Directors, as amended and restated as of January 1, 2005. (Exhibit (10)(iii)(A)(4) to Annual Report on Form 10-K for the year ended December 31, 2008, File No. 1-8519).
(10.20)*	Amendment to Cincinnati Bell Inc. Deferred Compensation Plan for Outside Directors effective as of January 1, 2006 (Exhibit (10)(iii)(A)(2.3) to Annual Report on Form 10-K for the year ended December 31, 2007, File No. 1-8519).
(10.21)*	Cincinnati Bell Inc. Pension Program, as amended and restated effective January 1, 2005 (Exhibit (10)(iii)(A)(3) to Annual Report on Form 10-K for the year ended December 31, 2008, File No. 1-8519).
(10.22)*	Cincinnati Bell Inc. Executive Deferred Compensation Plan, as amended and restated effective January 1, 2005. (Exhibit (10)(iii)(A)(4) to Annual Report on Form 10-K for the year ended December 31, 2008, File No. 1-8519).
(10.23)*	Cincinnati Bell Inc. 1997 Long Term Incentive Plan, as amended and restated effective July 24, 2000 (Exhibit (10)(iii)(A)(1) to Quarterly Report on Form 10-Q for the quarter ended June 30, 2000, File No. 1-8519).
(10.24)*	Amendment to Cincinnati Bell Inc. 1997 Long Term Incentive Plan effective as of January 1, 2001 (Exhibit (10)(iii)(A)(5.1) to Annual Report on Form 10-K for the year ended December 31, 2007, File No. 1-8519).
(10.25)*	Amendment to Cincinnati Bell Inc. 1997 Long Term Incentive Plan effective as of May 27, 2003 (Exhibit (10)(iii)(A)(5.2) to Annual Report on Form 10-K for the year ended December 31, 2007, File No. 1-8519).

Exhibit Number	DESCRIPTION
(10.26)*	Cincinnati Bell Inc. 1997 Stock Option Plan for Non-Employee Directors, as revised and restated effective January 1, 2001 (Exhibit (10)(iii)(A)(6) to Quarterly Report on Form 10-Q for the quarter ended March 31, 2003, File No. 1-8519).
(10.27)*	Amendment to Cincinnati Bell Inc. 1997 Stock Option Plan for Non-Employee Directors effective as of May 27, 2003 (Exhibit (10)(iii)(A)(6.1) to Annual Report on Form 10-K for the year ended December 31, 2007, File No. 1-8519).
(10.28)*	Cincinnati Bell Inc. 2007 Long Term Incentive Plan (Appendix A to the Company's 2007 Proxy Statement on Schedule 14A filed March 14, 2007, File No. 1-8519).
(10.29)*	Amendment to Cincinnati Bell Inc. 2007 Long Term Incentive Plan effective as of May 1, 2009 (Appendix A to the Company's 2009 Proxy Statement on Schedule 14A filed March 17, 2009, File No. 1-8519).
(10.30)*	Form of Award Agreement to be implemented under the 2007 Long Term Incentive Plan dated as of December 7, 2010 (Exhibit 10.1 to Current Report on Form 8-K, date of report December 7, 2010, File No. 1-8519).
(10.31)*	Cincinnati Bell Inc. 2007 Stock Option Plan for Non-Employee Directors (Appendix B to the Company's 2007 Proxy Statement on Schedule 14A filed on March 14, 2007, File No. 1-8519).
(10.32)*	Cincinnati Bell Inc. 2007 Performance Unit Agreement (Exhibit 10 to Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, File No. 1-8519).
(10.33)*	Cincinnati Bell Management Pension Plan effective as of January 1, 1997 (Exhibit (10)(iii)(A)(17) to Annual Report on Form 10-K for the year ended December 31, 2007, File No. 1-8519).
(10.34)*	Amendment to Cincinnati Bell Management Pension Plan effective as of January 1, 2002 (Exhibit (10)(iii)(A)(17.1) to Annual Report on Form 10-K for the year ended December 31, 2007, File No. 1-8519).
(10.35)*	Amendment to Cincinnati Bell Management Pension Plan effective as of May 27, 2003 (Exhibit (10)(iii)(A)(17.2) to Annual Report on Form 10-K for the year ended December 31, 2007, File No. 1-8519).
(10.36)*	Amendment to Cincinnati Bell Management Pension Plan effective as of January 1, 1997 (Exhibit (10)(iii)(A)(17.3) to Annual Report on Form 10-K for the year ended December 31, 2007, File No. 1-8519).
(10.37)*	Amendment to Cincinnati Bell Management Pension Plan effective as of December 4, 2003 (Exhibit (10)(iii)(A)(17.4) to Annual Report on Form 10-K for the year ended December 31, 2007, File No. 1-8519).
(10.38)*	Amendment to Cincinnati Bell Management Pension Plan effective as of August 19, 2004 (Exhibit (10)(iii)(A)(17.5) to Annual Report on Form 10-K for the year ended December 31, 2007, File No. 1-8519).
(10.39)*	Amendment to Cincinnati Bell Management Pension Plan effective as of June 1, 2005 (Exhibit (10)(iii)(A)(17.6) to Annual Report on Form 10-K for the year ended December 31, 2007, File No. 1-8519).
(10.40)*	Amendment to Cincinnati Bell Management Pension Plan effective as of March 28, 2005 (Exhibit (10)(iii)(A)(17.7) to Annual Report on Form 10-K for the year ended December 31, 2007, File No. 1-8519).
(10.41)*	Amendment to Cincinnati Bell Management Pension Plan effective as of January 1, 2006 (Exhibit (10)(iii)(A)(17.8) to Annual Report on Form 10-K for the year ended December 31, 2007, File No. 1-8519).
(10.42)*	Amendment to Cincinnati Bell Management Pension Plan effective as of January 1, 2007 (Exhibit (10)(iii)(A)(17.9) to Annual Report on Form 10-K for the year ended December 31, 2007, File No. 1-8519).

Exhibit Number	DESCRIPTION
(10.43)*	Amendment to Cincinnati Bell Management Pension Plan effective as of January 1, 2008.
(10.44)*	Cincinnati Bell Inc. Form of Stock Option Agreement (Employees) (Exhibit 10.1 to Current Report on Form 8-K, date of Report December 3, 2004, File No. 1-8519).
(10.45)*	Cincinnati Bell Inc. Form of Cincinnati Bell Inc. Performance Restricted Stock Agreement (Exhibit 10.2 to Current Report on Form 8-K, date of Report December 3, 2004, File No. 1-8519).
(10.46)*	Cincinnati Bell Inc. Form of Stock Option Agreement (Non-Employee Directors) (Exhibit 10.3 to Current Report on Form 8-K, date of Report December 4, 2003, File No. 1-8519).
(10.47)*	Cincinnati Bell Inc. Form of Stock Appreciation Rights Agreement (Employees). (Exhibit (10)(iii)(A)(21) to Annual Report on Form 10-K for the year ended December 31, 2008, File No. 1-8519).
(10.48)*	Amended and Restated Employment Agreement effective as of January 1, 2009, between Cincinnati Bell Inc. and John F. Cassidy (Exhibit (10)(iii)(A)(9) to Annual Report on Form 10-K for the year ended December 31, 2008, File No. 1-8519).
(10.49)*	Amendment to Amended and Restated Employment Agreement effective as of February 5, 2010 between Cincinnati Bell Inc. and John F. Cassidy (Exhibit 10.1 to Current Report on Form 8-K, date of Report February 5, 2010, File No 1-8519).
(10.50)*	Amended and Restated Employment Agreement effective as of January 1, 2009 between Cincinnati Bell Inc. and Gary J. Wojtaszek (Exhibit (12)(iii)(A)(11) to Annual Report on Form 10-K for the year ended December 31, 2008, File No. 1-8519).
(10.51)*	Amendment No. 1 to Amended and Restated Employment Agreement effective as of January 27, 2011 between Cincinnati Bell Inc. and Gary J. Wojtaszek (Exhibit 10.1 to Current Report on Form 8-K, date of Report January 27, 2011, File No. 1-8519).
(10.52)*	Amended and Restated Employment Agreement effective as of January 1, 2009 between Cincinnati Bell Inc. and Christopher J. Wilson (Exhibit (10)(iii)(A)(10) to Annual Report on Form 10-K for the year ended December 31, 2008, File No. 1-8519).
(10.53)*	Amended and Restated Employment Agreement effective as of January 1, 2009 between Cincinnati Bell Inc. and Brian G. Keating (Exhibit (10)(iii)(A)(8) to Annual Report on Form 10-K for the year ended December 31, 2008, File No. 1-8519).
(10.54)*	Employment Agreement between Cincinnati Bell Inc. and Theodore H. Torbeck dated September 7, 2010. (Exhibit 10.1 to Current Report on Form 8-K, date of Report September 7, 2010, File No. 1-8519).
(10.55)*	Employment Agreement between Cincinnati Bell Inc. and Tara L. Khoury, dated July 30, 2010. (Exhibit 10.1 to Current Report on Form 8-K, date of Report July 30, 2010, File No. 1-8519).
(10.56)*	Executive Compensation Recoupment/Clawback Policy effective as of January 1, 2011. (Exhibit 99.1 to Current Report on Form 8-K, date of Report October 29, 2010, File No. 1-8519).
(10.57)*	Cincinnati Bell Inc. Form of Stock Option Agreement (Employees) (Exhibit 10.1 to Current Report on Form 8-K, date of Report December 3, 2004, File No. 1-8519).
(10.58)*	Cincinnati Bell Inc. Form of Cincinnati Bell Inc. Performance Restricted Stock Agreement (Exhibit 10.2 to Current Report on Form 8-K, date of Report December 3, 2004, File No. 1-8519).
(10.59)*	Cincinnati Bell Inc. Form of Stock Option Agreement (Non-Employee Directors) (Exhibit 10.3 to Current Report on Form 8-K, date of Report December 4, 2003, File No. 1-8519).
(10.60)*	Cincinnati Bell Inc. Form of Stock Appreciation Rights Agreement (Employees). (Exhibit (10)(iii)(A)(21) to Annual Report on Form 10-K for the year ended December 31, 2008, File No. 1-8519).
(10.61)*	Cincinnati Bell Inc. Form of Stock Option Agreement (2007 Long Term Incentive Plan). (Exhibit (10)(iii)(A)(22) to Annual Report on Form 10-K for the year ended December 31, 2008, File No. 1-8519).

Exhibit Number	DESCRIPTION
(10.62)*	Cincinnati Bell Inc. Performance Restricted Stock Agreement (2007 Long Term Incentive Plan). (Exhibit (10)(iii)(A)(23) to Annual Report on Form 10-K for the year ended December 31, 2008, File No. 1-8519).
(10.63)*	Cincinnati Bell Inc. Form of 2008-2010 Performance Share Agreement (2007 Long Term Incentive Plan). (Exhibit (10)(iii)(A)(24) to Annual Report on Form 10-K for the year ended December 31, 2008, File No. 1-8519).
(12.1) +	Calculation of Ratio of Earnings to Combined Fixed Charges and Preferred Dividends.
(14)	Code of Ethics for Senior Financial Officers, as adopted pursuant to Section 406 of Regulation S-K (Exhibit (10)(iii)(A)(15) to Annual Report on Form 10-K for the year ended December 31, 2003, File No. 1-8519).
(21)+	Subsidiaries of the Registrant.
(23)+	Consent of Independent Registered Public Accounting Firm.
(24)+	Powers of Attorney.
(31.1)+	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(31.2)+	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(32.1)+	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
(32.2)+	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
(101.INS)	XBRL Instance Document.
(101.SCH)	XBRL Taxonomy Extension Schema Document.
(101.CAL)	XBRL Taxonomy Calculation Linkbase Document.
(101.LAB)	XBRL Taxonomy Label Linkbase Document.
(101.PRE)	XBRL Taxonomy Presentation Linkbase Document.

+ Filed herewith.

* Management contract or compensatory plan required to be filed as an exhibit pursuant to Item 15(a)(3) of the Instructions to Form 10-K.

The Company's reports on Form 10-K, 10-Q, 8-K, proxy and other information are available free of charge at the following website: *http://www.cincinnatibell.com*. Upon request, the Company will furnish a copy of the Proxy Statement to its security holders without charge, portions of which are incorporated herein by reference. The Company will furnish any other exhibit at cost.

Schedule II

Cincinnati Bell Inc.
VALUATION AND QUALIFYING ACCOUNTS
(Millions of Dollars)

	Beginning of Period	Charge (Benefit) to Expenses	To (from) Other Accounts	Deductions	End of Period
Allowance for Doubtful Accounts					
Year 2010	$ 17.2	$ 15.2	$ —	$18.4	$14.0
Year 2009	$ 18.0	$ 22.3	$ —	$23.1	$17.2
Year 2008	$ 17.1	$ 19.7	$ —	$18.8	$18.0
Deferred Tax Valuation Allowance					
Year 2010	$ 67.2	$ (6.6)	$(0.6)	$ —	$60.0
Year 2009	$ 72.9	$ (5.7)	$ —	$ —	$67.2
Year 2008	$140.0	$(67.1)	$ —	$ —	$72.9

Form 10-K

Signatures

Pursuant to the requirements of Section 13 or 15(d) 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.

CINCINNATI BELL INC.

February 28, 2011

By /s/ Gary J. Wojtaszek
Gary J. Wojtaszek
Chief Financial Officer

By /s/ Kurt A. Freyberger
Kurt A. Freyberger
Chief Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature	Title	Date
/s/ John F. Cassidy John F. Cassidy	President, Chief Executive Officer, and Director	February 28, 2011
Phillip R. Cox * Phillip R. Cox	Chairman of the Board and Director	February 28, 2011
Bruce L. Byrnes* Bruce L. Byrnes	Director	February 28, 2011
Jakki L. Haussler* Jakki L. Haussler	Director	February 28, 2011
Craig F. Maier* Craig F. Maier	Director	February 28, 2011
Alex Shumate* Alex Shumate	Director	February 28, 2011
Lynn A. Wentworth* Lynn A. Wentworth	Director	February 28, 2011
John M. Zrno* John M. Zrno	Director	February 28, 2011

*By: /s/ John F. Cassidy
John F. Cassidy
as attorney-in-fact and on his behalf
as Principal Executive Officer, President and Chief Executive Officer, and Director

February 28, 2011

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Annual Meeting
The annual meeting of shareholders will be held at the Marriott at Legacy Town Center, 7120 Dallas Parkway, Plano, Texas 75024, at 11:00 a.m. (Central Time) on Tuesday, May 3, 2011.

Cincinnati Bell Information
Cincinnati Bell's common stock is traded on the New York Stock Exchange under the ticker symbol "CBB." For the latest information about Cincinnati Bell and your Cincinnati Bell investment, you can contact us in three ways:
Online: In the Investor Relations section of www.cincinnatibell.com, you can sign up for e-mail delivery of Cincinnati Bell news; view and print an electronic copy of the Annual Report; find financial reports, including Forms 10-K and 10-Q, and quarterly earnings reports; listen to webcasts of presentations to investors and security analysts; retrieve stock prices; and review frequently asked questions.
Phone: Individual investors may also contact us via our Shareholder Information Line at (800) 345-6301.
Mail: Contact us via U.S. Mail at Cincinnati Bell Inc., Investor Relations, 221 East 4th Street, Cincinnati, Ohio 45202

Investor Relations Contact
Kim Sheehy
Vice President, Investor Relations and Treasurer
(513) 397-7862

Transfer Agent and Registrar
Questions regarding registered shareholder accounts or the Stock Purchase Plan should be directed to Cincinnati Bell's transfer agent and registrar:
Computershare Investor Services, LLC
Shareholder Services
7530 Lucerne Drive, Suite 100
Cleveland, Ohio 44130-6503
Phone: (888) 294-8217
Fax: (866) 204-6049
www.computershare.com

Note: If your shares of Cincinnati Bell common stock are held in trust or by an investment firm, please contact your trustee or investment firm representative.

Cincinnati Bell℠ is a trademark of Cincinnati Bell Telephone Company, LLC

Cincinnati Bell℠

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