Cincinnati Bell℠

2012 Annual Report

Letter to Shareholders

Notice of 2013 Annual Meeting and Proxy Statement

Report on Form 10-K

Contents

Letter to Shareholders from the Chairman, the Vice Chairman, the President & Chief Executive Officer and the Chief Financial Officer

Financial Highlights

Board of Directors and Company Officers

Notice of Annual Meeting of Shareholders

Proxy Statement

Report on Form 10-K

A letter from the Chairman, the Vice Chairman, the President & Chief Executive Officer, and the Chief Financial Officer

In 2012, Cincinnati Bell had a very successful year by any measure. Capped off by the IPO of CyrusOne in early 2013, the Company delivered on operational and strategic objectives that drove value to our shareholders and reduced our debt. The Company is now well positioned to create further value. Over time, the monetization of our remaining CyrusOne investment and our cash flows from operations will fund future shareholder value creation, which could take the form of debt reduction, share buybacks, dividends or investment in businesses that grow the Company. We will remain judicious in our use of cash for investment opportunities and will update the shareholder base frequently with our strategic considerations and resulting operational metrics.

Throughout 2012, we focused on delivering unparalleled products, services and experiences to customers where they live and work. We grew our Fioptics customer base by approximately 40% from 2011 as part of our continuing, long-term plan for growth. We also solidified contracts with key business customers while managing costs and improving operational efficiencies. As a result, we entered 2013 with a solid existing wireline operation, great opportunities for investments in growth, and an investment in a growing data center business that will ultimately allow us to return value to equity holders.

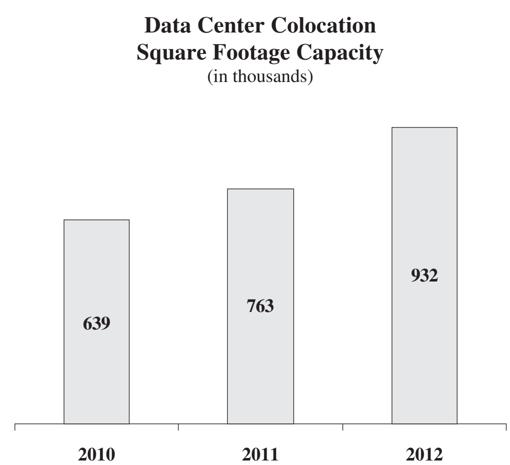
Performance Highlights

In 2012, we continued our strong focus on operational excellence and cost control – optimizing our current operations while investing for growth.

- Net revenue was $1.5 billion, a 1% increase over 2011.
- Adjusted EBITDA[1] was $535 million.
- We passed an additional 71,000 homes with Fioptics and achieved a 28% market share in areas passed.
- CyrusOne raised $525 million in 6.375% senior notes in the fourth quarter; $480 million of the proceeds were used to repay Cincinnati Bell corporate bonds and other debt.

CyrusOne – Strategic Milestones Met

Throughout 2012, Cincinnati Bell delivered on our strategy to grow our data center business and become the preferred global supplier of data center colocation services to the Fortune 1000. During the year, CyrusOne constructed 199,000 square feet of additional data center space, increasing total capacity to 932,000 square feet, and sold 92,000 square feet of space. As a result, the segment's utilization at the end of 2012 was 78%.



The IPO of CyrusOne in January 2013 culminated a remarkable effort to unlock the value of our data center business. The IPO was extremely successful, as it priced above the preliminary prospectus range and has traded strongly since the IPO date. We were steadfast in our approach, and the $480 million received from CyrusOne in the fourth quarter to pay down our corporate bonds was the first of many steps towards reducing our debt.

We are very bullish on the growth prospects for CyrusOne and see considerable value still to be realized from our remaining 69% ownership. Over time, the monetization of our remaining ownership stake in CyrusOne will enable the Company to return value to the shareholder, in the form of debt reduction, dividends, share buybacks and/or investment in businesses that grow the Company.

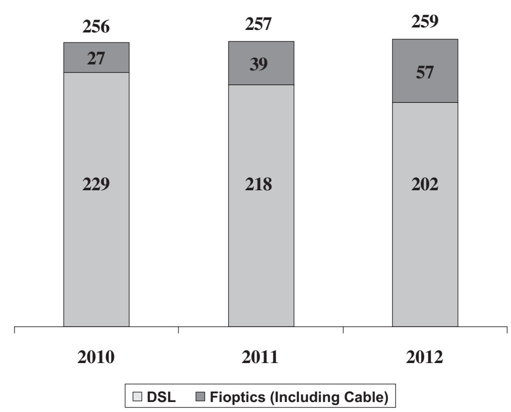
Wireline – A Foundation for Growth

While the main focus over the past several years has been investing in data center growth, we have also been investing prudently in a strong foundation for our future.

We continue to invest in services that are delivered over fiber. For the consumer, this is our Fioptics product suite, which provides entertainment, high-speed internet and voice service. For the business customer, this ranges from wholesale connectivity to complex cloud and managed IT offerings. Our fiber products provide for download and upload speeds of up to 100 Mbps – unmatched by any competitor in our space.

At the end of 2012, we had a total of 205,000 homes and businesses passed with Fioptics, which represents approximately 26% of the Greater Cincinnati market. To date, we have achieved 28% market share in the areas that we pass and, in areas we have passed for more than 24 months, our market share in single-family homes is in excess of 35%. Total high-speed internet subscribers – DSL and Fioptics – numbered 259,000 at the end of the year, up from 257,000 at the end of 2011. Since the launch of our Fioptics product suite in 2009, the total of the Company's DSL and Fioptics high-speed internet subscribers has increased by 9%. Fioptics is not only a growth engine; it also enables us to retain high-value subscribers that have been long-time customers of Cincinnati Bell.

High Speed Internet Customers (DSL & Fioptics)
(in thousands)

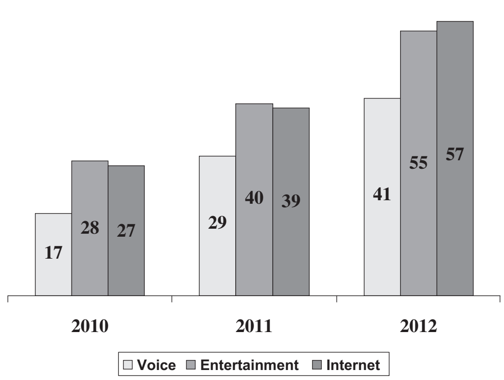


Fiber optics connectivity continues to be an enabling technology that allows Cincinnati Bell to deliver business customers an end-to-end experience with one trusted partner. These services, combined with our robust metro-fiber assets, clearly differentiate us from other pure-play competitors. We offer services that range from a simple hardware sale or a traditional voice service to a fully managed solution that includes high-speed data networking, data backup and storage, VoIP and hosted cloud services. We are aggressively pursuing increased market share in the 3,600 buildings and towers in Greater Cincinnati that we currently have lit with fiber by expanding the breadth of services offered to those locations. In addition, we expect to connect this high-speed fiber offering to several hundred additional buildings during 2013 and 2014.

In our wholesale Carrier market, our metro-fiber investments will remain focused on wireless backhaul projects and last-mile access for metro-Ethernet. The Company currently generates combined revenue of approximately $80 million annually associated with these services.

Our Fioptics and strategic business data and VoIP product lines continued their growth trends in 2012, offsetting the impact of access line losses. Wireline revenue in 2012 was $731 million compared to $732 million generated in 2011. Operating income was $213 million, down $16 million or 7% compared to 2011, and Adjusted EBITDA was $344 million, down 3% from 2011, due in part to the costs of acquiring new Fioptics customers. Access line loss continued to be controlled at 7.6% in 2012, a slight improvement from the 7.8% loss we experienced in 2011. In 2012, we showed clear signs of reversing the declines in Wireline revenue and Adjusted EBITDA as a result of the investments made in fiber products over the past several years.

Fioptics Subscribers
(in thousands)



Wireless – Focused on Maximizing Cash Flow

Our wireless business faces intense competitive pressures from the national players. Our team continues to do an outstanding job providing excellent products and services to our wireless customers. We have also successfully reduced costs to substantially offset subscriber declines over the past three years. However, it is becoming more difficult for us to fully offset these revenue declines with cost reductions.

Wireless revenue was $242 million, down 13% compared to 2011 as postpaid subscriber losses continued. The segment generated operating income of $51 million for the year. Adjusted EBITDA for the year totaled $85 million, which equated to a 35% Adjusted EBITDA margin[2]. Total wireless subscribers decreased to 398,000 in 2012, compared to 459,000 at the end of 2011.

We believe Wireless Adjusted EBITDA in 2013 will decline from 2012 levels. We are reviewing all options available to us and, for now, continue to manage this business with a focus on maximizing cash flow.

Operational Efficiency – A Continuing Priority

Our history shows a clear focus on disciplined cost management, and we reduced costs company-wide by approximately $15 million in 2012 alone. This continues to be a priority for us in 2013, and we expect significant customer service improvements and cost reductions from combining our IT Services and Hardware segment (CBTS) with our Wireline business sales and operations group, outsourcing certain call center functions to a third-party provider with Cincinnati-based call centers, re-domiciling call center operations from the Philippines into this Cincinnati-based call center, and continuing our focus on vendor sourcing savings.

For example, we believe the combining of CBTS with our Wireline entities will not only result in $5 million of annual cost savings from operational and product synergies, but importantly will also create a platform to better serve our mid-market customers, both within

Cincinnati and outside our traditional operating territory. We have assessed this mid-market opportunity to be approximately $250 million in Cincinnati alone.

We will continue to identify and pursue additional cost-out opportunities throughout 2013.

Community – 140 Years Strong

In July 2013, Cincinnati Bell will mark its 140th anniversary. That's 14 decades of great people doing great things for our customers and our community.

Cincinnati is our hometown. It's also where most of our customers – our friends, families, and neighbors – live and work. That's why our employees organize an annual "Cincinnati Bell Day in the Community." It's one day all of us come together to work on community service projects – landscaping, painting, cleaning, building, repairing and providing helping hands for local nonprofit agencies.

During the other 364 days of the year, our employees donate their time and resources to the award-winning Taft Information Technology High School as well as various local children's agencies, and generously support Greater Cincinnati's United Way and ArtsWave campaigns.

The energy and passion that Cincinnati Bell employees demonstrate in our community is evident in their work as well. We are unwavering in our commitment to our customers and shareholders.

Our future holds great opportunities. We are confident in the strategic objectives we have established to grow our business and in the great employees who will execute that strategy to benefit our shareholders. We believe in the future of Cincinnati Bell and thank you for your investment in our Company.

Phillip R. Cox
Chairman of the Board

John F. Cassidy
Vice Chairman of the Board

Theodore H. Torbeck
President and Chief Executive Officer

Kurt A. Freyberger
Chief Financial Officer

On January 31, 2013, Cincinnati Bell's Board of directors named Ted Torbeck as the Chief Executive Officer of Cincinnati Bell and member of the Board of Directors. Ted succeeded Jack Cassidy, who was elected Vice Chairman of the Board. Jack's leadership and courage were instrumental in our transformation from a struggling long-haul fiber carrier to a resilient telecommunications and data center company. Cincinnati Bell's highly successful IPO of CyrusOne Inc. in early 2013 marked the final chapter of Jack's service as CEO but not the end of his contributions to the Company. We thank Jack for his past contributions and are grateful for the leadership and vision he will continue to offer in his role as Vice Chairman of the Board.

Use of Non-GAAP Financial Measures

This report contains information about adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA) and Adjusted EBITDA margin. These are non-GAAP financial measures used by Cincinnati Bell management when evaluating results of operations. Management believes these measures also provide users of the financial statements with additional and useful comparisons of current results of operations with past and future periods. Non-GAAP financial measures should not be construed as being more important than comparable GAAP measures. Detailed reconciliations of Adjusted EBITDA to comparable GAAP financial measures are available at http://investor.cincinnatibell.com (see Fourth Quarter 2012 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, components of pension and other retirement plan costs related to interest costs, asset returns, and amortization of actuarial gains and losses, 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] **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, 2012	2011	2010
Operating Data			
Revenue	**$1,473.9**	$1,462.4	$1,377.0
Cost of services and products, selling, general and administrative, depreciation and amortization expense	**1,181.5**	1,139.9	1,054.9
Restructuring charges, transaction costs, curtailment loss, goodwill impairment, asset impairments, and (gain) on sale of assets	**22.3**	63.0	22.8
Operating income	**270.1**	259.5	299.3
Interest expense	**218.9**	215.0	185.2
Loss on extinguishment of debt	**13.6**	—	46.5
Net income	**$ 11.2**	$ 18.6	$ 28.3
Financial Position			
Property, plant and equipment, net	**$1,587.4**	$1,400.5	$1,264.4
Total assets	**2,872.4**	2,714.7	2,653.6
Total long-term obligations	**3,215.2**	3,073.5	2,992.7

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

This annual report and the documents incorporated by reference herein contain forward-looking statements regarding future events and our future results that are subject to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, are statements that could be deemed forward-looking statements. These statements are based on current expectations, estimates, forecasts, and projections about the industries in which we operate and the beliefs and assumptions of our management. Words such as "expects," "anticipates," "predicts," "projects," "intends," "plans," "believes," "seeks," "estimates," "continues," "endeavors," "strives," "may," variations of such words and similar expressions are intended to identify such forward-looking statements. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, and other characterizations of future events or circumstances are forward-looking statements. Readers are cautioned these forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties, which could cause our actual results to differ materially and adversely from those reflected in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this release and those discussed in other documents we file with the Securities and Exchange Commission (SEC). More information on potential risks and uncertainties is available in our recent filings with the SEC, including Cincinnati Bell's Form 10-K report, Form 10-Q reports and Form 8-K reports. Actual results may differ materially and adversely from those expressed in any forward-looking statements. We undertake no obligation to revise or update any forward-looking statements for any reason.

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

John F. Cassidy
Vice Chairman of the Board
Retired President and
Chief Executive Officer
Cincinnati Bell Inc.

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

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

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.

Alan R. Schriber, Ph.D (4)
Retired Chairman of the Public Utilities
Commission of Ohio

Lynn A. Wentworth (1*, 2, 3)
Retired Senior Vice President,
Chief Financial Officer and Treasurer
BlueLinx Holdings Inc.

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

Theodore H. Torbeck (3)
President and Chief Executive Officer
Cincinnati Bell Inc.

Company Officers

Theodore H. Torbeck
President and
Chief Executive Officer

Kurt A. Freyberger
Vice President and
Chief Financial Officer

Christopher J. Wilson
Vice President, General Counsel
and Secretary

Christopher C. Elma
Vice President, Treasury and Tax

Brian G. Keating
Vice President, Human Resources
and Administration

Susan M. Kinsey
Vice President and Controller

John R. Donbar
Vice President, Internal Audit

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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, 2013

To Our Shareholders:

The 2013 Annual Meeting of Shareholders of Cincinnati Bell Inc. (the “Company”) will be held on Friday, May 3, 2013, at 11:00 a.m., Eastern Time, at the METS Center, 3861 Olympic Boulevard, Erlanger, Kentucky, for the following purposes:

1. To elect nine directors to serve a one-year term ending in 2014;
2. To seek advisory approval of the Company’s executive compensation;
3. To ratify the appointment of the Company’s independent accountants to audit the financial statements of the Company for the year 2013; and
4. To consider any other matters that may properly come before the meeting or any adjournments or postponements of the meeting.

The Board of Directors has established the close of business on March 4, 2013 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 22, 2013

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON MAY 3, 2013: The Proxy Statement and Annual Report are available at www.proxyvote.com

TABLE OF CONTENTS

	Page
Proxy Statement	1
Questions and Answers about the Proxy Materials and the Annual Meeting	2
Board Structure and Corporate Governance	7
Director Compensation	11
Compensation Committee Interlocks and Insider Participation	15
Code of Business Conduct and Codes of Ethics	15
Certain Relationships and Related Party Transactions	15
Election of Directors — Item 1 on Proxy Card	16
Advisory Approval of the Company's Executive Compensation — Item 2 on Proxy Card	20
Ratification of Appointment of Independent Registered Public Accounting Firm — Item 3 on Proxy Card	21
Audit and Finance Committee Report	22
Independent Accountants	23
Stock Ownership of Certain Beneficial Owners and Management	24
Compensation Committee Report	26
Compensation Discussion and Analysis	27
Executive Compensation	44
Other Matters	57
Annex A	A-1

CINCINNATI BELL INC.

221 East Fourth Street
Cincinnati, Ohio 45202

PROXY STATEMENT

For the Annual Meeting of Shareholders
to be held on Friday, May 3, 2013

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 2013 Annual Meeting of Shareholders. The Annual Meeting will be held on Friday, May 3, 2013, at 11:00 a.m., Eastern Time, at the METS Center, 3861 Olympic Boulevard, Erlanger, Kentucky 41018. 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, 2012, and the Company's Summary 2012 Annual Report are being furnished to the shareholders beginning on or about March 22, 2013.

The Company's Board of Directors has established the close of business on March 4, 2013 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 nine directors to serve a one-year term ending in 2014;

2 To seek advisory approval of the Company's executive compensation;

3 To ratify the appointment of the Company's independent accountants to audit the financial statements of the Company for the year 2013; and

4 To consider any other matters that may properly come before the meeting or any adjournments or postponements of 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, a provider of 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, Ohio, areas primarily on its owned wireline and wireless networks with a well-regarded brand name and reputation for service. On January 24, 2013, the Company completed the initial public offering ("IPO") of CyrusOne Inc. ("CyrusOne"), its former wholly-owned subsidiary which provides best-in-class data center colocation services to enterprise customers through its facilities located in the Midwest, Texas, Arizona, London and Singapore. After the IPO, the Company effectively owns a 69% economic interest in CyrusOne.

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, 2013. 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 Company's combined Proxy Statement, Summary 2012 Annual Report and Annual Report on Form 10-K for the year ended December 31, 2012, which includes our 2012 consolidated financial statements, contain 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?

1 The election of nine directors to serve a one-year term ending in 2014;

2 The advisory approval of the Company's executive compensation; and

3 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 2013.

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 advisory approval of the Company's executive compensation; and
- "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 2013.

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 6 3/4% Cumulative Convertible Preferred Shares that you own (or for which you have been given the right to provide instructions 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 each of the matters presented in this proxy statement for which you did not provide specific voting instructions, 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 NYSE. 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) and Proposal 2 (advisory approval of the Company's executive compensation) are considered *non-routine* matters, and your broker or nominee cannot vote your shares without your specific voting instructions. Proposal 3 (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 do 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), 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 (advisory vote on executive compensation) or Proposal 3 (ratification of the Independent Registered Public Accounting Firm), 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, 2013.

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 203,536,620 outstanding 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 $10,500 plus expenses. We have also hired Broadridge for a fee of approximately $10,000 plus expenses to assist us in facilitating the voting of proxies over the internet and serving as the Inspector of Elections. 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 4% 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: GAMCO Investors, Inc. and affiliates, Blackrock, Inc., Marcato Capital Management LLC, Wells Fargo and Company, The Vanguard Group, Inc., and Pinnacle Associates, LTD. See page 24 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 that 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 58.

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 (held by Mr. Cassidy in 2012 and currently held by Mr. Torbeck) 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 2012, the Board held nine meetings, and all but Mr. Byrnes attended at least 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. All of the directors, who were on the Board at the time, attended the 2012 Annual Meeting of Shareholders.

For information on how to obtain a copy of the Company's Corporate Governance Guidelines, please see page 58.

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 2012 is (or was) independent and has (or had) no relationship with the Company, except as a director and shareholder:

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

* Mr. Shumate resigned from the Board effective January 23, 2013.

In addition, based on these standards, the Board determined that John F. Cassidy was not independent because he was the President and Chief Executive Officer of the Company in 2012, and Gary J. Wojtaszek was not independent because he served as the President of CyrusOne in 2012, a former wholly-owned subsidiary of the Company.

Executive Sessions of Non-Employee Directors

The non-employee 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-employee directors.

Committees of the Board

The following table sets forth the membership of the committees of the Board for 2012:

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	*		*	
Craig F. Maier	*	*		
Alan R. Schriber			*	
Alex Shumate (c)		*	*	
Lynn A. Wentworth	* (Chair)	*		*
John M. Zrno	*	* (Chair)		*
Employee Directors				
John F. Cassidy (b)				*
Gary J. Wojtaszek (c)				

(a) All non-employee directors were determined by the Board to be independent directors.
(b) Effective January 31, 2013, Mr. Cassidy retired from his position as Chief Executive Officer and was appointed Vice Chairman of the Board.
(c) Messrs. Shumate and Wojtaszek resigned from the Board effective January 23, 2013.

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 2012. The purpose of the Audit and Finance Committee is, among other things, to assist the Board 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 58.

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 and Ms. Haussler are audit committee financial experts 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. For Ms. Wentworth's and Ms. Haussler's relevant experience, please see pages 18 – 19.

Compensation Committee: The Compensation Committee currently consists of four persons (five persons in 2012), none of whom is an executive officer. The Compensation Committee held five meetings during 2012. 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 58.

The Compensation Committee meets as often as necessary to perform its duties. 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 2012, the Governance and Nominating Committee consisted of five persons, none of whom is an executive officer. The Governance and Nominating Committee held three meetings during 2012. 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 58.

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 no meetings during 2012. 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 2013 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. For information on how to propose a candidate to serve on the Board, please see page 57. 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 annual compensation for non-employee directors in 2012.

Compensation Element	2012
Chairman of the Board Annual Retainer (a)	$320,000
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

(a) The Chairman is not entitled to receive any of the other annual Board or Committee retainers described above.

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.

Subject to future changes in the Directors Deferred Compensation Plan, the Board may, in its discretion, also credit to the plan account of any non-employee director of the Company 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. In exercise of such discretion in 2012, no credits were made to the non-employee directors plan accounts as the value of their restricted grants was increased. Any credit made by the Board in its discretion to 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 in prior years. 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 was or 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 any credit that is or has been made by the Board in its discretion to his or her plan account (or that is attributable to certain Board designated annual credits made to his or her plan account in earlier years) 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 director'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.

Non-Employee Directors Plan

The Company grants its non-employee directors time-based restricted shares and/or options to purchase common shares under the Cincinnati Bell Inc. 2007 Stock Option Plan for Non-Employee Directors, as amended (the "2007 Directors 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 number of restricted common shares and/or a stock option for a number of 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.

Under the 2007 Directors Plan, up to 1,000,000 common shares may in the aggregate be the subject of awards granted during the life of the plan, all of which could be subject to stock option awards or restricted stock awards. The Company has flexibility regarding the type of awards to issue. 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.

Under the 2007 Directors Plan, the Company annually grants time-based restricted shares with an aggregate value of $70,000 on the date of grant to each incumbent non-employee director. These restricted shares will vest on the third anniversary of the grant date.

Each stock option granted to a non-employee director under the 2007 Directors 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 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).

Director Compensation in 2012 Fiscal Year

The following table shows the compensation paid to our non-employee directors for the 2012 fiscal year:

Director Compensation for Fiscal 2012

Name	Fees Earned or Paid in Cash ($) (a)	Stock Awards ($) (b) (c)	Option Awards ($) (c)	Total ($)
Bruce L. Byrnes	91,000	70,000	—	161,000
Phillip R. Cox	320,000	70,000	—	390,000
Jakki L. Haussler	95,000	70,000	—	165,000
Craig F. Maier	95,000	70,000	—	165,000
Alan R. Schriber	80,000	70,000	—	150,000
Alex Shumate	90,000	70,000	—	160,000
Lynn A. Wentworth	102,000	70,000	—	172,000
John M. Zrno	103,000	70,000	—	173,000

(a) No Board member elected to defer fees or annual retainers in fiscal 2012.

(b) The values reflect the aggregate grant-date fair value of the 151,352 time-based restricted share awards granted on May 1, 2012 computed in accordance with Accounting Standards Codification Topic 718, "Compensation — Stock Compensation" ("ASC 718") for all awards. For a discussion of the valuation assumptions and methodology, see Note 14 to the Company's Consolidated Financial Statements included in the Annual Report on Form 10-K for the year ended December 31, 2012.

(c) As of December 31, 2012, the non-employee directors held an aggregate of 401,155 unvested stock awards and an aggregate of 247,700 option awards (granted in years prior to 2008), as set forth below:

Name	Number of Unvested Stock Awards Outstanding as of December 31, 2012	Number of Option Awards Outstanding as of December 31, 2012
Bruce L. Byrnes	54,279	61,000
Phillip R. Cox	42,268	45,000
Jakki L. Haussler	57,438	—
Craig F. Maier	48,683	—
Alan R. Schriber	28,759	—
Alex Shumate	56,145	43,000
Lynn A. Wentworth	54,279	—
John M. Zrno	59,304	98,700

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During 2012, the members of the Compensation Committee included Ms. Wentworth and Messrs. Cox, Maier, Shumate and Zrno. None of the Compensation Committee members have at any time been an officer or employee of the Company. None of the Company's executive officers serve, 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 58.

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 2012, there were no related party transactions requiring disclosure.

ELECTION OF DIRECTORS
(Item 1 on 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 nine members, one of whom is currently an officer of the Company.

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

The Board has nominated Phillip R. Cox, John F. Cassidy, Bruce L. Byrnes, Jakki L. Haussler, Craig F. Maier, Alan R. Schriber, Lynn A. Wentworth, John M. Zrno and Theodore H. Torbeck, all of whom are incumbent directors, to serve until the 2014 Annual Meeting of Shareholders. Mr. Torbeck was appointed to the Board on January 31, 2013 to fill a vacancy caused by the resignations of Alex Shumate and Gary J. Wojtaszek. The Board eliminated the other vacancy and determined that the Board shall consist of nine members. The Board has determined each nominee other than Messrs. Cassidy and Torbeck are independent and has no relationship with the Company other than as a shareholder and director.

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 on pages 17 – 19.

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 Regulations, 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 the election.

Our Recommendation

The Board recommends election of each of the nominees.

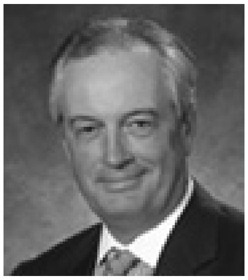
The following are brief biographies of each person nominated for election as a director of the Company.

NOMINEES FOR DIRECTORS
(Terms Expire in 2014)

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 65.

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. In addition, having served as Chairman of the Company's Board since 2003, Mr. Cox has demonstrated an effective management style and the ability to facilitate the Board's primary oversight functions.



John F. Cassidy

Mr. Cassidy is recently retired from Cincinnati Bell Inc. where he served as the President and Chief Executive Officer from July 2003 to January 2013. During his tenure at the Company, he led the strategic and operational initiatives that resulted in the launch and growth of Cincinnati Bell Wireless Company, CyrusOne Inc., Fioptics and other products. After the Company's successful initial public offering of CyrusOne, he was elected both Vice Chairman of the Company's Board and Chairman of CyrusOne's Board of Directors. Director since 2002. Age 58.

Having served as the Company's Chief Executive Officer for over nine years and in various other senior-level management roles with the Company, Mr. Cassidy brings to the Board 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.

Bruce L.Byrnes

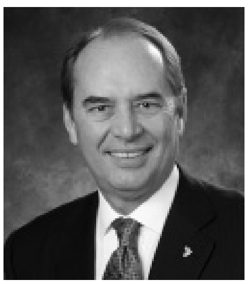
Mr. Byrnes is retired. He was Vice Chairman of the Board — Global Brand Building Training of The Procter & Gamble Company (a consumer products company) from July 2007 through June 2008. Prior to that, he was Vice Chairman of the Board and President — Global Household Care of The Procter & Gamble Company. 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 64.

With his years of business and marketing experience at The Procter & Gamble Company, Mr. Byrnes brings to the Board 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 and as Chairman of the Governance and Nominating 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 55.

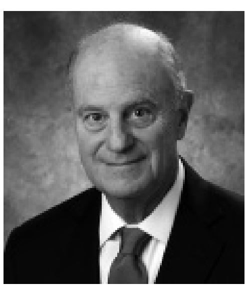
With more than 30 years of experience in the financial services industry, including her years of entrepreneurial and managerial experience in the development and growth of Opus Capital Group, Ms. Haussler brings a valuable perspective to the Company's Board. Through her role at Opus Capital and her service 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), a licensed attorney in the State of Ohio, and an audit committee financial expert under SEC regulations. This experience, coupled with her educational background, makes her a valuable asset to the Board, 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 also a director of Frisch's Restaurants, Inc. Director since 2008. Age 63.

With over 20 years of experience as the chief executive officer of a large, publicly-traded corporation, Mr. Maier brings to the Board 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, the Audit and Finance Committee and the Compensation Committee.



Alan R. Schriber, Ph.D

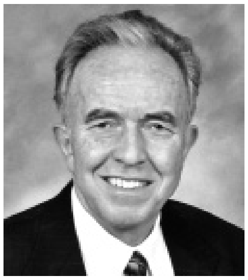
Dr. Schriber is a consultant. He was Chairman of the Public Utilities Commission of Ohio from 1999 to 2010. He also served as Chairman of the Ohio Power Siting Board from 1999 to 2010. Prior to his public service, Dr. Schriber was President of ARS Broadcasting Corp., an owner and operator of radio stations in Indiana, from 1983 to 1997. He also was Assistant Professor of Economics at Miami University in Oxford, Ohio from 1977 to 1983, where he taught government regulation of business, micro- and macro-economic theory, money and banking. He is also a director of American Transmission Company and Globe Specialty Metals. Director since 2011. Age 67.

Dr. Schriber's knowledge and experience in the regulation of telecommunications and power generating utilities, as well as his management experience as President of ARS Broadcasting Corp., and his academic training in economics make him a very valuable asset to the Company's Board. This knowledge and experience is particularly useful to the Board and the Governance and Nominating Committee.

Lynn A. Wentworth

Ms. Wentworth is the former 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 licensed in the state of Georgia. She is a director and chair of the Audit Committee of Graphic Packaging Holding Company. Director since 2008. Age 54.

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 and as the Chair of the Audit and Finance Committee. Ms. Wentworth qualifies as an audit committee financial expert under applicable SEC regulations. 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. Director since 1999. Age 74.

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 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, as the Chairman of the Compensation Committee and as a member of the Audit and Finance Committee.

Theodore H. Torbeck

Mr. Torbeck was named President and Chief Executive Officer of Cincinnati Bell Inc. effective January 31, 2013. He joined Cincinnati Bell in 2010 as President and General Manager of Cincinnati Bell Communications Group. Prior to joining Cincinnati Bell, Mr. Torbeck was Chief Executive Officer of the Freedom Group and also worked more than 25 years for the General Electric Co. ("GE"), where he served as the Vice President of Operations for GE Industrial Business, President and CEO of GE's Rail Services business as well as Vice President of Global Supply Chain for GE Aviation. Director since January 2013. Age 56.

Mr. Torbeck brings to the Board critical knowledge and understanding of the products and services offered by the Company and a strong understanding of the telecommunications industry. Mr. Torbeck's prior business and management experience also provides the Board with a valuable perspective on managing a successful business.

ADVISORY APPROVAL OF THE COMPANY'S EXECUTIVE COMPENSATION
(Item 2 on Proxy Card)

As required by the Dodd-Frank Act and pursuant to Section 14A of the Securities Exchange Act of 1934, as amended, the Company is submitting to its shareholders a vote for the advisory approval of the Company's executive compensation ("say-on-pay vote"). The Board of Directors determined that it would submit a say-on-pay vote to our shareholders annually. This year's say-on-pay vote addresses our executive compensation as disclosed in the Compensation Discussion & Analysis Section ("CD&A") beginning on page 27 and the Executive Compensation section beginning on page 44.

The guiding principles of the Company's compensation policies and decisions include aligning each executive's compensation with the Company's business strategy 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 revenues, earnings and other performance factors that measure our progress against the goals of our strategic plan as well as performance against our peer companies. The Compensation Committee and the Board believe that our compensation design and practices are effective in implementing our strategic goals. For the above reasons, 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. However, our Board and our Compensation Committee value the opinions of our shareholders and to the extent there is any significant vote against the named executive officers' compensation as disclosed in this Proxy Statement, we will seek to determine the causes of any significant negative voting results in an effort to better understand shareholder issues and concerns with our executive compensation.

Vote Required

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 2 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 advisory approval of the Company's executive compensation of its named executive officers as disclosed in the CD&A and Executive Compensation sections of this Proxy Statement.

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (Item 3 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 February 21, 2013, 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, 2013.

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, 2013. 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, 2013.

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 6 ¾% 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 of the appointment of Deloitte & Touche LLP as the Independent Registered Public Accounting Firm for the year 2013.

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, 2012, 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, 2012 be included in the Company's Annual Report on Form 10-K for the Company's fiscal year ended December 31, 2012.

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 and Jakki L. Haussler are audit committee financial experts 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 2012 and 2011 fiscal years. Aggregate fees for professional services rendered by Deloitte & Touche LLP for the years ended December 31, 2012 and 2011 were as follows:

	2012	2011
Audit fees	$1,998,688	$1,918,959
Audit related fees	1,065,000	637,655
Tax fees	260,568	263,494
All other fees	—	—
Total	$3,324,256	$2,820,108

Audit fees

The audit fees for the years ended December 31, 2012 and 2011 were for services rendered in connection with the audit of the Company's annual financial statements, review of quarterly 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 year ended December 31, 2012 were for professional services rendered for CyrusOne's debt and common stock offerings and various accounting consultations. The audit related fees for the year ended December 31, 2011 were for professional services rendered for the audits of the Company's employee benefit plans filed with the SEC, due diligence services and various accounting consultations.

Tax fees

Tax fees for the years ended December 31, 2012 and 2011 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, 2012 and 2011.

STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the beneficial ownership of common shares as of December 31, 2012 (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 6 3/4% 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	24,725,947(a)	12.53%
BlackRock, Inc. 40 East 52nd Street New York, NY 10022	18,580,046(b)	9.32%
Marcato Capital Management LLC One Montgomery St., Suite 3250 San Francisco, CA 94104	16,952,410(c)	8.50%
Wells Fargo and Company 420 Montgomery Street San Francisco, CA 94104	12,877,060(d)	6.51%
The Vanguard Group, Inc. 100 Vanguard Blvd. Malvern, PA 19355	12,824,033(e)	6.43%
Pinnacle Associates, LTD 335 Madison Avenue, Suite 1100 New York, NY 10017	11,180,586(f)	5.60%

(a) As reported on Schedule 13D/A filed on August 8, 2012 by GAMCO Investors, Inc., Gabelli Funds, LLC has sole voting and dispositive power for 9,917,951 common shares, GAMCO Asset Management Inc. has sole voting power for 13,437,273 common shares and sole dispositive power for 14,081,423 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 27,000 common shares, Teton Advisors has sole voting and dispositive power for 350,000 common shares and Gabelli Securities, Inc. has sole voting and dispositive power for 319,573 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 6 3/4% Cumulative Convertible Preferred Shares.

(b) As reported on Schedule 13G/A filed on February 8, 2013 by BlackRock, Inc., as of December 31, 2012, BlackRock, Inc. has sole voting and dispositive power for 18,580,046 common shares.

(c) As reported on Schedule 13G filed on February 14, 2013 by Marcato Capital Management LLC, as of December 31, 2012, Marcato Capital Management LLC has shared voting and dispositive power for 16,952,410 common shares.

(d) As reported on Schedule 13G filed on February 13, 2013 by Wells Fargo and Company, as of December 31, 2012, Wells Fargo and Company beneficially owns 12,877,060 common shares and has shared voting power for 12,982,968 common shares and shared dispositive power for 22,725,713 common shares.

(e) As reported on Schedule 13G filed on February 7, 2013 by The Vanguard Group, Inc., as of December 31, 2012, The Vanguard Group, Inc. has sole voting power for 300,473 common shares and sole dispositive power for 12,532,089 common shares. The Vanguard Group, Inc. has shared voting power for no common shares and shared dispositive power for 291,944 common shares with Vanguard Fiduciary Trust Company.

(f) As reported on Schedule 13G filed on February 13, 2013 by Pinnacle Associates, LTD, as of December 31, 2012, Pinnacle Associates, LTD, has shared voting and dispositive power for 11,180,586 common shares.

The following table sets forth the beneficial ownership of common shares and 6 3/4% Cumulative Convertible Preferred Shares as of March 4, 2013 (except as otherwise noted) by (i) each director identified on page 14 and each executive officer named in the Summary Compensation Table on page 44, 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 Inc. at the Company's address.

Name and Address of Beneficial Owner	Common Shares Beneficially Owned as of March 4, 2013 (a)	Percent of Common Shares (b)	Convertible Preferred Shares Beneficially Owned as of March 4, 2013 (c)	6¾% Cumulative Convertible Preferred Shares (c)
Bruce L. Byrnes	181,501	*	—	*
John F. Cassidy	4,898,335	2.4%	—	*
Phillip R. Cox	87,268	*	—	*
Kurt A. Freyberger	309,128	*	—	*
Jakki L. Haussler	57,438	*	—	*
Craig F. Maier	55,863	*	—	*
Alan R. Schriber	28,759	*	—	*
Alex Shumate (d)	99,145	*	—	*
Theodore H. Torbeck	1,188,326	*	—	*
Lynn A. Wentworth	54,279	*	—	*
Christopher J. Wilson	317,282	*	—	*
Gary J. Wojtaszek (e)	—	*	—	*
John M. Zrno (f)	183,004	*	—	*
All directors and executive officers as a group (consisting of 15 persons, including those named above)	7,807,329	3.8%	—	*

* indicates ownership of less than 1% of issued and outstanding shares.

(a) Includes common shares subject to outstanding options and share-settled SARs under the Cincinnati Bell Inc. 1997 Long Term Incentive Plan, the Cincinnati Bell Inc. 2007 Long Term Incentive Plan and the Directors Plan that are exercisable as of March 4, 2013. The following options and SARs are included in the totals: 61,000 common shares for Mr. Byrnes; 4,095,508 common shares for Mr. Cassidy; 45,000 common shares for Mr. Cox; 191,255 common shares for Mr. Freyberger; 43,000 common shares for Mr. Shumate; 81,907 common shares for Mr. Wilson; 93,400 common shares for Mr. Zrno and 280,130 common shares for all other executive officers as a group. Effective January 31, 2013, the Company updated its Insider Trading Policy to expressly bar ownership of financial instruments or participation in investment strategies that hedge the economic risk of owning the Company's common shares and to prohibit officers and directors from pledging Company securities as collateral for loans.

(b) These percentages are based upon 203,536,620 common shares issued and outstanding as of March 4, 2013, the Record Date.

(c) These numbers represent 6 3/4% Cumulative Convertible Preferred Shares. In the aggregate, the 155,250 issued and outstanding 6 3/4% Cumulative Convertible Preferred Shares are represented by 3,105,000 depositary shares, and each 6 3/4% Cumulative Convertible Preferred Share is represented by 20 depositary shares.

(d) Mr. Shumate resigned from the Board effective January 23, 2013.

(e) On January 23, 2013, in connection with the initial public offering of CyrusOne Inc., Mr. Wojtaszek resigned from all his positions with Cincinnati Bell. Prior to March 4, 2013, Mr. Wojtaszek exercised all vested stock options and stock appreciation rights and sold all his Cincinnati Bell common shares.

(f) Amount includes 25,000 common shares held by the Zrno Family Limited Partnership.

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, 2012.

COMPENSATION COMMITTEE

John M. Zrno, Chairman
Phillip R. Cox
Craig F. Maier
Lynn A. Wentworth

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

The material on the following pages sets forth an overview and explanation of the Company's executive compensation philosophy and how it is put into practice. The Company and the Compensation Committee both believe that the central objective of an 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 strategies. The Company and the Compensation Committee believe the program's incentives drive appropriate business behavior without inducing its executives to take undue business risks.

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 Adjusted EBITDA goals, delivering sustained cash flow performance over multiple years during a period of great economic disruption and industry competition, and aligning executive long-term incentive rewards with the interests of shareholders.

The creation of the Data Center Performance Plan in 2010 provided further incentive to drive rapid growth in CyrusOne, our former data center business. In January 2013, the Company successfully completed the initial public offering of CyrusOne, retaining a 69% economic ownership in CyrusOne. Management intends to sell down its ownership interests in CyrusOne over time and to use the proceeds to repay long-term debt. See additional details of the Data Center Performance Plan beginning on page 37.

The Company applies its compensation policies and related decision-making processes 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 Company's 2012 named executive officers ("NEOs") were:

John F. Cassidy (a)	President and Chief Executive Officer
Kurt A. Freyberger	Chief Financial Officer
Theodore H. Torbeck (a)	President and General Manager, Cincinnati Bell Communications Group
Gary J. Wojtaszek (b)	President of CyrusOne
Christopher J. Wilson	Vice President, General Counsel and Secretary

(a) Effective January 31, 2013, John F. Cassidy retired and Theodore H. Torbeck was named President and Chief Executive Officer.
(b) Effective January 23, 2013, Gary J. Wojtaszek resigned his position with Cincinnati Bell to become President and Chief Executive Officer of CyrusOne Inc., which is now a separate public company.

This Compensation Discussion and Analysis (the "CD&A") discusses in more detail below the elements of the executive compensation program and the reasons why the Compensation Committee selected those particular elements, the performance goals under certain of those elements, the compensation that the executives might earn, and how each element encourages the Company's achievement of its business objectives and strategy.

Executive Summary

Financial Results

In 2012, we continued to execute on our plan to expand our growth products, comprised of our Fioptics, strategic enterprise data and VoIP, and data center offerings. The additional revenue generated from these growth products more than offset the lower revenue from declining access line and wireless subscribers, and, as a result, the Company's total revenue in 2012 increased by 1% year-over-year to approximately $1.5 billion, its highest level in 10 years. Operating income in 2012 was $270 million, up 4% compared to the prior year, driven primarily by a $50.3 million goodwill write-down in 2011, partially offset by $14.2 million of asset impairments in 2012. Adjusted EBITDA was $535 million in 2012, down from $545 million in 2011. Adjusted EBITDA for 2012 included an $8 million mark-to-market charge on incentive awards indexed to the Company's stock price resulting from the increase in the Company's stock price in 2012.

On January 24, 2013, we completed the initial public offering ("IPO") of CyrusOne, which owns and operates our former data center colocation business. CyrusOne conducts its data center business through CyrusOne LP, an operating partnership. After the IPO, we own approximately 1.9 million shares, or 8.6%, of CyrusOne's common stock and are a limited partner in CyrusOne LP, owning approximately 42.6 million, or 66%, of its partnership units. Commencing January 17, 2014, the Company may redeem its CyrusOne LP units for either common stock of CyrusOne on a one-to-one basis or cash, at the option of CyrusOne, based on the fair value of a share of CyrusOne common stock. Although we effectively own approximately 69% of the economic interests of CyrusOne through our ownership of its common stock and partnership units of CyrusOne LP, we no longer control its operations.

See "Management's Discussion and Analysis of Financial Conditions and Results of Operations" in the Company's Annual Report on Form 10-K for further details on the Company's 2012 financial results.

The Company's executive compensation program ties a significant portion of an executive's annual compensation to the Company's achievement of performance-based financial targets. The key financial measures utilized to assess achievement of annual goals are revenue and Adjusted EBITDA. The key financial measures utilized to assess achievement of long-term goals are Free Cash Flow and, beginning in 2012, Unlevered Cash Return on Assets. The table below highlights the year-over-year comparison of some of these performance measures:

Performance Measure	Fiscal Year 2012	Fiscal Year 2011	% Change	2012 Original Guidance
Revenue	$ 1.47 B	$1.46 B	1%	$1.5 B
Adjusted EBITDA (a)	$ 535 M	$545 M	(2)%	$530 M +/-2%
Free Cash Flow (a)	$(154) M	$ 11 M	n/m	—
Unlevered Cash Return on Assets (a)	16%	N/A	—	—

(a) See Annex A for a reconciliation of Adjusted EBITDA, Free Cash Flow and Unlevered Cash Return on Assets to the nearest GAAP based financial measures.

In 2012, the Compensation Committee approved Unlevered Cash Return on Assets ("UCR") as the performance measure to be utilized in assessing achievement of long-term incentive goals, rather than Free Cash Flow. Unlevered Cash Return on Assets is defined as operating cash flow excluding interest payments as a percentage of average total assets. Free Cash Flow had become a less meaningful performance measure as the Company invested significant capital in both its Fioptics and its data center business, resulting in negative free cash flow in 2012.

Although shareholders and proxy advisory companies tend to focus on "total shareholder return" ("TSR") as a major factor in judging a Company's performance, we have historically adopted other measures of the Company's financial performance on the theory that using TSR as a financial metric may encourage a focus on short-term results. For example, at a time when its core telecommunications business faced intense competitive challenges, the Company used its capital to seize the opportunity to become the premier data center colocation provider to Fortune 1000 companies rather than pay dividends to its shareholders, which could be detrimental to the Company's long-term strategic opportunities. In addition, as a result of the scope of the Company's historical debt obligations and external economic factors (e.g., sovereign debt fears), the market price of the Company's common shares has been volatile and has not always fully reflected the Company's operating results and performance. Finally, the Committee questions the appropriateness of TSR as a financial metric given its tendency to be influenced by external factors which are not affected by the Company's financial results. As a result, the Company used the foregoing metrics to measure its performance in 2012.

2012 Say-on-Pay Vote

More than 90% of the shares that were voted at our 2012 annual shareholder meeting approved the compensation of the Company's NEOs. Continuing a program begun after the 2011 annual shareholders meeting, during the summer and fall of 2012, the Company again reached out to its major shareholders to obtain their feedback on our compensation program and other topics. In addition, the Compensation Committee considered the shareholders' say-on-pay approval in deciding to maintain compensation practices for 2013 similar to those of 2012; more specifically, it will:

- Continue to establish the long-term incentive opportunities for the NEOs as a dollar amount based upon the Committee's assessment of market data provided by Towers Watson for comparable positions.
- Continue to allocate the long-term incentive opportunities between
  - 50% in performance unit awards; and
  - 50% in stock options/SARs,

  because it balances share price driven incentives with three-year cycle financial performance incentives.
- Continue to use Unlevered Cash Return on Assets ("UCR") as the performance measure for the vesting of stock options and other performance-based incentives over a three-year period.

The Compensation Committee will continue to consider results from the annual shareholder advisory votes when reviewing the Company's executive compensation practices. In addition, the Company management and the Board believe that it is important to continue its shareholder outreach efforts and intend to continue to engage and communicate with its major shareholders.

Compensation Practices

The Company reviews and modifies its executive compensation programs and practices regularly to address changes in the Company's short- and long-term business objectives and strategies, new regulatory standards and to implement evolving best practices. Listed below are some of the Company's significant compensation practices:

- Performance-based Compensation. The Company believes that a significant percentage of each NEO's total compensation should be performance-based or "at-risk." Only 17% of the CEO's and 35% of the Other NEOs' target compensation in 2012 was paid in the form of base salary. The value of the remaining 83% and 65%, respectively, was linked directly to performance-based awards.

Chief Executive Officer **Other NEOs***

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* The percentages for the Other NEOs understate the percentage of performance-based compensation. In 2012, the Company granted Mr. Torbeck an award of $1.8 million of restricted common shares that vest over a three-year period. This award was provided to compensate him for the compensation he forfeited when he left his previous employer to accept employment with the Company. Consequently, for 2012, Mr. Torbeck did not receive any performance unit or stock option/SARs awards.

- Compensation Risk Assessment. The Company conducted its second annual compensation risk assessment and concluded that the Company's compensation policies and practices do not encourage excessive or unnecessary risk-taking and are not reasonably likely to have a material adverse effect on the Company.

- Hedging and Pledging Policy. Effective January 31, 2013, the Company updated its Insider Trading Policy to expressly bar ownership of financial instruments or participation in investment strategies that hedge the economic risk of owning the Company's common stock and to prohibit officers and directors from pledging Company securities as collateral for loans.

- Clawback Policy. The Company has a clawback policy that allows the Company to recover incentive payments to or realized by certain "executive officers" in the event that the incentive compensation was based on the achievement of financial results that are subsequently restated to correct any accounting error due to material noncompliance with any financial reporting requirement under the federal securities laws, and such restatement results in a lower payment or award.

- Independent Compensation Committee. Each member of the Compensation Committee is independent as defined in the corporate governance listing standards of the NYSE and the Company's director independence standards mirror those of the NYSE.

- Outside Compensation Consultants. The Compensation Committee utilizes the services of an outside independent compensation consultant to assist in its duties. The Compensation Committee's consultant performs no other services for the Company or its management. The Compensation Committee has considered the rules established by the SEC in evaluating its compensation consultant and has satisfied itself as to his independence and concluded that no conflict of interest exists that would prevent the compensation consultant from independently representing the Compensation Committee. In addition, the Company has also engaged a separate compensation consultant to assist with various compensation-related projects and has determined that no conflict of interest exists that would prevent such compensation consultant from advising the Company.

- Elimination of Gross-Ups. The Compensation Committee has a policy that any new or materially amended employment agreement with any NEO will not contain any excise tax gross-up provisions with respect to payments contingent on a change in control.
- Stock Ownership Guidelines. Stock ownership guidelines have been in place for our NEOs for several years.

The Compensation Committee believes that the Company's compensation program provides the basis for the Company achieving its strategic objectives, both short-term and long-term, as well as aligning the interests of the Company's executive management with its shareholders.

Compensation Program Objectives

The executive compensation program's primary objectives are:

- To attract and retain high-quality executives by offering competitive compensation packages;
- To motivate and reward executives for the attainment of financial and strategic goals, both short-term and long-term, thereby increasing the Company's value while at the same time discouraging unnecessary or excessive risk-taking; and
- To align the interests of the executives and the shareholders by attributing a significant portion of total executive compensation to the achievement of specific short-term and long-term goals set by the Compensation Committee.

Elements of Compensation

The chart below sets forth the key elements of compensation used in the executive compensation program, and the narrative following the chart discusses each element in more detail.

Component	Purpose	Key Characteristics
Short-Term Incentives		
Base Salary	• Allow Company to attract and retain executives • Recognize individual performance through merit increase • Recognize individual work experience and level of responsibility	• Fixed annual cash compensation • Increases primarily driven by individual performance and by market positioning • Used to calculate other components of compensation
Annual Incentives	• Motivate executive to contribute to Company's achievement of its annual financial goals and strategic objectives • Motivate executives to achieve individual annual performance goals	• Performance-based incentive compensation • Bonus target set as a percentage of base salary
Long-Term Incentives		
Non-qualified Stock Options and Stock Appreciation Rights ("SARs")	• Align executive and shareholder interests because the increase in value of the stock options and SARs are dependent on improvements in stock price • Motivate executive to contribute to Company's achievement of its long-term financial goals and strategic objectives • Facilitate executive equity ownership thereby aligning executive and shareholder interests	• Performance-based incentive compensation • Vests 100% over 3 year period from grant date and/or on the achievement of performance measure goals • Stock options and SARs expire 10 years from grant date
Performance-Based Awards	• Motivate executive to contribute to Company's achievement of its long-term financial goals and strategic objectives • Provide a measure of Company performance that is not tied to short-term market volatility	• Performance-based incentive compensation • Granted each year with cumulative one-year, two-year, and three-year performance cycles

Compensation Element Details

Base Salary

Base salaries are provided to the Company's named executive officers for performing their day-to-day responsibilities. The base salaries of our NEOs are based on a review of the competitive median marketplace for comparable executive positions, assessment by the CEO (or in the case of the CEO's base salary, by the Compensation Committee and entire Board) of the executive's performance as compared to his or her individual job responsibilities, the salary level required to attract and retain the executive and such other factors as the CEO or the Compensation Committee deems relevant for such executive. Generally, no one factor is given more weight than another, nor does the Company and the Compensation Committee use a formulaic approach in setting executive pay. Additionally, the Company does not look at total compensation of the peer group, but rather the various factors are considered as a whole in determining salary adjustments.

For 2012, base salary increases for the NEOs ranged from 0% to 4% with the exception of Mr. Freyberger who received a 10% increase, which reflects his increased responsibilities as the Chief Financial Officer.

Annual Incentives

Annual incentives are intended to motivate and reward senior executives for achieving the short-term business objectives of the Company. Annual incentives are payable for the achievement of annual financial performance goals established by the Compensation Committee and for individual performance. Generally, the financial performance goals represent 80% of the targeted annual incentive and individual performance goals represent 20% of the targeted annual incentive. Payouts, if any, for the financial performance goals can range from 0% to 200% of the target incentive, depending on the level of achievement of such goals between threshold and superior levels of performance. The Board and Compensation Committee approve financial goals annually which reflect their belief that achievement of these goals drives the Company's strategic success.

The Company used the following goals in 2012:

- the Company's level of achievement of (a) Adjusted EBITDA and (b) revenue, and
- the executive's individual performance.

The Company has selected Adjusted EBITDA and revenue as its performance 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 growth in its business. Adjusted EBITDA is a common measure of profitability employed in the telecommunications and other capital-intensive industries. The Board and Compensation Committee review and approve the annual bonus attainment percentages for both Adjusted EBITDA and revenue. In conjunction with such review, they may adjust the actual result or goal amount to reflect a change in business direction, reallocation of Company resources or an unanticipated event.

For 2012, the Compensation Committee generally allocated the annual incentive targets as follows:

- 70% for attainment of the Adjusted EBITDA goal;
- 10% for attainment of the revenue goal; and
- 20% for individual performance

However, in 2012, the annual incentive targets for Mr. Torbeck and Mr. Wojtaszek were allocated as follows:

	Mr. Torbeck	Mr. Wojtaszek
Total Company:		
Revenue	10%	10%
Adjusted EBITDA	30%	30%
Communications Group*:		
Revenue	10%	N/A
Adjusted EBITDA	50%	N/A
CyrusOne:		
Revenue	N/A	10%
Adjusted EBITDA	N/A	50%

* The Communications Group reflects the entire Company excluding CyrusOne.

Upon the conclusion of the year, a payout factor is calculated using the actual results against the target for the financial measures. This results in a payout from 0% to 200% for the financial goals. When combined with the individual performance objectives, if applicable, a total annual incentive award between 0% and 200% is obtained.

The Adjusted 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.

	Adjusted 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%	35%	50%	5%
100%	100%	70%	100%	10%
105%	150%	105%	150%	15%
120% or greater	200%	140%	200%	20%

The 2012 target annual incentives for each of the NEOs are set forth below:

Named Executive Officer	Target Annual Incentive as a % of Base Salary
John F. Cassidy	150%
Kurt A. Freyberger	100%
Theodore H. Torbeck	100%
Gary J. Wojtaszek	100%
Christopher J. Wilson	65%

The higher percentage for Mr. Cassidy reflected his additional responsibility, knowledge, strategic judgment and leadership required of the Chief Executive Officer compared to the other NEOs.

In 2012, for annual incentive purposes, the chart below sets out the Adjusted EBITDA and revenue target goals and actual results:

Financial Objective	2012 Threshold Performance Level	2012 Target	2012 Superior Performance Level	2012 Actual Results
Adjusted EBITDA	95%	$530 M	120%	$543 M*
Revenue	95%	$1.47 B	120%	$1.47 B

* The Compensation Committee approved an $8 million adjustment to increase Adjusted EBITDA by the mark-to-market charge on incentive awards indexed to the Company's common stock price, resulting from an 81% increase in the market price of Cincinnati Bell's common stock in 2012.

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 NEO's annual incentive, which generally ranges from 0% to 200% of the target award for such portion.

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.

Set forth below is the 2012 total annual incentive paid to the NEOs as a percentage of target:

Named Executive Officer	Incentive Payout as a % of Target Annual Incentive
John F. Cassidy	126%
Kurt A. Freyberger	126%
Theodore H. Torbeck	133%
Gary J. Wojtaszek	113%
Christopher J. Wilson	126%

Generally, the above incentive payouts reflect the Compensation Committee's and Board's assessment that 2012 overall total Company financial performance was excellent, with the Communications Group exceeding its financial targets by a larger margin than CyrusOne. The tables below show the percentage of target earned by each NEO for each performance measure in 2012:

Named Executive Officer	Total Company Revenue	Total Company Adjusted EBITDA	Individual Performance
John F. Cassidy	101%	123%	150%
Kurt A Freyberger	101%	123%	150%
Christopher J. Wilson	101%	123%	150%

Named Executive Officer	Total Company Revenue (a)	Total Company Adjusted EBITDA (a)	Segment Revenue (b)	Segment Adjusted EBITDA (b)
Theodore H. Torbeck	102%	135%	111%	144%
Gary J. Wojtaszek	102%	135%	106%	103%

(a) The percentage of target earned for total Company revenue and Adjusted EBITDA differs from that shown in the preceding table due to the different payout scale utilized in Messrs. Torbeck and Wojtaszek's incentive plans.

(b) For Mr. Torbeck, segment revenue and Adjusted EBITDA was based upon the Communication Group's results. For Mr. Wojtaszek, segment revenue and Adjusted EBITDA was based upon CyrusOne's results.

Long-term incentives

Long-term incentives are intended to encourage the Company's executives to focus on and achieve the long-term (three-year) business goals of the Company and to aid their development and retention through share ownership and recognition of future performance. An executive's realization of his or her 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, all 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 common shares that may be issued under the 2007 Long Term Incentive Plan. The Compensation Committee has generally divided the total long-term incentives equally between stock options/SARs 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 shares or units vest and are paid in common shares or cash 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. In administering the long-term incentive program, the Compensation Committee considers market competitive data developed by Towers Watson for the Company (as discussed below) and the recommendations of the Chief Executive Officer regarding each executive's performance and specific individual accomplishments. For each type of award (options, SARs, or 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. The Compensation Committee's policy is not to grant more than 2,000,000 shares per year in connection with long-term incentive awards under the 2007 Long Term Incentive Plan. To the extent that the settlement of the long-term incentive awards in any year exceeds 2,000,000 shares, the incentives are settled in cash. The Company may also grant SARs and performance cycle awards indexed to changes in the Company's stock price to the NEOs that are payable in cash instead of shares.

In addition, certain NEOs were granted additional performance unit awards pursuant to the Data Center Performance Plan in 2012. See further discussion of the Data Center Performance Plan on page 37.

Stock Options and SARs

Stock options and SARs are used to align the interests of management with those of the Company's shareholders because they are designed to provide long-term equity-based compensation tied to future appreciation of the Company's common share price.

Target stock options and SARs grants for the NEOs for the fiscal year 2012-2014 performance cycle are detailed in the Summary Compensation and Grants of Plan-Based Awards tables on pages 44 and 46 herein.

Performance Plan

Performance share or unit awards, which may be paid in common shares, cash, or a combination thereof, 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 performance period.

The actual number of performance shares or 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 NEOs. For each performance cycle, actual adjusted free cash flow and, commencing in 2012 and beyond, actual UCR 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.

For the adjusted free cash flow one-year, two-year cumulative and three-year cumulative financial target goals and actual results for the performance periods beginning in 2010 and 2011, see the chart immediately below.

Performance Cycle	Threshold Performance Level	Cumulative Target Amount	Superior Performance Level	Actual Results*	Percentage of Target (a)
(dollars in millions)					
2010-2012					
2010	90%	$130.0	110%	$174.4	134.2%
2011	90%	$161.0	110%	$316.6	196.6%
2012	90%	$197.0	110%	$392.8	199.4%
2011-2013					
2011	90%	$ 7.0	110%	$ 36.9	527.1%
2012	90%	$ 32.0	110%	$ 50.6	158.2%

(a) The maximum payout on a performance cycle is 150%

* Actual free cash flow was adjusted for special items not contemplated when the cumulative three-year target was approved by the Compensation Committee.

For performance periods commencing with 2012, the Compensation Committee and the full Board selected UCR as the performance measure for performance-based awards. For the UCR financial target goals and actual results for 2012, see the chart immediately below:

Performance Cycle	Threshold Performance Level	Cumulative Target Amount	Superior Performance Level	Actual Results: Cumulative Unlevered Operating Cash Flows*	Actual Results: Cumulative Average Total Assets	Actual Results: UCR	Actual Results: % Target
(dollars in millions)							
2012-2014							
2012	14.5%	16%	17.5%	$436.9	$2,740.1	16.0%	100%

* Cumulative unlevered operating cash flows were adjusted for special items not contemplated when the cumulative three-year target was approved by the Compensation Committee.

Data Center Performance Plan

In December 2010, the Compensation Committee approved a new long-term incentive program to be implemented under the 2007 Long Term Incentive Plan (the "Data Center Performance Plan"). The program was primarily intended to (i) encourage rapid and profitable growth of revenue and Adjusted EBITDA in the Data Center Colocation segment of the Company's business, (ii) create significant enterprise value through the growth of the Data Center Colocation 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 Compensation Committee granted each performance unit award (denominated in $1.00 per unit) providing for a specified cash payment to each participating NEO in the event that (i) the executive is continuously employed for the three year period ending December 31, 2013, (ii) specified Adjusted EBITDA targets are met over such performance period or a qualifying transaction is completed prior to the end of the performance 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 Data Center Colocation segment. The program also gave 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 NEOs. Moreover, if a participating NEO'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). A "qualifying transaction" includes certain sales of the Data Center Colocation 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 Data Center Performance Plan, no executive may receive performance units in any calendar year under such program with a value in excess of $5,000,000.

For the 2011 and 2012 performance periods, the Compensation Committee approved grants of units under the new Data Center Performance Plan to the following NEOs as follows:

	2011	2012
Mr. Freyberger	$0.9 M	$2.7 M
Mr. Torbeck	$5.0 M	—
Mr. Wojtaszek	$4.0 M	$4.0 M
Mr. Wilson	$3.5 M	—

In April 2012, Mr. Freyberger was awarded an additional grant of $1.7 million in recognition of his appointment as Chief Financial Officer. In September 2012, Mr. Freyberger was granted a final award of $1.0 million to further recognize his leadership in preparing the Company for an initial public offering of CyrusOne's common stock. As reported last year, in January 2012, Mr. Wojtaszek was granted an additional award of $4.0 million which reflects his leadership in growing the data center business, an assessment of competitive market conditions, and CyrusOne's performance. Mr. Cassidy, the Company's former Chief Executive Officer, was not a participant in the Data Center Performance Plan.

Effective January 24, 2013, the Company completed the initial public offering of CyrusOne, a qualifying transaction, which resulted in full vesting of awards to participants who were continuously employed through this date regardless of the achievement of performance measures. The Company has engaged a third party valuation firm to assist in determining the equity value created. The value of the payments to the NEOs has not yet been determined. The actual payout will be a percentage of the amounts shown in the table above based upon the percentage of the equity value created in relation to the target of $1 billion.

Benefits

NEOs, 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 required contributions to this plan. In addition, Mr. Cassidy is also covered under a nonqualified supplemental retirement plan, the Cincinnati Bell Pension Program (the "SERP"), the benefits of which are payable by the Company. Mr. Cassidy is vested in his SERP benefits and retired as of January 31, 2013. 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 NEO compensation, 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- 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, 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.

Compensation Determination Process

Role of the Compensation Committee and Management in Recommending Compensation

As described in greater detail below, individual base salaries, annual cash incentive awards and long-term incentive grant amounts are determined within the framework of the executive's position and responsibility, individual performance and future leadership potential, as determined by the Chief Executive Office in consultation with the Compensation Committee, or by the Compensation Committee and the full Board in the case of the Chief Executive Officer, as well as with regard to the external marketplace.

The Chief Executive Officer presents compensation recommendations for the senior executives, including the other NEOs, to the Compensation Committee for its review and approval. The Compensation Committee evaluates the performance of the Chief Executive Officer, determines his compensation, and discusses its recommendation with the Board in executive session before the Board's approval.

Determination of the Target Compensation Levels

Each of the Compensation Committee and the Company have engaged a consultant to advise on compensation-related matters. Neither the Compensation Committee nor the Company have identified any conflicts of interest with respect to their respective compensation consultant that would impair the advice provided by such compensation consultant.

The Compensation Committee retains Mr. Charles Mazza, an independent compensation consultant, who performs no other services for the Company or its management, to assist 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, and presents his analysis of such subjects including 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 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 20 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 peer group currently includes:

- AT&T Inc.
- Centurylink, Inc.
- Clearwire Corp.
- Comcast Corp.
- EarthLink Inc.
- Fairpoint Communications, Inc.
- Frontier Communications Corp.
- IDT Corp.
- Leap Wireless International Inc.
- Level 3 Communications Inc.
- MetroPCS Communications Inc.
- Sprint Nextel Corp.
- Telephone & Data Systems Inc.
- Time Warner Inc.
- TW Telecom Inc.
- United States Cellular Corp.
- USA Mobility, Inc.
- Verizon Communications Inc.
- Vonage Holdings Corp.
- Windstream Corp.

The following telecommunications companies were added to the peer group: Level 3 Communications and MetroPCS Communications. Digital Realty Trust Inc. and Equinix, Inc. were eliminated from the peer group to limit the peers to telecommunications companies.

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 into executive compensation practices across a wide cross-section of industries. These companies include:

- A.O. Smith
- AarhusKarlshamn
- Acxiom
- AMC Entertainment
- American Crystal Sugar
- American Water Works
- Americas Styrenics
- AMETEK
- Amtrak
- Armstrong World Industries
- Auto Club Group
- Barnes Group
- Beam
- Bob Evans Farm
- Brady
- Carmeuse North America Group
- Carpenter Technology
- Catalent Pharma Solutions
- CEC Educational Services, LLC
- Century Aluminum
- Cloud Peak Energy
- Coinstar
- Columbia Sportswear
- ConvaTec
- Convergys
- Covance
- Crown Castle
- Curtiss-Wright
- Deckers Outdoor
- Deluxe
- Dentsply
- Dex One
- Dollar Thrifty Automotive Group
- Donaldson
- Education Management
- Endo Health Solutions
- Energy Solutions
- EnPro Industries
- Equifax
- Equity Office Properties
- Esterline Technologies
- Exterran
- Federal Reserve Bank of St. Louis
- GATX
- General Atomics
- Green Mountain
- H.B. Fuller
- Harland Clarke
- Herman Miller
- Hexcel
- HNI
- Hostess Brands
- Houghton Mifflin Harcourt Publishing
- Hovnanian Enterprises
- IDEXX Laboratories
- Intercontinental Hotels
- International Flavors & Fragrances
- International Game Technology
- Irvine
- Itron
- ITT — Corporate
- Jack in the Box
- Kaman Industrial Technologies
- Kansas City Southern
- KB Home
- Kennametal
- Leprino Foods
- Lincoln Electric
- Magellan Midstream Partners
- Makino
- Martin Marietta Materials
- Mary Kay
- Meredith
- Mohegan Sun Casino
- Molnlycke Health Care
- MoneyGram International
- NBTY
- New York University
- Novus International
- Nu Skin Enterprises
- Nypro
- OMNOVA Solutions
- One America Financial Partners
- Pall Corporation
- Parsons Corporation
- Phoenix Companies
- Plexus
- Polaris Industries
- Polymer Group
- PolyOne
- Rayonier
- Revlon
- SAS Institute
- Savannah River Nuclear Solutions
- Schwan's
- Scotts Miracle-Gro
- ShawCor
- Sigma-Aldrich
- Snap-On
- Space Systems Loral
- Stepan Company
- Sundt Construction
- Swagelok
- TeleTech Holdings
- Teradata
- Toro
- Tower International
- Trepp
- Trident Seafoods
- Tronox
- Tupperware Brands
- Underwriters Laboratories
- United Rentals
- Univ. of Maryland Medical Center
- Valmont Industries
- Vertex Pharmaceuticals
- Visiting Nurse Service of NY
- Vulcan Materials
- Warner Chilcott
- Wendy's Group

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

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

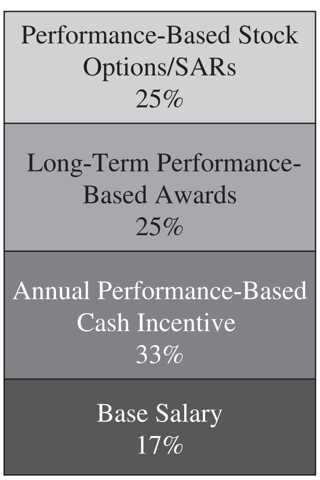
The Compensation Committee believes that pay practices for executive officers should include a mixture of pay elements that are reflective of the two peer groups. Since executive compensation is correlated with a company's annual revenue, the Company, in consultation with Towers Watson, adjusts the compensation 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 50^{th} 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 50^{th} 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 mixture 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 50^{th} percentile pay levels for two reasons:

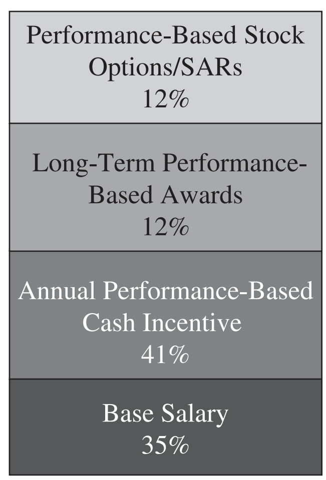
- Benchmarking at the 50^{th} percentile is consistent with the practice followed by a majority of companies, and
- Targeting base compensation levels at the 50^{th} percentile allows the Company to place a higher proportion of the executive's compensation at risk. The Company and the Compensation Committee 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 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 2012, the charts below reflect this allocation:



Chief Executive Officer



Other NEOs*

* The percentages for the other NEOs understate the actual percentage of performance-based compensation. In 2012, the Company granted Mr. Torbeck $1.8 million of restricted shares that vest over a three-year period. This award was provided to compensate him for the compensation he forfeited when he left his previous employer to accept employment with the Company. Consequently, for 2012, Mr. Torbeck did not receive any performance unit or stock option/SARs awards.

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- 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.

Other Compensation Policies

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 NEOs — 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, 2013, Mr. Torbeck, who became President and Chief Executive Officer effective January 31, 2013, owned shares valued at approximately 155% of his ownership target; Mr. Freyberger, who became Chief Financial Officer on August 5, 2011, achieved approximately 63% of his ownership goal; and Mr. Wilson achieved approximately 130% of his ownership goal. Further, Mr. Freyberger increased his ownership by 43,565 shares compared to March 2012.

Effective January 23, 2013, Mr. Wojtaszek resigned his position with Cincinnati Bell to become President and Chief Executive Officer of CyrusOne Inc., which is now an independent public company. Mr. Cassidy retired effective January 31, 2013.

Employment Agreements, 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 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, change in control payments and benefits provided under the employment agreements as described in more detail beginning on page 54 were important to ensure the retention of the named executive officers.

Depending on the circumstances of their termination, the NEOs are eligible to receive severance benefits in the form of a multiple of annual base salary as a lump sum payment, continued access to Company-provided benefits for a defined period post employment, healthcare benefits and accelerated vesting of all equity as determined by the provisions in their employment agreements, which are discussed in detail starting on page 54. Under a dismissal without cause or constructive discharge following a change of control, the Company provides the severance benefits because it serves the best interest of the Company and its shareholders to have executives focus on the business merits of possible change in control situations without undue concern for their personal financial outcome. In the case of a without cause termination or constructive discharge absent a change in control, the Company believes it is appropriate to provide severance at these levels to ensure the financial security of these executives, particularly in view of the non-compete provisions which state that for 12 months following termination, the executive will not compete with the Company or solicit customers or employees of the Company. Because these potential payments are triggered under very specific circumstances, such payments are not considered in setting pay for other elements of executive compensation. The Compensation Committee has a policy that 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 of 2002. 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, the Board has 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 SEC. The policy was effective as of January 1, 2011, for any current executive officer or former executive officer that terminates employment after January 1, 2011 and applies to cash and equity-based compensation that is approved, granted or awarded on or after January 1, 2011. The policy allows the Company to recover incentive payments to, or realized by, certain executive officers in the event that the incentive compensation was based on the achievement of financial results that were subsequently restated to correct any accounting error due to material noncompliance with any financial reporting requirement under federal securities laws and such restatement results in a lower payment or award.

Compensation Limitation

Section 162(m) of the Code generally limits to $1,000,000 the available deduction to the Company for compensation paid to any of the Company's NEOs, 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 amounts deductible under Section 162(m) of the 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 (Kurt A. Freyberger) during the year ended December 31, 2012, and the three most highly compensated persons who served as executive officers (Theodore H. Torbeck, Gary J. Wojtaszek, Christopher J. Wilson) during the year ended December 31, 2012 (collectively, the “NEOs”):

Summary Compensation Table — Fiscal 2012

Name, Principal Position	Year	Salary ($)	Bonus ($) (a)	Stock Awards ($) (b) (c)	Option Awards ($) (d)	Non-Equity Incentive Plan Compensation ($) (e)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings ($) (f)	All Other Compensation ($) (g)	Total ($)
John F. Cassidy	2012	708,769	—	1,015,000	1,015,000	2,877,200	1,121,703	9,000	6,746,672
President and Chief	2011	681,250	—	—	1,015,000	2,507,759	1,851,404	8,800	6,064,213
Executive Officer	2010	645,000	2,100,000	—	720,136	2,963,467	2,090,059	43,800	8,562,462
Kurt A. Freyberger (h)	2012	347,885		250,000	250,000	441,238	40,111	9,800	1,339,034
Vice President and Chief Financial Officer	2011	293,460	—	77,500	—	324,190	33,800	9,800	738,750
Theodore H. Torbeck (i)	2012	726,000	—	1,800,000	—	970,045	—	9,800	3,505,845
President and General	2011	724,850		1,800,000	—	1,025,838	—	863	3,551,551
Manager, Cincinnati Bell Communications Group	2010	161,538	—	792,000	—	966,000	—	5,741	1,925,279
Gary J. Wojtaszek	2012	576,000	—	250,000	250,000	649,094	11,864	6,366	1,743,324
President of CyrusOne	2011	557,884	—	302,499	—	698,688	10,301	9,800	1,579,172
	2010	383,788	—	302,500	582,296	770,000	4,675	31,168	2,074,427
Christopher J. Wilson	2012	345,662	—	200,000	200,000	284,111	103,242	9,800	1,142,815
Vice President, General	2011	339,685	—	200,002	—	301,223	89,877	8,298	939,085
Counsel and Secretary	2010	312,931	—	295,001	463,401	282,762	42,680	25,019	1,421,794

(a) The amount represents the retention bonus paid to Mr. Cassidy in 2010.

(b) The 2012 amounts, excluding Mr. Torbeck’s amount, reflect the grant-date fair value of the performance share-based awards issued in 2012 to Messrs. Cassidy, Freyberger, Wojtaszek and Wilson for the 2012-2014 performance cycle. The 2011 amounts, excluding Mr. Torbeck’s amount, reflect the grant-date fair value of the performance share-based awards issued in 2011 to Messrs. Freyberger, Wojtaszek and Wilson for the 2011-2013 performance cycle. The 2010 amounts, excluding Mr. Torbeck’s amount, reflect the grant-date fair value of the performance share-based awards issued in 2010 to Messrs. Wojtaszek and Wilson for the 2010-2012 performance cycle. All amounts assume payout at target. For further discussion of these awards, see Note 14 to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2012. The table below shows the amounts if the maximum payout is earned based on the stock price at date of grant.

Name	Stock Awards ($) 2012	2011	2010
John F. Cassidy	1,522,500	—	—
Kurt A. Freyberger	375,000	116,250	—
Gary J. Wojtaszek	375,000	453,749	453,750
Christopher J. Wilson	300,000	300,002	442,501

(c) The 2012 and 2011 amounts for Mr. Torbeck represents a restricted common share grant that vests one-third per year at the end of each one-year period. The 2010 amount for Mr. Torbeck represents a grant of 300,000 unrestricted common shares when he joined the Company in September 2010. These grants were all made in accordance with Mr. Torbeck’s employment agreement.

(d) The 2012 amounts shown reflect the aggregate grant date fair value of performance-based options granted to Mr. Cassidy and performance-based stock appreciation rights granted to Messrs. Freyberger, Wojtaszek and Wilson in 2012 for the 2012 – 2014 performance cycle. The 2011 amount reflects the grant date fair value of cash-settled stock appreciation rights granted to Mr. Cassidy in January 2011. The 2010 amounts reflect the aggregate grant-date fair value of stock options and stock appreciation rights granted in January 2010 to Messrs. Cassidy, Wojtaszek and Wilson. For all awards, the grant date fair value was computed in accordance with Accounting Standards Codification (“ASC”) 718. For further discussion of the assumptions utilized to value these awards, see Note 14 to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2012. All 2012 awards are performance-based awards. The amounts shown above reflect payout at target.

The table below shows these amounts if the maximum payout is earned:

Name	Stock Options/Stock Appreciation Rights ($) 2012
John F. Cassidy	1,522,500
Kurt A. Freyberger	375,000
Gary J. Wojtaszek	375,000
Christopher J. Wilson	300,000

(e) Non-equity incentive plan compensation represents amounts earned for annual performance-based cash incentives and long-term performance plan cash-settled awards. The amounts earned by Messrs. Freyberger, Torbeck, Wojtaszek, and Wilson consist solely of annual performance-based cash incentives for all periods. The amount earned by Mr. Cassidy consists of annual performance-based cash incentive and long-term cash-settled performance units. The table below shows the amounts earned by Mr. Cassidy for each of these awards:

Name	Year	Annual Performance-Based Cash Incentive ($)	Long-Term Cash-Settled Performance Units ($)	Total ($)
John F. Cassidy	2012	1,354,722	1,522,478	2,877,200
	2011	1,242,718	1,265,041	2,507,759
	2010	1,936,000	1,027,467	2,963,467

The amounts shown above for long-term cash-settled performance units earned by Mr. Cassidy represent: (1) the amount earned in 2012 and paid in 2013 for the 2012 performance period related to cash-payment performance awards granted in January 2010 for the 2010-2012 performance cycle and January 2011 for the 2011-2012 performance cycle, (2) the amount earned in 2011 and paid in 2012 for the 2011 performance period related to cash-payment performance awards granted in January 2009 for the 2009-2011 performance cycle, January 2010 for the 2010-2011 performance cycle, and January 2011 for the 2011 performance cycle, and (3) 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 2009-2010 performance cycle and January 2010 for the 2010 performance cycle.

(f) The amounts shown in this column for Messrs. Cassidy, Freyberger, Wojtaszek, and Wilson represent the one-year increase in the value of their qualified defined benefit plan and nonqualified excess plan for 2012, 2011 and 2010, respectively, projected forward to age 65 for each executive with interest credited at 3.5%, which is the rate a terminated participant would then be given (such interest rate was increased to 4.0% effective as of March 1, 2012) and then discounted back to the respective year at the discount rate (3.3% for 2012, 3.90% for 2011, and 4.90% for 2010) required under ASC 960. The present value of the accrued pension benefits increased in 2012 primarily due to a decrease in the applicable discount rate and an updated mortality table. The Company froze its qualified pension plan for management employees in 2009; therefore, Mr. Torbeck is 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.

(g) 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 ($)	Total "All Other Compensation" ($)
John F. Cassidy	2012	9,000	—	—	9,000
	2011	8,800	—	—	8,800
	2010	8,800	35,000	—	43,800
Kurt A. Freyberger	2012	9,800	—	—	9,800
	2011	9,800	—	—	9,800
Theodore H. Torbeck	2012	9,800	—	—	9,800
	2011	863	—	—	863
	2010	1,615	4,126	—	5,741
Gary J. Wojtaszek	2012	6,366	—	—	6,366
	2011	9,800	—	—	9,800
	2010	9,800	21,368	—	31,168
Christopher J. Wilson	2012	9,800	—	—	9,800
	2011	8,298	—	—	8,298
	2010	9,324	15,695	—	25,019

(1) Under the terms of the Cincinnati Bell Inc. Retirement Savings 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) The Flexible Perquisite Reimbursement Program was terminated effective January 27, 2011; each executive received an increase in base salary to offset the termination of the program.

(h) Mr. Freyberger was appointed Chief Financial Officer on August 5, 2011. Prior to this date, Mr. Wojtaszek served as Chief Financial Officer.

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

Grants of Plan-Based Awards

The following table sets forth information concerning equity grants to the NEOs during the year ended December 31, 2012 as well as estimated future payouts under cash incentive plans:

Grants of Plan-Based Awards in 2012 Fiscal Year

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards: Threshold ($)	Target ($)	Maximum ($)	Estimated Future Payouts Under Equity Incentive Plan Awards (a): Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#) (b)	All Other Option Awards: Number of Securities Underlying Options (#) (c)	Exercise or Base Price of Option Awards ($/Sh)	Closing Price of Company Shares on Grant Date ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($) (d)
John F. Cassidy												
Performance-based shares	1/29/2012	—	—	—	223,898	298,530	447,795	—	—	—	3.40	1,015,000
Performance-based options	1/29/2012	—	—	—	—	—	—	—	659,091	3.40	3.40	1,015,000
Annual cash incentive		533,188	1,066,375	2,132,750	—	—	—	—	—	—	—	—
Kurt A. Freyberger												
Performance-based shares	1/29/2012	—	—	—	55,148	73,530	110,295	—	—	—	3.40	250,000
Performance-based SARs	1/27/2012	—	—	—	—	—	—	—	162,338	3.40	3.40	250,000
Data Center Performance Plan (e)	varies	—	—	2,700,000	—	—	—	—	—	—	—	—
Annual incentive		174,485	348,970	697,940	—	—	—	—	—	—	—	—
Theodore H. Torbeck												
Restricted shares	1/3/2012	—	—	—	—	—	—	573,248	—	—	3.14	1,800,000
Annual cash incentive		363,000	726,000	1,452,000	—	—	—	—	—	—	—	—
Gary J. Wojtaszek												
Performance-based shares	1/29/2012	—	—	—	55,148	73,530	110,295	—	—	—	3.40	250,000
Performance-based SARs	1/27/2012	—	—	—	—	—	—	—	162,338	3.40	3.40	250,000
Data Center Performance Plan (e)	1/27/2012	—	—	4,000,000	—	—	—	—	—	—	—	—
Annual cash incentive		288,000	576,000	1,152,000	—	—	—	—	—	—	—	—
Christopher J. Wilson												
Performance-based shares	1/29/2012	—	—	—	44,118	58,824	88,236	—	—	—	3.40	200,000
Performance-based SARs	1/27/2012	—	—	—	—	—	—	—	129,870	3.40	3.40	200,000
Annual cash incentive		112,350	224,700	449,400	—	—	—	—	—	—	—	—

(a) Amounts reflect shares issuable under the long-term performance-based incentive plan. Performance will be measured based on achievement of cumulative UCR targets over the three-year period 2012-2014. See page 36 for further details.

(b) Amount represents restricted stock grant granted to Mr. Torbeck per the terms of his employment contract. This award vests over a three-year period with one-third vesting each year.

(c) Amounts represent performance-based options and SARs assuming target is met. Performance will be measured based on the achievement of cumulative UCR targets over the three-year period 2012 – 2014. 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 — 50% on the first anniversary of the original grant date and 25% on the second anniversary and 25% on the third anniversary; term of grant — 10 years; termination — except in the case of death, disability or retirement, any unvested awards will be canceled 90 days following termination of employment.

(d) The amount related to the SARs awards reflects the grant-date fair values as determined using a binomial option-pricing model. The amounts related to the performance-based awards granted for the 2012-2014 performance period reflect the grant-date fair value assuming the target number of shares is earned and the executive remains with the Company through the applicable vesting dates. The amount related to the restricted share grant for Mr. Torbeck is based on the Company's closing stock price on the date of grant of $3.14. For further discussion of assumptions and valuation, refer to Note 14 to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2012.

(e) The Data Center Performance plan grants are performance unit awards providing for a specified cash payment to each participating executive in the event that (i) the executive is continuously employed for a three year period after the date of grant, (ii) specified Adjusted EBITDA targets are met or a "qualifying transaction" has been completed prior to December 31, 2013, (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 Data Center Colocation segment prior to the "qualifying transaction." With the initial public offering of CyrusOne on January 24, 2013, a qualifying transaction has now been completed. The amounts shown in the table above represent the maximum payout if the equity value created from this transaction is $1 billion or more. For more detail about the Data Center Performance Plan, see page 37.

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

Employment Agreements

During 2012, all of the NEOs were employed pursuant to agreements with the Company. Each employment agreement sets forth, among other things, the NEO'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, and Wilson were amended and restated, effective as of January 1, 2009, to comply with statutory requirements under Section 409A and Section 162(m) of the 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 Mr. Torbeck, effective as of September 7, 2010, which was superseded by a new agreement on February 6, 2013, and amended the employment agreements of Mr. Wojtaszek, effective as of January 27, 2011 and of Mr. Freyberger, effective as of August 5, 2011.

Mr. Cassidy's employment agreement provided for the employment and retention of Mr. Cassidy for a one-year term subject to automatic one-year extensions. Mr. Cassidy's employment agreement provided 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 retired effective January 31, 2013 and his employment agreement terminated.

Mr. Cassidy's nonqualified supplemental retirement plan benefit under his employment agreement 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 10 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. Cassidy is fully vested in his pension benefits.

Mr. Freyberger's employment agreement provides for the employment and retention of Mr. Freyberger for a one-year term subject to automatic one-year extensions. Mr. Freyberger's employment agreement provides for a minimum base salary of $335,000 per year and a minimum bonus target of $335,000 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. In 2012, Mr. Torbeck's employment agreement provided 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 grants of restricted shares valued at $1,800,000 in January 2011, $1,800,000 in January 2012, and $900,000 in January 2013. In February 2013, Mr. Torbeck entered into a new employment agreement that increased his minimum base salary and minimum bonus targets to $750,000 per year.

Mr. Wojtaszek's employment agreement provided for the employment and retention of Mr. Wojtaszek for a one-year term subject to automatic one-year extensions. Mr. Wojtaszek's employment agreement provided for both a minimum base salary and a minimum bonus target of $550,000 per year. Effective January 23, 2013, Mr. Wojtaszek resigned which terminated his employment agreement.

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.

Each of the NEOs, except for Mr. Torbeck, participate 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.

Except as noted below, 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. However, a 2009 amendment to the Management Pension Plan generally provided that only "grandfathered participants" and no other participants would accrue additional plan benefits based on their compensation and service after December 31, 2018. For purposes of the plan, a "grandfathered participant" is a Plan participant who has continuously been an employee of the Company or any of its subsidiaries since before 2009 and either: (i) was at least age 50 by January 1, 2009; or (ii) had been eligible for and accepted or declined a 2007 early retirement offer of the Company. Also, the plan was further amended to reduce the benefits accrued by grandfathered participants based on their compensation and service after December 31, 2011 by approximately one-half from the prior accrual rate. The Management Pension Plan is described in further detail on page 51.

Finally, Mr. Cassidy is also covered under a nonqualified Cincinnati Bell Pension Program (the "SERP"). The SERP provides him with a benefit equal to 50% of his average monthly compensation, which is the average monthly compensation for the highest 36-month period during the 60-month period ending on the date he ceases to be an employee, less an offset for any benefits payable under the Cincinnati Bell Management Pension Plan (the "CBMPP") and the participant's projected age 65 social security benefit. However, the SERP was amended by the 2011 Amendment to the Management Pension Plan such that reduced future accruals under such plan will not be taken into account under the SERP when determining the benefits accrued by Mr. Cassidy. Benefits under the SERP are normally payable as an annuity — either single life, 50% joint and survivor, 75% joint and survivor and 100% joint and survivor, or as a life and 15 year certain annuity. Under the terms of the SERP, a participant must be of at least age 55 and have attained at least 10 years of service to be vested in their benefit. As of December 31, 2012, Mr. Cassidy was fully vested in his SERP 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 NEOs upon termination or a change in control as of December 31, 2012 are described beginning on page 54.

Long-term Incentives

The Compensation Committee has divided the total long-term incentives granted to the NEOs approximately equally between stock option or SARs 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 NEO are described in the Compensation Discussion and Analysis that begins on page 27.

Salary and Cash Incentive Awards in Proportion to Total Compensation

In 2012, the percentage of total compensation for each NEO represented by the sum of their salary plus bonus as shown in the summary compensation table on page 44 was as follows: Mr. Cassidy — 31%, Mr. Freyberger — 59%, Mr. Torbeck — 48%, Mr. Wojtaszek — 70%, and Mr. Wilson — 55%.

Outstanding Equity Awards at Fiscal Year End

The following table sets forth information concerning options and other equity awards held by the NEOs at December 31, 2012:

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Option (#) Exercisable	Number of Securities Underlying Unexercised Option (#) Unexercisable (a)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date (b)	Number of Shares or Units of Stocks That Have Not Vested (#) (c)	Market Value of Shares or Units of Stocks That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) (d)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) (e)
John F. Cassidy (f)	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				
	680,000	—		1.67	12/5/2018				
	591,124	18,282		2.91	1/29/2020				
	481,080	307,576		2.85	1/28/2021				
	—	988,637		3.40	1/27/2022				
						—	—	447,795	2,453,917
Kurt A. Freyberger	15,000	—		4.21	3/31/2015				
	20,000	—		4.00	12/1/2015				
	25,000	—		4.74	12/8/2016				
	25,000	—		4.91	12/7/2017				
	54,856	—		1.67	12/5/2018				
	18,222	—		1.39	1/30/2019				
	32,182	995		2.91	1/29/2020				
	45,713	22,515		2.54	12/7/2020				
	—	243,507		3.40	1/27/2022				
						—	—	143,145	784,435
Theodore H. Torbeck	—	—		—	—	994,301	5,448,769	—	—
Gary J. Wojtaszek (g)	83,590	—		1.67	12/5/2018				
	207,352	—		1.39	1/30/2019				
	204,946	6,338		2.91	1/29/2020				
	108,428	87,883		2.54	12/7/2020				
	—	243,507		3.40	1/27/2022				
						—	—	228,882	1,254,273
Christopher J. Wilson	51,000	—		5.66	12/4/2013				
	24,726	6,181		2.91	1/29/2020				
	26,412	58,104		2.54	12/7/2020				
	—	194,805		3.40	1/27/2022				
						—	—	178,884	980,284

(a) These awards, with the exception of awards expiring January 27, 2022, 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. The options and SARs awards expiring January 27, 2022 are performance-based and vest 50% on the first anniversary, and 25% on the second and third anniversaries if the performance condition is achieved. The amounts shown above for the 2012 awards reflect payout at the maximum level.

(b) 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.

(c) These awards represent restricted shares granted to Mr. Torbeck on January 3, 2012.

(d) Amounts in the column include performance shares granted for the 2010 – 2012 performance cycle less performance units earned and vested for (i) the 2010 period on February 28, 2011 and (ii) the 2010-2011 cumulative period on February 28, 2012. Amounts also include performance units granted for the 2011 – 2013 performance cycle less performance units earned and vested for the 2011 period on February 28, 2012. The amount also includes the performance unit grant made to each of the executives for the 2012 – 2014 performance cycle on January 28, 2012. These awards are performance-based and the amounts shown above reflect payout at the maximum level.

(e) Assuming the maximum number of shares is 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 as of December 31, 2012 ($5.48).

(f) Mr. Cassidy retired effective January 31, 2013 but will continue to vest in his options and stock awards.

(g) Mr. Wojtaszek resigned effective January 23, 2013 and forfeited all his option awards and stock awards that remained unvested at that time.

Option Exercises and Stock Vested

The following table sets forth information concerning the exercise of options and the vesting of stock held by the NEOs during the year ended December 31, 2012:

Option Exercises and Stock Vested in 2012

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#) (a)	Value Realized on Exercise ($) (b)	Number of Shares Acquired on Vesting (#) (c)	Value Realized on Vesting ($) (d)
John F. Cassidy	1,003,949	4,751,628	—	—
Kurt A. Freyberger	—	—	27,522	93,575
Theodore H. Torbeck	—	—	210,526	677,894
Gary J. Wojtaszek	440,734	1,439,188	114,796	390,306
Christopher J. Wilson	767,287	1,540,376	87,604	297,854

(a) The amounts shown represent shares issued upon exercise of both stock options and share-settled stock appreciation rights.

(b) The value realized on exercise is based upon the closing price of a share of our common stock on the date of exercise compared to the exercise or strike price of the option or stock appreciation award.

(c) The amount shown for Mr. Torbeck represents vesting of one-third of the restricted shares granted on January 14, 2011. The amounts shown for Messrs. Freyberger, Wojtaszek and Wilson represent shares issued in January 2012 upon vesting of long-term performance plan awards.

(d) The amounts represent the value realized upon vesting based on the closing price of a share of our common stock on the respective vesting dates. For Mr. Torbeck, the vesting date of his award was January 3, 2012 ($3.22). For Messrs. Freyberger, Wojtaszek and Wilson the vesting date of their awards was January 30, 2012 ($3.40).

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 provided 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 to participate in the Management Pension Plan. As a result, Mr. Torbeck is not eligible to participate in the Management Pension Plan.

The Management Pension Plan was further amended to reduce benefits accrued by "grandfathered participants" based on their compensation and service after December 31, 2012 by approximately one-half from the prior accrual rates.

Of the NEOs, only Messrs. Cassidy, Freyberger, Wilson and Wojtaszek participate in the Management Pension Plan. The following table sets forth information regarding pension benefits:

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)	17	641,663	—
	Non-Qualified Excess Plan (b)	17	2,783,162	
	Non-Qualified Supplemental Plan (c)	17	10,242,276	
	Employment Agreement (d)	17	968,996	
	Total		14,636,097	
Kurt A. Freyberger	Qualified Defined Benefit Plan (a)	7	119,258	—
	Non-Qualified Excess Plan (b)	7	30,950	
	Total		150,208	
Gary J. Wojtaszek	Qualified Defined Benefit Plan (a)	4	45,509	—
	Non-Qualified Excess Plan (b)	4	—	
	Total		45,509	
Christopher J. Wilson	Qualified Defined Benefit Plan (a)	14	288,759	—
	Non-Qualified Excess Plan (b)	14	124,351	
	Total		413,110	

(a) Management Pension Plan.
(b) Nonqualified ERISA Excess Provisions of the Cincinnati Bell Management Pension Plan.
(c) This amount assumes a deferral of retirement benefits until age 60. The present value of accumulated plan benefits assuming immediate commencement of benefits is $10,890,550.
(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 11 to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2012.
(g) If any of the executive officers had retired on December 31, 2012, 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 tax-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 subject to any payment restrictions in place due to the funding status. 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 is available to other eligible salaried and certain non-union hourly employees. Mr. Cassidy also participates in the SERP. Contributions to the Management Pension Plan's trust and the SERP are made only by the Company.

The Management Pension Plan is a cash balance plan. Under this plan, each grandfathered 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 $250,000 for 2012). A grandfathered participant's plan compensation for the year generally equals 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 are 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").

The following chart shows the annual pension credits provided for 2012 under the Management Pension Plan for grandfathered participants at the ages indicated:

Attained Age	Pension Credits *
50 but less than 55 years	3.25% of total plan compensation plus 3.25% of excess compensation for 2012
55 or more years	4.00% of total plan compensation plus 4.00% of excess compensation for 2012

* For purposes of the above table, "excess compensation" means the portion of a plan participant's total plan compensation for 2012 that exceeds the Social Security old-age retirement taxable wage base for 2012.

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 for 2012 was 4.0% per annum (3.5% prior to March 1, 2012 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 2012, Mr. Cassidy was the only active participant in the SERP, and the Company has no current intention to add other persons to actively participate in such 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 thirty days after the earlier of six months after his termination date or the date of his death. Mr. Cassidy retired on January 31, 2013.

Nonqualified Deferred Compensation

The following table sets forth information concerning compensation deferred by the NEOs:

Nonqualified Deferred Compensation for 2012 Fiscal Year

Name	Executive Contributions in Last Fiscal Year ($)	Company Contributions in Last Fiscal Year ($) (a)	Aggregate Earnings in Last Fiscal Year ($) (b)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at December 31, 2012 ($)
John F. Cassidy	—	—	663,369	—	1,484,510
Kurt A. Freyberger	—	1,177	9,161	—	44,307
Theodore H. Torbeck	—	—	—	—	—
Gary J. Wojtaszek	—	—	—	—	—
Christopher J. Wilson	—	—	245,000	—	548,000

(a) Amount reflects a company matching contribution on Mr. Freyberger's contributions in 2009.

(b) For Messrs. Cassidy, Freyberger, and Wilson, the amount shown includes the difference between the closing price of the Company's stock ($3.03) on December 31, 2011 and the closing price of the Company's stock ($5.48) on December 31, 2012 with respect to deferrals made prior to 2012.

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 $250,000) 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 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 66 2/3% 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.

Potential Payments upon Termination of Employment or a Change in Control

The following table shows potential payments to our NEOs 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, 2012 termination or change in control date and, where applicable, using the closing price of our common shares on December 31, 2012 of $5.48.

Potential Payments upon Termination of Employment or a Change in Control: 2012

Name	Executive Payment on Termination	Involuntary Not for Cause Termination ($)	Change in Control ($)	Death ($)	Disability ($)
John F. Cassidy (a)	Base Salary	6,635,489	2,242,500	—	—
	Annual Incentive Target Opportunity	—	3,363,750	266,594	266,594
	Long Term Incentives — Options	2,225,079	2,225,079	2,225,079	2,225,079
	Long Term Incentives — Performance Shares (e)	1,635,944	1,635,944	1,635,944	1,635,944
	Long Term Incentives — Non-Equity Incentive Compensation (b)	1,367,328	1,367,328	1,367,328	1,367,328
	Basic Benefits (c)	23,094	23,094	—	23,094
	Retiree Benefits	496,978	496,978	—	65,584
	Excise — Tax Gross-up (d)	—	—	—	—
	Total	12,383,912	11,354,673	5,494,945	5,583,623
Kurt A. Freyberger	Base Salary	737,000	737,000	—	—
	Annual Incentive Target Opportunity	—	737,000	87,242	87,242
	Long Term Incentives — Options	237,395	406,226	406,226	406,226
	Long Term Incentives — Performance Shares (e)	284,231	522,956	522,956	522,956
	Basic Benefits	12,026	12,026	—	228,494
	Retiree Benefits	—	—	—	—
	Excise — Tax Gross-up (d)	—	—	—	—
	Total	1,270,652	2,415,208	1,016,424	1,244,918
Theodore H. Torbeck	Base Salary (f)	2,178,000	1,452,000	—	2,178,000
	Annual Incentive Target Opportunity	—	1,452,000	181,500	181,500
	Long Term Incentives — Options	—	—	—	—
	Long Term Incentives — Restricted Shares	4,401,634	5,448,768	5,448,768	5,448,768
	Basic Benefits	12,738	12,738	—	—
	Retiree Benefits	—	—	—	—
	Excise — Tax Gross-up (d)	—	—	—	—
	Total	6,592,372	8,365,506	5,630,268	7,808,268
Gary J. Wojtaszek (g)	Base Salary	1,152,000	1,152,000	—	—
	Annual Incentive Target Opportunity	—	1,152,000	144,000	144,000
	Long Term Incentives — Options	442,290	611,121	611,121	611,121
	Long Term Incentives — Performance Shares (e)	489,298	836,182	836,182	836,182
	Basic Benefits	12,930	12,930	—	254,850
	Retiree Benefits	—	—	—	—
	Excise — Tax Gross-up (d)	—	—	—	—
	Total	2,096,518	3,764,233	1,591,303	1,846,153
Christopher J. Wilson	Base Salary	583,440	707,200	—	—
	Annual Incentive Target Opportunity	—	459,680	56,175	56,175
	Long Term Incentives — Options	320,601	455,666	455,666	455,666
	Long Term Incentives — Performance Shares (e)	396,204	653,523	653,523	653,523
	Basic Benefits	12,241	12,241	—	164,274
	Retiree Benefits	—	—	—	—
	Excise — Tax Gross-up (d)	—	—	—	—
	Total	1,312,486	2,288,310	1,165,364	1,329,638

(a) Mr. Cassidy retired effective January 31, 2013; therefore, he is no longer eligible for any payments upon termination or change in control.

(b) Mr. Cassidy's non-equity incentive compensation payment is contingent on the Company's attainment of target performance metrics for the 2013 and 2014 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.

(c) Basic benefits consist of medical, dental, vision and group term life insurance similar to such benefits provided by the Company to other employees.

(d) The tax gross-up amounts are meant to defray related tax liabilities related to a change in control. The discount rate used for retiree benefit change in control values was 3.30%, consistent with the rate determined for the Company's financial statements under Accounting Standards Codification Topic 960. No tax gross-up was required for Messrs. Cassidy and Wilson at December 31, 2012, as the aggregate present value of all change in control compensation payments is less than three times the individual's base amount; therefore, no portion of the payments is a parachute payment. 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 Messrs. Freyberger, Torbeck, and Wojtaszek do not contain any excise tax gross-up provisions.

(e) Performance shares include shares that are based on the attainment of target performance metrics in the 2013 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.

(f) 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 two times his salary in calendar year 2013.

(g) Mr. Wojtaszek resigned effective January 23, 2013; therefore, he is no longer eligible for any payments upon termination or change in control.

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 (the "vested amounts"), 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 long-term incentive plan, pension and savings plans. Mr. Wojtaszek voluntarily resigned from the Company on January 23, 2013 and Mr. Cassidy retired from the Company on January 31, 2013 and although their employment agreements have otherwise been terminated, each of Messrs. Wojtaszek and Cassidy remains bound by the non-disclosure, non-compete and non-solicitation provisions of their employment agreements.

In addition to any applicable "vested amounts," an executive will be entitled to receive certain additional benefits if one of the four termination scenarios detailed in the above table and discussed below occurs. Regardless of the termination scenario, each executive will continue to be bound by the non-disclosure, non-compete and non-solicitation provisions of their employment agreements. Because, as noted above, Messrs. Cassidy and Wojtaszek each terminated their employment with the Company in January 2013, Messrs. Cassidy and Wojtaszek will not be discussed and the discussions below regarding the impact on executives in the event of the occurrence of one of the four termination scenarios will focus on those executives that remain employed by the Company (i.e., Messrs. Freyberger, Torbeck and Wilson).

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 their base salary in the case of Messrs. Freyberger and Torbeck, and 1.65 times his base salary in the case of Mr. Wilson.
- A payment equal to the present value of an additional one year of participation in the Company's Management Pension Plan, 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 following the executive's termination of employment on the same basis as any active salaried employee provided any required monthly contributions are made;
- 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.

If an executive is terminated within the one-year period 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;
- If eligible to participate in the Management Pension Plan, a payment equal to the present value of an additional one year 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 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 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 change in control payment, an additional payment sufficient to pay any taxes imposed under section 4999 of the Code plus any federal, state and local taxes applicable to any taxes imposed under section 4999 of the Code.

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 exist;
- 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.

Under all of the termination scenarios in the preceding table, as of December 31, 2012, Messrs. Cassidy, Freyberger, Torbeck, Wojtaszek, and Wilson had certain "vested amounts" to which they were entitled as follows: Mr. Cassidy — $29,400,759, Mr. Freyberger — $1,086,375, Mr. Torbeck — $1,224,265, Mr. Wojtaszek — $3,412,979, and Mr. Wilson — $1,294,775. Our long-term incentive plan provides for continued vesting of outstanding awards for retirement-eligible employees; thus, Mr. Cassidy will continue to vest in his unvested stock options, SARs and other long-term incentive awards on the same conditions and terms as active employees.

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 Securities Exchange Act of 1934. 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, 2012 and ending December 31, 2012, all such persons complied on a timely basis with the filing requirements of Section 16(a).

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 22, 2013. Any such proposal must comply with Rule 14a-8 promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended. If the Company does not receive written notice by February 5, 2014 of a proposal from a shareholder who intends to propose any other matter to be acted upon at the 2014 Annual Meeting, the persons named in the Company's proxy for the 2014 Annual Meeting will be allowed to exercise their discretionary authority to vote upon any such proposal.

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 22, 2013 for the 2014 Annual Meeting of Shareholders.

Other Matters to Come Before the Meeting

At the time this Proxy Statement was released for printing on March 19, 2013, 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 of Internet Availability 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
7530 Lucerne Drive, Suite 305
Cleveland, Ohio 44130-6557
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 of Internet Availability, 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

Christopher J. Wilson
Vice President, General Counsel and Secretary

March 22, 2013

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ANNEX A

Cincinnati Bell Inc.
Reconciliation of GAAP and Non-GAAP Financial Measures

The Company reports its financial results in accordance with accounting principles generally accepted in the United States ("GAAP" or referred to herein as "reported"). However, management believes that certain non-GAAP financial measures provide users with additional meaningful financial information that should be considered when assessing our ongoing performance. Management uses these non-GAAP financial measures in making financial, operating and planning decisions and in evaluating the Company's performance. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, the Company's reported results prepared in accordance with GAAP. Management also believes non-GAAP financial measures should not be construed as being more important than comparable GAAP measures.

For additional details regarding the reconciliation of GAAP and non-GAAP financial measures below, see the Company's Current Reports on Form 8-K filed with the SEC on February 27, 2013 and February 9, 2012. This information is also available in the "Investor Relations" section of the Company's website, www.cincinnatibell.com.

(dollars in millions)	Twelve Months Ended December 31, 2012	2011
Net Income (GAAP)	$ 11.2	$ 18.6
Add:		
Income tax expense	24.7	25.0
Loss on extinguishment of debt	13.6	—
Interest expense	218.9	215.0
Other expense, net	1.7	0.9
Operating Income (GAAP)	$270.1	$259.5
Add:		
Depreciation and amortization	217.4	199.5
Restructuring charges	3.4	12.2
Gain on sale or disposal of assets	(1.6)	(8.4)
Goodwill and asset impairments	14.2	52.4
Transaction costs	6.3	2.6
Legal claim costs	0.4	1.6
Curtailment loss	—	4.2
Pension and other retirement plan expenses	24.4	21.1
Adjusted EBITDA (Non-GAAP)	$534.6	$544.7

Proxy Statement

(dollars in millions)	Twelve Months Ended December 31, 2012
Reconciliation of Operating Cash Flow (GAAP) to Adjusted Unlevered Operating Cash Flows (Non-GAAP):	
Operating cash flow (GAAP)	$212.7
Interest payments	217.9
Unlevered operating cash flows (Non-GAAP)	430.6
Add:	
Transaction costs	6.3
Adjusted unlevered operating cash flows (Non-GAAP)	$436.9

(dollars in millions)	Twelve Months Ended December 31, 2012	2011
Reconciliation of GAAP Cash Flow to Free Cash Flow (as defined by the Company)		
Net decrease in cash and cash equivalents	$ (50.1)	$ (3.6)
Less adjustments:		
Proceeds from issuance of long-term debt	(525.0)	—
Increase in corporate credit and receivables facilities	(52.0)	(0.4)
Repayment of debt	442.4	11.5
Debt issuance costs	20.9	0.8
Common stock repurchase	0.3	10.4
Proceeds from sale of assets, net of expenses	(1.6)	(10.8)
Transaction costs	11.0	2.6
Free cash flow (as defined by the Company)	$(154.1)	$ 10.5

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, components of pension and other retirement plan costs related to interest costs, asset returns, and amortization of actuarial gains and losses, and other special items.

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 foregoing financial information reconciles free cash flow to the net increase (decrease) in cash and cash equivalents.

Unlevered Operating Cash Flow provides a useful measure of operational performance and liquidity. The Company defines unlevered operating cash flow as cash flows provided by (used in) operating activities plus cash paid for interest and other special items.

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

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

☐ **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
(Address of principal executive offices) (Zip Code)

(513) 397-9900
(Registrant's telephone number, including area code)

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 $0.7 billion, computed by reference to the closing sale price of the common stock on the New York Stock Exchange on June 30, 2012, the last trading day of the registrant's most recently completed second fiscal quarter. The Company has no non-voting common shares.

At January 31, 2013, there were 202,678,684 common shares outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement relating to the Company's 2013 Annual Meeting of Shareholders are incorporated by reference into Part III of this report to the extent described herein.

TABLE OF CONTENTS

PART I

		Page
Item 1.	Business	3
Item 1A.	Risk Factors	14
Item 1B.	Unresolved Staff Comments	25
Item 2.	Properties	26
Item 3.	Legal Proceedings	27
Item 4.	Mine Safety Disclosures	27

PART II

Item 5.	Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	28
Item 6.	Selected Financial Data	30
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	31
Item 7A.	Quantitative and Qualitative Disclosure About Market Risk	68
Item 8.	Financial Statements and Supplementary Data	70
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	128
Item 9A.	Controls and Procedures	128
Item 9B.	Other Information	128

PART III

Item 10.	Directors, Executive Officers and Corporate Governance	129
Item 11.	Executive Compensation	130
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	130
Item 13.	Certain Relationships and Related Transactions, and Director Independence	130
Item 14.	Principal Accountant Fees and Services	130

PART IV

Item 15.	Exhibits and Financial Statement Schedules	131
	Signatures	138

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 ("Cincinnati Bell", "we", "our", "us" or the "Company") is a full-service regional provider of data and voice communications services over wireline and wireless networks, a provider of managed and professional information technology services, and a reseller of information technology ("IT") and telephony equipment. We provide telecommunications service to businesses and consumers in the Greater Cincinnati and Dayton, Ohio areas primarily on our owned wireline and wireless networks with a well-regarded brand name and reputation for service.

As of December 31, 2012, we were also a full service provider of data center colocation services in the United States, London and Singapore. On January 24, 2013, we completed the initial public offering ("IPO") of CyrusOne Inc. ("CyrusOne"), which owns and operates our former data center colocation business. CyrusOne conducts its data center business through CyrusOne LP, an operating partnership. Although we effectively own approximately 69% of the economic interests of CyrusOne through our ownership of its common stock and partnership units of CyrusOne LP, we no longer control its operations.

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 of 1934 (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.

As of December 31, 2012, the Company operated in four segments: Wireline, Wireless, IT Services and Hardware, and Data Center Colocation.

Wireline

The Wireline segment provides local voice, data, long distance, entertainment, voice over internet protocol ("VoIP"), 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 and over fiber using its gigabit passive optical network ("GPON"). Data services also provide data transport for businesses, including local area network ("LAN") services, dedicated network access, and metro ethernet and dense wavelength division multiplexing ("DWDM")/optical wave data transport, which principally are used to transport large amounts of data over private networks. 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 territory for approximately 140 years, and approximately 95% of Wireline voice and data revenue for 2012 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 media through our Fioptics product suite, which covers approximately 26% of Greater Cincinnati, and DirecTV® commissioning over the Company's entire operating area. Other services primarily include inside wire installation for business enterprises and rental revenue.

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") and 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.

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 573,900 voice access lines in service on December 31, 2012, which is an 8% and 15% reduction in comparison to 621,300 and 674,100 access lines in service at December 31, 2011 and 2010, 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 high-speed internet and a phone line, at a lower price than if the services were purchased individually. The Company has approximately 389,000 residential customers in Greater Cincinnati and Dayton, Ohio, 53% of which bundle two or more Company products and 18% 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 service;

(2) increasing entertainment revenue with more Fioptics fiber-to-the-home and internet protocol television ("IPTV") subscribers; and

(3) increasing the sale of audio conferencing, VoIP services and other fiber-based products to its enterprise-class customers.

Data

Data revenue consists of data transport, DSL high-speed internet access, Fioptics high-speed internet access, and 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, including connection to approximately 3,600 buildings and towers throughout Greater Cincinnati, that offers high-speed and high capacity data transmission services over an interlaced ATM — Gig-E backbone network.

The Company had 202,600, 218,000, and 228,900 DSL high-speed internet subscribers at December 31, 2012, 2011, and 2010, respectively. In addition, the Company also had 56,800, 39,300, and 27,200 Fioptics high-speed internet customers at December 31, 2012, 2011, and 2010, respectively. The Company was able to provide DSL high-speed internet service to 96% of its ILEC territory and its fiber-based Fioptics high-speed internet to approximately 24% of its ILEC territory as of the end of 2012.

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, within and 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, 2012, CBAD had approximately 417,900 long distance subscribers, compared to 447,400 and 482,800 long distance subscribers at December 31, 2011 and 2010, respectively. The decrease in long distance subscribers from 2011 was primarily driven by an 8% 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, Ohio operating territory and, to a lesser extent, to businesses outside of this area, primarily in Ohio, Indiana, Illinois, and Kentucky. The Company believes its VoIP operations will expand in Greater Cincinnati and Dayton, Ohio 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 in Greater Cincinnati and Dayton totaled 20,400 at December 31, 2012 compared to 18,500 access line equivalents at December 31, 2011.

Entertainment

The Company's improvement of its wireline network over the last several years has included capital expenditures of approximately $50 million annually 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 in which fiber optic cable is laid. In 2011, the Company launched its IPTV platform. This technology generally involves fiber facilities to the neighborhood node, and then copper-based facilities for the "last mile" to the consumer household. Because Fioptics IPTV can make use of both fiber and existing copper network facilities, the average capital costs of passing households using IP-copper technology were about 60% of those using fiber-to-the-home technology. The Company first focused its fiber network expenditures on densely populated areas, such as apartments and condominium complexes as well as business office parks. As of December 31, 2012, the Fioptics product passes 205,000 entertainment eligible units and had 55,100 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. The Company's total penetration rate is approximately 28% of the total units that have been passed with the Fioptics network.

Fioptics offers the following as of December 31, 2012:

- 395 entertainment channels, including digital music, local, movie, and sports programming, as well as Indian and Spanish-language packages;
- 105 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 through Fioptics to approximately 26% of Greater Cincinnati, 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, 2012, 2011, and 2010, the Company had 36,300, 39,300, and 36,900 customers, respectively, that were subscribers to DirecTV®.

Other

The Company provides building wiring installation services to businesses in Greater Cincinnati and Dayton, Ohio on a project basis.

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.

In August 2011, the Company sold substantially all of the assets associated with its home security monitoring business, Cincinnati Bell Complete Protection Inc. ("CBCP"). CBCP provided surveillance hardware and monitoring services to residential and business customers in the Greater Cincinnati area.

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 ("UMTS") and 4G High Speed Packet Access+ ("HSPA+") 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 other carriers. The Company's digital wireless network utilizes approximately 463 cell sites in its operating territory. The Company's digital wireless network also utilizes 50 MHz of licensed wireless spectrum in the Cincinnati area and 40 MHz of licensed spectrum in the Dayton area. The Company owns the licenses for the spectrum that it uses in its network operations. As of December 31, 2012, the Wireless segment served approximately 397,800 subscribers, of which 251,300 were postpaid subscribers who are billed monthly in arrears and 146,500 were prepaid i-wireless℠ subscribers who purchase service in advance.

The Wireless segment competes against all of the national wireless carriers by offering strong network quality, unique rate plans, which may be bundled with the Company's wireline services, and conveniently located retail outlets. The Company's unique rate plans and products include a smartphone family plan, an unlimited everyday calling plan to any Cincinnati Bell local voice, wireless or business customer and shared data plans. In addition, the Company also offers several family voice service plans, which allows the first subscriber to get a wireless voice service plan at the regular price and then each additional family member can be added at a lower price.

In 2011, the Company began to upgrade its network to 4G ("fourth generation") using HSPA+ technologies in response to the increasing need for customers to access large quantities of data through the wireless network, such as for streaming video and gaming applications. We continue to make upgrades to our network largely through software enhancements and additional fiber optic cable installations. National wireless providers Verizon and AT&T have already deployed more technologically advanced 4G LTE networks in our operating territory, and both T-Mobile and Sprint Nextel are expected to begin offering LTE service in our operating territory in 2013. The LTE technology provides higher-speed data transmission and capacity which is attractive to smartphone users. Our limited handset offerings are also a factor in our ability to attract and retain customers. Although we believe our handsets are technologically equivalent to those being offered by the national carriers, we do not carry the premium brand-name handsets, such as the iPhone™, which are very popular with smartphone users. As a result, the Company's wireless subscribers and annual revenue both decreased by 13% in 2012 compared to 2011. We anticipate that the wireless segment will continue to lose subscribers into the foreseeable future as it continues to operate in a challenging and competitive environment.

Service revenue

A variety of monthly rate plans are available to postpaid subscribers. These plans can include a fixed or unlimited number of national minutes, an unlimited number of Cincinnati Bell mobile-to-mobile minutes (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^{SM} subscribers 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^{SM} subscribers. In 2011, CBW began offering prepaid service plans utilizing lifeline subsidies from Ohio and Kentucky, which are discounted versions of our standard prepaid service plans to certain customers who receive government assistance. As of December 31, 2012 and 2011, CBW had approximately 38,000 and 18,000 lifeline subscribers, respectively.

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 2012 data plan revenue per postpaid subscriber has increased by 18% compared to 2011. Smartphone prepaid and postpaid subscribers have increased from 125,000 at December 31, 2011 to 127,000 at December 31, 2012, and represent 32% of total subscribers at the end of 2012. 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 2012 segment revenue.

Equipment 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, 2012, 57% 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.

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 geographic areas through the Company's subsidiaries, Cincinnati Bell Technology Solutions Inc. ("CBTS"), CBTS Canada Inc., CBTS Software LLC and Cincinnati Bell Technology Solutions UK Limited. 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.

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 eleven 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.

Managed and Professional services

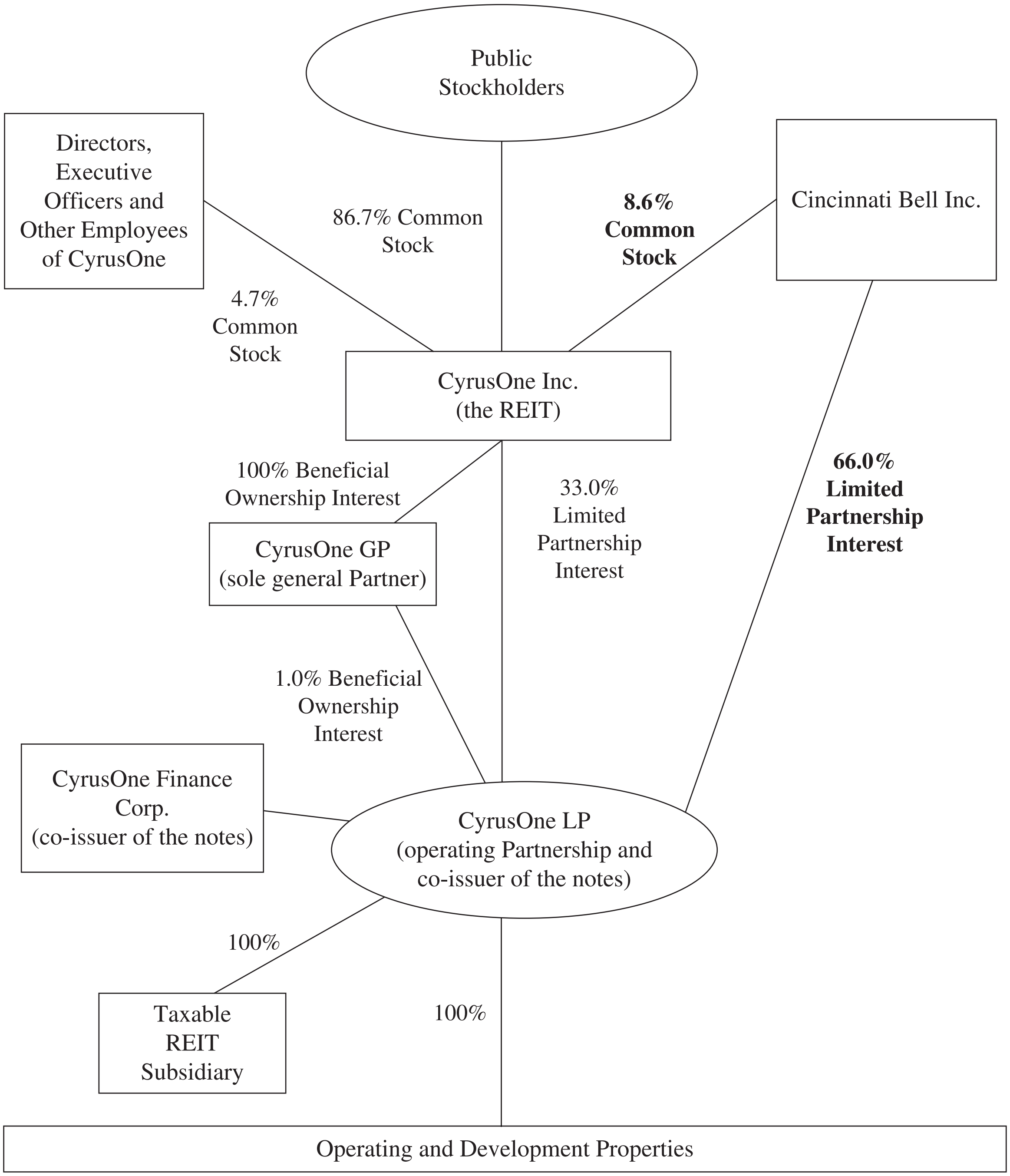
Managed services include products and services that combine assets, either customer-owned or owned by the Company, with management and monitoring from its network operations center, and skilled technical resources to provide a suite of offerings around voice and data infrastructure management. Service 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.

Professional services include 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.

Data Center Colocation

As of December 31, 2012, our Data Center Colocation segment was comprised of CyrusOne, a wholly-owned subsidiary. On January 24, 2013, we completed the IPO of CyrusOne. Although we effectively own approximately 69% of the economic interests of CyrusOne through our ownership of its common stock and partnership units of CyrusOne LP, we no longer control its operations. As such, after the IPO we will recognize income from our investment in CyrusOne LP on the equity method and dividend income from our investment in CyrusOne.

The following diagram depicts the ownership interest in CyrusOne upon completion of the IPO:



CyrusOne is an owner, operator and developer of enterprise-class, carrier-neutral data center properties. These data center properties are purpose-built facilities with redundant power, cooling and telecommunications systems and are not network-specific, enabling customer interconnectivity to a range of telecommunications carriers.

CyrusOne provides mission-critical data center facilities that protect and ensure the continued operation of information technology ("IT") infrastructure for over 500 customers. CyrusOne's goal is to be the preferred global data center provider to the Fortune 1000. As of December 31, 2012, their customers included 9 of the Fortune 20 and 115 of the Fortune 1000 or private or foreign enterprises of an equivalent size.

CyrusOne cultivates long-term strategic relationships with its customers and provides them with solutions for their data center facilities and IT infrastructure challenges. Its offerings provide flexibility, reliability and security and are delivered through a tailored, customer service-focused platform that is designed to foster long-term relationships. The business focuses on attracting customers that have not historically outsourced their data center needs. CyrusOne believes its capabilities and reputation for serving the needs of large enterprises will allow it to capitalize on the growing demand for outsourced data center facilities in existing as well as new markets where its customers are located or plan to be located in the future.

As of December 31, 2012, CyrusOne's property portfolio included 24 operating data centers in ten distinct markets (Austin, Chicago, Cincinnati, Dallas, Houston, London, San Antonio, Phoenix, Singapore and South Bend), collectively providing approximately 932,000 colocation square feet ("CSF"). CSF represents the net rentable square feet at an operating data center facility that is currently leased or readily available for lease as colocation space, where customers locate their servers and other IT equipment. As of December 31, 2012, CyrusOne also had a data center under development in Houston and additional powered shell space in Phoenix that was under roof and in development. In addition, CyrusOne had approximately 140 acres of land available for future data center facility development. Its development properties and available acreage were selected based on extensive site selection criteria and the collective industry knowledge and experience of its management team. As a result, CyrusOne believes that the development portfolio contains properties that are located in markets with attractive supply and demand conditions and that possess suitable physical characteristics to support data center infrastructure.

CyrusOne's portfolio includes highly efficient, reliable facilities with advanced cooling capabilities and the security systems necessary to provide an environment suitable for some clients' most vital technology infrastructure. In its newest facilities, CyrusOne takes a "Massively Modular℠" approach to site selection, design and construction such that it is able to deliver a range of power densities to its customers within a single facility. Its Massively Modular℠ design principles allow it to efficiently stage construction on a large scale and deliver capacity in a timeframe that it believes is one of the best in the industry.

CyrusOne acquires or builds a large powered shell capable of scaling with customers' power and colocation space needs. The powered shell can be acquired or constructed for a relatively inexpensive capital cost. Once the building shell is ready, CyrusOne can build individual data center halls in portions of the building space to meet the needs of customers on a modular basis. This modular data center hall construction can be completed in approximately 16 weeks to meet customers' immediate needs. This short construction timeframe ensures a very high utilization of the assets and minimizes the time between capital investment and the receipt of customer revenue, favorably impacting return on investment while also translating into lower costs for customers. CyrusOne's design principles also allow it to add incremental equipment to increase power densities as customers' power needs increase, which provides customers with a significant amount of flexibility to manage their IT demands. CyrusOne believes this Massively Modular℠ approach allows it to respond to rapidly evolving customer needs, to commit capital toward the highest return projects and to develop state-of-the-art data center facilities.

CyrusOne's expansion strategy focuses on developing new data centers in markets where its customers are located and in markets where its customers want to be located. It regularly meets with its customers to understand their business strategies and potential data center needs. It also conducts extensive analysis to ensure an identified market displays strong data center fundamentals, independent of the demand presented by any particular customer. CyrusOne believes that this approach significantly reduces the risk associated with expansion into new markets because it provides strong visibility into its anticipated cash flow and helps to ensure targeted returns on new developments. Its strategy for entering a new market will vary based on in-place real estate and data center infrastructure and could include greenfield construction projects as well as acquisitions.

Sales and Distribution Channels

The Company's Wireline and Wireless segments utilize a number of distribution channels to acquire customers. As of December 31, 2012, the Company operated ten retail stores in its operating territory.

The Company works to locate retail stores 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 marketing of the Company's products and services.

Wireline and Wireless also utilize a business-to-business sales force and a 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. In addition, the Company utilizes a door-to-door sales force that targets the sale of the Fioptics products to residents.

Aside from Company resources, there are approximately 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.

IT Services and Hardware primarily sells 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.

Our former Data Center Colocation segment also sold to customers primarily through its internal sales force. To a lesser extent, leads were also developed from third-party brokers and marketing sources, including web-based efforts.

Suppliers and Product Supply Chain

Wireline's primary purchases are for network equipment, software, and fiber cable to maintain and support the growth of Fioptics services, as well as copper-based electronics and cable. Wireless primarily purchases handsets and accessories, wireless cell site and network equipment, and software. Wireless often partners with other regional carriers and wholesale distributors to build requisite volume for handset manufacturers. The Company generally subjects these purchases to competitive bids and selects its vendors based on price, service level, delivery, quality of product and terms and conditions.

The Company maintains facilities and operations for storing cable, handsets and other equipment, product distribution and customer fulfillment. Wireless also has long-term lease commitments on towers used in its wireless network operations.

In addition, Wireline has long-term commitments to outsource various services, such as certain information technology functions, cash remittance and accounts payable functions, call center operations, and maintenance services. Similar to the purchase of materials, competitive bids are obtained for such vendors and are subject to a rigorous evaluation and approval process.

IT Services and Hardware primarily purchases IT and telephony equipment that is either sold to a customer or used to provide service to the customer. The Company is a certified distributor of Cisco, EMC, Avaya, and Oracle equipment. Most of this equipment is shipped directly to the customer from the vendor manufacturing location, but the Company does maintain warehouse facilities for replacement parts and equipment testing and staging.

Our former Data Center Colocation business primarily purchased general contracting services, 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. CyrusOne partnered with local contractors and building suppliers and works closely with them as the data center construction progresses. Electricity is a large cost of operating a data center, and is generally purchased from the local utility.

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 and wireless subscribers as a part of its customer base utilizes the services of competitive wireline or wireless providers in lieu of the Company's services.

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.

Cable competitors that have existing service relationships with CBT's customers also offer substitution services, such as VoIP and long distance voice services in the Company's operating areas. Partially as a result of wireless substitution and increased competition, the Company's access lines decreased by 8% and long distance subscribers decreased by 7% in 2012 compared to 2011. 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.

The Wireless segment's operating territory is well saturated with competitors, including Verizon, AT&T, Sprint Nextel, T-Mobile, Leap, and TracFone. Many of these competitors offer more advanced networks and brand-name handsets which are not available to us and are a factor in attracting and retaining customers. All of our competitors are larger and have more resources to devote to advertising and promotional pricing to attract new customers.

The IT Services and Hardware segment competes against numerous other information technology consulting, web-hosting, and computer system integration companies, many of which are large in scope and well-financed. The Company believes that participants in this market must grow rapidly and achieve significant scale to compete effectively. Other competitors may consolidate with larger companies 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 businesses to compete successfully in the market.

Our former Data Center Colocation segment competed with numerous developers, owners and operators of technology-related real estate and data centers, many of which own similar properties in the same markets, as well as various other public and privately-held companies that may provide data center colocation as part of a more expansive managed services offering, and local developers. In addition, competition may be faced from new entrants into the data center market.

Customers

Over the past five years, revenues from data center colocation services, business data transport and wireline entertainment has continued to grow, while revenue from the Company's legacy products, such as wireline residential voice service and wireless voice services, have decreased. The Company's revenue portfolio is becoming more diversified than in the past, as the following comparison between 2012 revenue and 2007 revenue demonstrates.

Percentage of revenue	2012	2007	Change
Wireline local voice	17%	31%	(14)pts
Wireless	16%	21%	(5)
Data Center Colocation	15%	2%	13
IT Services and Hardware	21%	17%	4
Wireline data	20%	19%	1
Wireline entertainment	2%	0%	2
Other Wireline, including long distance	9%	10%	(1)
Total	100%	100%	

The mix of customer demand for Wireless services is trending toward more data services and less voice services. For 2007, Wireless service revenues were comprised of 84% voice services and 16% data services. In 2012, revenue from data services were 36% of total Wireless service revenues, a 20 point increase from 2007.

Additionally, the Company's mix of business and residential 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 2012, the Company's revenue mix was 68% to business customers and 32% to residential customers. By comparison, the Company's 2007 revenues were comprised of 57% to business customers and 43% 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, 2012 and 2011.

As noted in the Data Center Colocation section above, our data center colocation marketing efforts were focused toward large enterprise customers. At December 31, 2012, CyrusOne had over 100 customers that are Fortune 1000 or comparably sized international and privately-held companies.

We expect our mix of revenues to change in 2013. Effective with the completion of the IPO of CyrusOne, we will no longer recognize data center colocation revenue in our consolidated financial statements. Rather, we will recognize income from our investment in CyrusOne LP on the equity method and dividend income from our investment in CyrusOne.

Employees

At December 31, 2012, the Company had approximately 3,100 employees, and approximately 24% of its employees are covered under a collective bargaining agreement with the Communications Workers of America ("CWA"), which is affiliated with the AFL-CIO. This agreement expires on August 9, 2014.

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, 2012, 2011, and 2010, and assets as of December 31, 2012, 2011, and 2010, are set forth in Note 15 to the Consolidated Financial Statements.

Item 1A. Risk Factors

Risks Related to our Indebtedness

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 businesses and prospects generally.

The Company has a substantial amount of debt and has significant debt service obligations. As of December 31, 2012, the Company and its subsidiaries had outstanding indebtedness of $2,689.4 million, on which it incurred $218.9 million of interest expense in 2012, and had total shareowners' deficit of $698.2 million. In addition, at December 31, 2012, the Company and its subsidiaries had the ability to borrow additional amounts of $200.0 million under the Corporate revolving credit facility, $225.0 million under the CyrusOne revolving credit facility, and $32.3 million under its accounts receivable facility, subject to compliance with certain conditions. As of January 24, 2013, the Company completed the IPO of CyrusOne. As a result, it no longer has access to the CyrusOne revolving credit facility. 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 facilities 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 adverse changes in the credit markets which could result in an increase in the Company's borrowing costs and may limit the availability of financing;
- the Company's debt service obligations could limit its flexibility to plan for, or react to, changes in its business and the industries 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; and
- 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 availability to the cash required to fund operations and 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 the Company's 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 the Company's 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 and accounts receivable facilities to provide for its financing requirements in excess of amounts generated by operations.

The Company depends on its revolving credit facility ("Corporate Credit Agreement") and accounts receivable securitization facility ("Receivables Facility") to provide for temporary financing requirements in excess of amounts generated by operations.

As of December 31, 2012, the Company had no outstanding borrowings or letters of credit under its Corporate Credit Agreement or CyrusOne Credit Agreement, leaving $425.0 million in additional borrowing availability under these facilities. With the completion of the CyrusOne IPO on January 24, 2013, the Company no longer has access to the CyrusOne Credit Agreement, reducing its borrowing capacity by the $225 million CyrusOne facility. The $200 million Corporate Credit Agreement is funded by various financial institutions. If one or more of these banks is not able to fulfill its funding obligations, the Company's financial condition could be adversely affected.

The original revolving commitments under the Corporate Credit Agreement will be permanently reduced by the lesser of (i) the amount of net cash proceeds from the first sale by the Company of its equity interests in CyrusOne or CyrusOne LP to occur after the IPO of common stock of CyrusOne Inc. and (ii) $50.0 million, provided that such sale occurs by December 31, 2014. If such sale has not occurred by that date, the original revolving commitments will be permanently reduced to $150.0 million. In addition, the original revolving commitments will be further reduced to $125.0 million on December 31, 2015.

As of December 31, 2012, the Company had $52.0 million of borrowings and $6.3 million of letters of credit that were outstanding under its Receivables Facility. At that date, the Company had a borrowing availability under this Receivables Facility of $90.6 million and a maximum borrowing limit of $105.0 million. The available borrowing capacity is calculated monthly based on the quantity and quality of outstanding accounts receivable and thus may be lower than the maximum borrowing limit. If the quality of the Company’s accounts receivables deteriorates, this will negatively impact the available capacity under this facility. As of December 31, 2012, the Company had an unused borrowing availability of $32.3 million under the Receivables Facility.

In addition, the Company’s ability to borrow under its Corporate Credit Agreement and 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 Corporate Credit Agreement or Receivables Facility, 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, including its investment in CyrusOne, 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 and investments.

Virtually all of the Company’s operations are conducted through its subsidiaries and most of the Company’s debt is held at the parent company. Certain of the Company’s material subsidiaries are subject to regulatory authority which may potentially limit the ability of such subsidiaries to distribute funds or assets. If any of the Company’s subsidiaries were to be prohibited from paying dividends or making distributions, the Company may not be able to make the scheduled interest and principal repayments on its debt. This would have a material adverse effect on the Company’s liquidity and the trading price of the Company’s common stock, preferred stock, and debt instruments, which could result in its dissolution, bankruptcy, liquidation, or reorganization.

Risk Factors Related to our Communications Business and Operations

The Company’s access lines, which generate a significant portion of its cash flows and profits, are decreasing in number. 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 generates a substantial portion of its revenues by delivering voice and data services over access lines. The Company’s local telecommunications subsidiary, CBT, 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 into the foreseeable future. Failure to retain access lines without replacing such losses with an alternative source of revenue could adversely impact the Company’s revenues, earnings and cash flow from operations.

The Company's wireless subscribers are decreasing in number. If the Company continues to experience subscriber losses similar to the past several years, its revenues, earnings and cash flows from operation may be adversely affected.

The Company's wireless telecommunications subsidiary, CBW, has experienced substantial subscriber losses over the past several years due to a number of factors, including competitors' investment in more technologically advanced LTE networks, which the Company does not have, and consumer preferences for national carriers and competitors' handsets. The Company expects these subscriber losses to continue into the foreseeable future. Failure to retain subscribers could adversely impact the Company's revenues, earnings and cash flows from operations. In addition, failure to retain subscribers may result in the inability to realize our investment in this business and lead to impairment losses on long-lived and intangible assets in the future.

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 many 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 and wireless subscribers as a part of its customer base utilizes the services of competitive wireline or wireless providers.

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, such as VoIP and long distance voice services in the Company's operating areas. Partially as a result of wireless substitution and increased competition, CBT's access lines decreased by 8% and long distance subscribers decreased by 7% in 2012 compared to 2011. In addition, the high-speed internet market is saturated in CBT'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, high-speed internet subscribers, and long distance subscribers, or replace such customers with other sources of revenue, the Company's Wireline business will be adversely affected.

Wireless competitors to the Company's subsidiary, CBW, include national wireless service providers such as Verizon, AT&T, Sprint Nextel, T-Mobile, Leap and TracFone. Both Verizon and AT&T have implemented more technologically advanced LTE networks within our operating territory. In 2013, both T-Mobile and Sprint Nextel are expected to begin to offer LTE service in our operating territory. LTE provides higher-speed data transmission and capacity which is attractive to smartphone users. The Company has piloted a LTE network trial program in limited operating territories, and has not yet determined whether it will upgrade its network to LTE or, if it does upgrade, the timing of the LTE upgrade and the extent of its network that it will upgrade with LTE. Our limited handset offerings are also a factor in our ability to attract and retain customers. Although we believe our handsets are technologically equivalent to those being offered by the national carriers, we do not carry the premium brand-name handsets such as the iPhone™. These competitive factors will likely result in a continued loss of wireless subscribers and adversely affect our wireless revenues and operating margins.

The IT Services and Hardware segment competes against numerous other information technology consulting, web-hosting, and computer system integration companies, many of which are large in scope and well-financed. This market is rapidly evolving and highly competitive. Other competitors may consolidate with larger companies or acquire software application vendors or technology providers, which may provide competitive advantages. 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 our ability 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 flows 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 (the "1996 Act"), 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. Further, if CBW ceases offering wireless services, its wireless licenses could revert back to the FCC.

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 condition.

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.

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

The Company has improved its wireline network over the past several years through increased capital expenditures for fiber optic cable in limited areas of its operating network. In 2011 and 2012, the Company also upgraded a portion of its wireless network to 4G, using HSPA+ technologies.

In order to provide appropriate levels of service to the Company's 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 networks may not address all of the problems that may be encountered in the event of a disaster or other unanticipated problems, which may result in disruption of service to customers.

The wireless industry continues to experience significant technological change, as evidenced by the ongoing improvements in network speeds. LTE currently offers the fastest data transmission speeds. Verizon and AT&T have deployed LTE wireless networks in our operating territory. T-Mobile and Sprint Nextel are expected to deploy their LTE networks in our territory in 2013. The Company has piloted a LTE network trial program in limited operating territories, and has not yet determined whether it will upgrade its network to LTE or, if it does upgrade, the timing of the LTE upgrade and the extent of its network that it will upgrade.

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 wireless network. On a long-term basis, introduction of new wireless products and services, combined with continued growth in data usage, 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 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 residential 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'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 order to provide these levels of services, the Company is required to protect against human error, natural disasters, equipment failure, power failure, sabotage and vandalism, and have disaster recovery plans available for disruption of services. The failure to address these or other events may result in a disruption of services. 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 attract and retain customers, which would adversely affect both the Company's ability to generate revenues and operating results.

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.

As of December 31, 2012, the Company had receivables with one large customer that exceeded 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 Receivables 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 the Company's growth or cause it to lose customers.

The Company depends on third-party providers to supply products and services. For example, many of the Company's information technology and call center functions are performed by third-party providers, and network equipment is purchased from and maintained by vendors. In addition, almost half of the wireless towers used by CBW are managed by a single independent service provider. Any failure on the part of suppliers to provide the contracted services, additional required services, or additional products could impede 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 business could be negatively impacted by cybersecurity threats.

Cybersecurity threats could adversely affect the wireline or wireless networks, the electronic payment system, or the corporate network. Such threats could result in disruption of customer service, unauthorized access to or misappropriation of confidential customer data, or damage to our internal network. Preventative measures in place to mitigate such risks include use of dedicated private networks, strong user names and passwords, intrusion protection systems, anti-virus software, and encryption and authentication technology. Weekly system scans are performed on the most critical systems to identify potential vulnerabilities. These events could disrupt operations, result in a loss of customers, lead to adverse publicity, or require significant amounts of capital to remedy the cybersecurity breach.

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.

Risk Factors Related to Our Investment in CyrusOne

The Company has a significant investment in CyrusOne

On January 24, 2013, the Company completed the IPO of CyrusOne. As a result, the Company now holds 1,890,000 shares of common stock of CyrusOne and 42,586,835 partnership units of CyrusOne LP, the operating partnership. CyrusOne LP units are exchangeable into common stock of CyrusOne on a one-to-one basis, or cash at the fair value of a share of CyrusOne common stock, at the option of CyrusOne, commencing January 17, 2014. The Company's direct and indirect interests in CyrusOne represent a 69% effective economic ownership of CyrusOne. Prior to the IPO of CyrusOne, there was no active market for CyrusOne's common stock. Our investment in CyrusOne is subject to volatility in the market price of its common stock. We may be unable to sell some or all of our investment in CyrusOne quickly or at all. The fair value of our investment in CyrusOne may decline which may adversely affect the realization of our investment.

The Company no longer controls the operations of CyrusOne

As of January 24, 2013, CyrusOne is an independent public company which the Company does not control. As a result, the Company will no longer set the strategies, select the management team, or control the operations of CyrusOne. CyrusOne may choose to pursue strategies which conflict with our business strategies. The Vice Chairman of our Board of Directors is also the Chairman of CyrusOne's Board of Directors. However, if a conflict of interest develops between the Company and CyrusOne, the CyrusOne Board is required to act for the benefit of its shareholders.

The Company has executed a non-compete agreement with CyrusOne where we have agreed not to enter each other's lines of business, subject to certain exceptions, for a period of four years. CyrusOne may choose to compete with us after the expiration of this non-compete which could have an adverse effect on our telecommunications business.

CyrusOne may encounter difficulties in executing its strategic plans for the data center colocation business.

CyrusOne may face potential challenges and difficulties in implementing its data center colocation expansion plan which may include: identifying and obtaining the use of locations in which it believes there is sufficient demand for expansion of its data center colocation services; generating sufficient cash flow from operations or through additional financings to support these expansion plans; construction of world-class data center facilities on a timely basis; sale of the available data center space to enable appropriate returns; recruiting and maintaining a motivated work force; and installing and implementing new financial and other systems, procedures and controls to support a standalone public company and its expansion plan with minimal delays.

These strategic actions could divert management's attention and strain operational and financial resources. Due to unforeseen difficulties, CyrusOne may be unable to execute its strategic plans for growing its data center business. Failure to do so would adversely affect its strategy of becoming a global data center colocation business, which in turn could have an adverse effect on our financial condition, results of operations, and cash flows.

A small number of customers account for a significant portion of CyrusOne's revenue. The loss or significant reduction in business from one or more of its large customers could significantly harm its business, financial condition and results of operations, and impact the amount of cash available for distribution to its stockholders.

CyrusOne currently depends, and expects to continue to depend, upon a relatively small number of customers for a significant percentage of their revenue. As a result of this customer concentration, CyrusOne's business, financial condition and results of operations, including the amount of cash available for distribution to its stockholders, could be adversely affected if it loses one or more of its larger customers, if such customers significantly reduce their business with CyrusOne or if it chooses not to enforce, or to enforce less vigorously, any rights that it may have now or in the future against these significant customers because of its desire to maintain relationships with them. A significant percentage of CyrusOne's customer base is also concentrated in industry sectors that may from time to time experience volatility including, in particular, the oil and gas sector. A downturn in the oil and gas industry could negatively impact the financial condition of one or more of its oil and gas company customers, including several of its larger customers. In an industry downturn, those customers could default on their obligations, delay the purchase of new services or decline to renew expiring leases, any of which could have an adverse effect on its business, financial condition and results of operations.

Additionally, if any customer becomes a debtor in a case under the U.S. Bankruptcy Code, applicable bankruptcy laws may limit its ability to terminate its contract with such customer solely because of the bankruptcy or recover any amounts owed to it under its agreements with such customer. In addition, applicable bankruptcy laws could allow the customer to reject and terminate its agreement with CyrusOne, with limited ability for CyrusOne to collect the full amount of its damages. CyrusOne's business, including its revenue and cash available for distribution to its stockholders, could be adversely affected if any of its significant customers were to become bankrupt or insolvent.

CyrusOne's performance and value are subject to risks associated with real estate assets and with the real estate industry.

CyrusOne's ability to make expected distributions to its stockholders depends on its ability to generate revenues in excess of expenses, scheduled principal payments on debt and capital expenditure requirements. Events and conditions generally applicable to owners and operators of real property that are beyond its control may decrease cash available for distribution and the value of its properties. These events include:

- local oversupply, increased competition or reduction in demand for technology-related space;
- inability to collect rent from customers;
- vacancies or its inability to rent space on favorable terms;
- inability to finance property development and acquisitions on favorable terms;
- increased operating costs to the extent not paid for by its customers;
- costs of complying with changes in governmental regulations;
- the relative illiquidity of real estate investments, especially the specialized real estate properties that CyrusOne holds and seeks to acquire and develop; and
- changing submarket demographics.

If CyrusOne fails to remain qualified as a REIT, it will be subject to U.S. federal income tax as a regular corporation and could face a substantial tax liability, which would reduce the amount of cash available for distribution to its stockholders.

CyrusOne intends to operate in a manner that will allow it to qualify as a REIT commencing with its taxable year ending December 31, 2013. Its qualification as a REIT will depend on its satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis. Its ability to satisfy the asset tests depends upon its analysis of the characterization and fair market values of its assets, some of which are not susceptible to a precise determination.

If CyrusOne were to fail to remain qualified as a REIT in any taxable year, it would be subject to U.S. federal income tax, including any applicable alternative minimum tax, on its taxable income at regular corporate rates, and dividends paid to its stockholders would not be deductible by it in computing its taxable income. Any resulting corporate tax liability could be substantial and would reduce the amount of cash available for distribution to its stockholders, which in turn could have an adverse impact on the value of its common stock. Unless CyrusOne was entitled to relief under certain Internal Revenue Code provisions, it also would be disqualified from re-electing to be taxed as a REIT for the four taxable years following the year in which it failed to qualify as a REIT.

CyrusOne's cash available for distribution to stockholders may not be sufficient to make distributions at expected levels.

Distributions made by CyrusOne will be authorized and determined by its board of directors in its sole discretion out of funds legally available therefor and will be dependent upon a number of factors, including restrictions under applicable law and its capital requirements. CyrusOne may not be able to make or sustain distributions in the future. To the extent that it decides to make distributions in excess of its current and accumulated earnings and profits, such distributions would generally be considered a return of capital for U.S. federal income tax purposes to the extent of the holder's adjusted tax basis in its shares. A return of capital is not taxable, but it has the effect of reducing the holder's adjusted tax basis in its investment. To the extent that distributions exceed the adjusted tax basis of a holder's shares, they will be treated as gain from the sale or exchange of such stock.

Other Risk Factors

The trading price of the Company's common stock may be volatile, and the value of an investment in the Company's common stock may decline.

The market price of the Company's common stock has been volatile and could be subject to wide fluctuations in response to, among other things, the risk factors described in this report and other factors beyond the Company's control, such as stock market volatility and fluctuations in the valuation of companies perceived by investors to be comparable to the Company.

The stock markets have experienced price and volume fluctuations that have affected the Company's stock price and the market prices of equity securities of many other companies. These broad market and industry fluctuations, as well as general economic, political, and market conditions, may negatively affect the market price of the Company's stock.

Companies that have experienced volatility in the market price of their stock have periodically been subject to securities class action litigation. The Company may be the target of this type of litigation in the future. Securities litigation could result in substantial costs and/or damages and divert management's attention from other business concerns.

The uncertain economic environment, including uncertainty in the U.S. and world securities markets, could impact the Company's business and financial condition.

The uncertain economic environment could have an adverse effect on the Company's business and financial liquidity. The Company's primary source of cash is customer collections. If economic conditions were to worsen, some customers may cancel services or have difficulty paying. These conditions could result in lower revenues and increases in the allowance for doubtful accounts, which would negatively affect the results of operations. Furthermore, the sales cycle could be further lengthened if business customers slow spending or delay decision-making on the Company's products and services, which could adversely affect revenues. If competitors lower prices as a result of economic conditions, the Company could also experience pricing pressure. If the economies of the U.S. and the world deteriorate, this could have a material adverse effect on the Company's business, financial condition, results of operations, and cash flows.

In addition, 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. Future investment losses could cause a 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.

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

As of December 31, 2012, the Company had net deferred income taxes of $434.6 million, which are primarily composed of deferred tax assets associated with U.S. federal net operating loss carryforwards of $352.0 million and state, local and foreign net operating loss carryforwards of $58.8 million. The Company has recorded valuation allowances against deferred tax assets related to certain state, local and foreign 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 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' deficit, and future cash flows could be adversely affected.

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 former 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 $190 million of estimated cash contributions to its qualified pension plans for the years 2013 to 2020, of which $42 million is expected to be contributed in 2013. 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 its 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, our former Data Center Colocation business contained both underground and aboveground fuel tanks for back-up generator use.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2012, we owned or maintained properties in Ohio, Texas, Kentucky, Indiana, Illinois, Arizona, England and Singapore. Principal office locations were in Cincinnati, Ohio and Carrollton, Texas.

Our property 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 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 primarily leases the locations that house its switching and messaging equipment. CBW 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 ten company-run retail locations.

As of December 31, 2012, CyrusOne, our former Data Center Colocation segment, owned and leased the following properties:

Market	Owned	Leased	Data Center Colocation (sq. ft. in thousands)
Cincinnati	4	3	412
Houston	2	1	189
Dallas	1	4	171
Austin	—	2	57
San Antonio	1	—	36
Phoenix	1	—	36
Other	1	4	31
	10	14	932

As of December 31, 2012, CyrusOne also owned 140 acres of land for future expansion of its data centers located in Phoenix, Cincinnati and Houston. Data centers provide power, environmental controls, high-speed and high-bandwidth point-to-point optical network connections, and 24-hour monitoring of the customer's computer equipment. The lease of certain data center facilities represents the "lease of the building shell," and the capital expenditures required to transform the leased building shells into top-tier data centers represent amounts that are several times the value of the leased building shells. For additional information about the Company's properties, see Note 5 to the Consolidated Financial Statements.

Item 3. Legal Proceedings

We are subject to various lawsuits, actions, proceedings, claims and other matters asserted under laws and regulations in the normal course of business. We believe the liabilities accrued for legal contingencies in our Consolidated Financial Statements, as prescribed by GAAP, are adequate in light of the probable and estimable contingencies. However, there can be no assurances that the actual amounts required to satisfy alleged liabilities from various legal proceedings, claims, tax examinations, and other matters, and to comply with applicable laws and regulations, will not exceed the amounts reflected in our Consolidated Financial Statements. As such, costs, if any, that may be incurred in excess of those amounts provided as of December 31, 2012, cannot be reasonably determined.

In 2011, the Company and certain directors and officers were named as defendants in a federal court and a state court shareholder derivative action. Plaintiffs' allegations, which defendants denied, in both the federal and state court actions, were that the director defendants breached their duty of loyalty in connection with 2010 executive compensation decisions and the officer defendants were unjustly enriched. On March 1, 2012, the parties to the case captioned: NECA-IBEW Pension Fund (The Decatur Plan) v. Cox, et al., Case No. 11-cv-00451, United States District Court, Southern District of Ohio, Western Division ("the Federal Action"), reached an agreement concerning the Federal Action. Pursuant to the agreement, the parties agreed to stipulate to the filing of an Amended Complaint, which was docketed with the court, and thereafter, the parties jointly moved the court to stay the Federal Action pending the entry of a judgment in the state court action, captioned:In re Cincinnati Bell Inc. Derivative Litigation, Case No. A1105305, Court of Common Pleas, Hamilton County, Ohio ("the State Action"). The Federal Action was stayed by the court. The parties to the State Action previously reached a settlement of that action which includes certain changes to the Company's corporate governance policies. On April 16, 2012, in the State Action, the court held a hearing to consider final approval of the settlement and fee and expense request by plaintiffs' counsel. The court on April 16, 2012 approved the settlement and the fees and expenses requested by plaintiffs' counsel, including counsel for plaintiff in the Federal Action, and entered an Order and Final Judgment, dismissing the State Action with prejudice. Subsequently, the Federal Action was dismissed with prejudice. The settlement and counsel fees and expenses were fully paid as of December 31, 2012.

The resolutions of the above claims did not individually, or in the aggregate, have a material effect on our financial position, results of operations or cash flows during the period ended December 31, 2012. Based on information currently available, consultation with counsel, available insurance coverage and established reserves, management believes the eventual outcome of all outstanding claims will not individually, or in the aggregate, have a material effect on the Company's financial position, results of operations or cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

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
2012	High	$4.18	$4.07	$5.70	$5.75
	Low	$3.14	$3.36	$3.57	$4.87
2011	High	$3.12	$3.32	$3.60	$3.28
	Low	$2.46	$2.64	$2.84	$2.80

(b) Holders

As of January 31, 2013, the Company had 12,162 holders of record of the 202,678,684 outstanding common shares and the 155,250 outstanding shares of the 6 $^{3}/_{4}$% Cumulative Convertible Preferred Stock.

(c) Dividends

In 2012 and 2011, the Company paid $10.4 million of dividends on its 6 $^{3}/_{4}$% Cumulative Convertible Preferred Stock. In 2012 and 2011, the Company did not pay any dividends on its common stock and does not intend to pay any common stock dividends in 2013.

(d) Securities Authorized For Issuance Under Equity Compensation Plans

The following table provides information as of December 31, 2012 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	12,522,782(1)	$3.82	4,793,601
Equity compensation plans not approved by security holders	249,275(2)	—	—
Total	12,772,057	$3.82	4,793,601

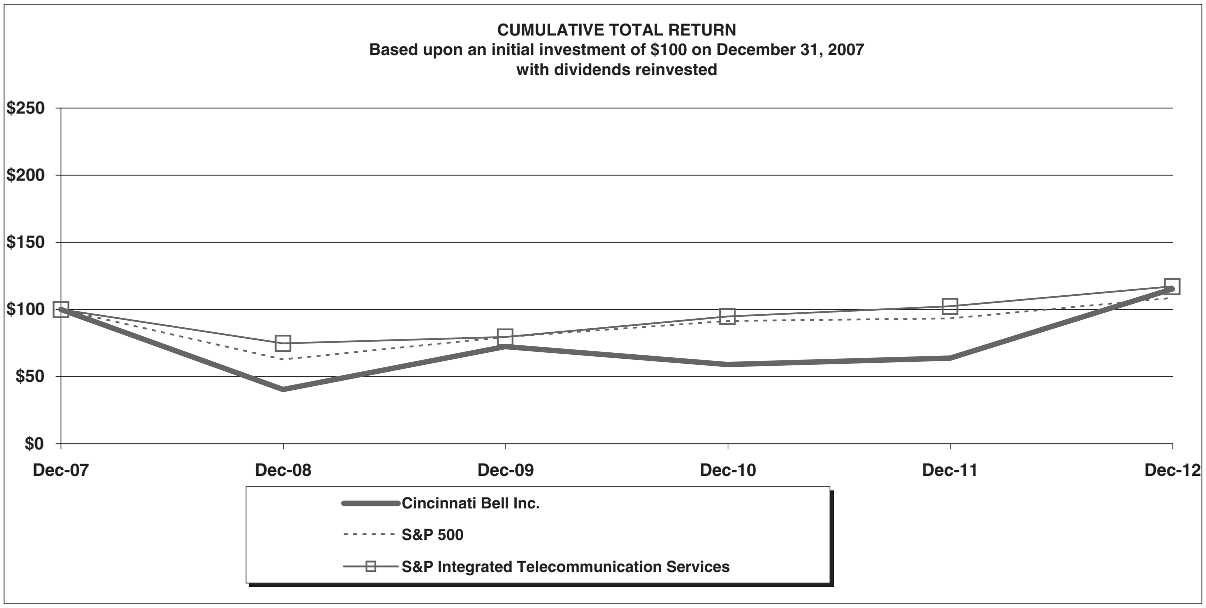
(1) Includes 9,538,031 outstanding stock options and stock appreciation rights not yet exercised, 1,297,515 shares of time-based restricted stock, and 1,687,236 shares of performance-based awards, restrictions on which have not expired as of December 31, 2012. Awards were granted under various incentive 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 2011, the directors received an annual award of phantom stock equivalent to a number of common shares. In 2012, no such award was granted. 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, 2012 is approximately 14,000. 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, 2007 (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-07	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12
Cincinnati Bell Inc.	$100	$41	$73	$59	$64	$115
S&P 500	$100	$63	$80	$92	$94	$109
S&P Integrated Telecommunication Services	$100	$75	$80	$95	$102	$117

(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, 2012:

Period	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)*
10/1/2012 — 12/31/2012	—	$ —	—	$129.2

* 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 growth opportunities. This new plan does not have a stated maturity.

Form 10-K

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)	2012	2011	2010 (a)	2009	2008
Operating Data					
Revenue	$1,473.9	$1,462.4	$1,377.0	$1,336.0	$1,403.0
Cost of services and products, selling, general and administrative, depreciation, and amortization expense	1,181.5	1,139.9	1,054.9	1,030.7	1,078.7
Other operating costs and losses (b)	22.3	63.0	22.8	9.8	19.1
Operating income	270.1	259.5	299.3	295.5	305.2
Interest expense	218.9	215.0	185.2	130.7	139.7
Loss (gain) on extinguishment of debt	13.6	—	46.5	10.3	(14.1)
Net income	$ 11.2	$ 18.6	$ 28.3	$ 89.6	$ 102.6
Earnings per common share					
Basic	$ 0.00	$ 0.04	$ 0.09	$ 0.37	$ 0.39
Diluted	$ 0.00	$ 0.04	$ 0.09	$ 0.37	$ 0.38
Dividends declared per common share	$ —	$ —	$ —	$ —	$ —
Weighted-average common shares outstanding					
Basic	197.0	196.8	201.0	212.2	237.5
Diluted	204.7	200.0	204.0	215.2	242.7
Financial Position					
Property, plant and equipment, net	$1,587.4	$1,400.5	$1,264.4	$1,123.3	$1,044.3
Total assets	2,872.4	2,714.7	2,653.6	2,064.3	2,086.7
Total long-term obligations (c)	3,215.2	3,073.5	2,992.7	2,395.1	2,472.2
Other Data					
Cash flow provided by operating activities	$ 212.7	$ 289.9	$ 300.0	$ 265.6	$ 403.9
Cash flow used in investing activities	(371.8)	(244.7)	(675.5)	(93.8)	(250.5)
Cash flow provided by/(used in) financing activities	109.0	(48.8)	429.8	(155.5)	(172.8)
Capital expenditures	(367.2)	(255.5)	(149.7)	(195.1)	(230.9)

(a) Results for 2010 include the acquisition of CyrusOne from the acquisition date of June 11, 2010 to the end of the year. See Note 3 to the Consolidated Financial Statements.

(b) Other operating costs and losses consist of restructuring charges, transaction costs, curtailment losses/(gains), goodwill impairment, asset impairments, (gain)/loss on sale or disposal of assets, and an operating tax settlement.

(c) Total long-term obligations comprise long-term debt less current portion, pension and postretirement benefit obligations, and other noncurrent liabilities. See Notes 7, 10 and 11 to the Consolidated Financial Statements for discussions related to 2012 and 2011.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Annual Report on Form 10-K and the documents incorporated by reference herein contain forward-looking statements regarding future events and results that are subject to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, are statements that could be deemed forward-looking statements. See "Private Securities Litigation Reform Act of 1995 Safe Harbor Cautionary Statement," for further information on forward-looking statements.

Executive Summary

For the year ended December 31, 2012, the Company was 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 IT and telephony equipment.

In 2012, we continued to execute on our plan to expand our growth products, comprised of our Fioptics, strategic enterprise data and VoIP, and data center offerings. The additional revenue generated from these growth products more than offset the lower revenue from declining access line and wireless subscribers, and as a result, the Company's total revenue in 2012 increased by 1% year-over-year to approximately $1.5 billion, its highest level in ten years. Operating income in 2012 was $270 million, up 4% compared to the prior year, driven primarily by a $50.3 million goodwill write-down in 2011 partially offset by $14.2 million of asset impairments in 2012.

During the fourth quarter of 2012, CyrusOne and CyrusOne Finance Corp., as co-issuers, issued $525 million of 6.375% Senior Notes due 2022 and used $480 million of the net proceeds of $511 million to repay intercompany payables to CBI. CyrusOne retained approximately $31 million of the net proceeds to fund its data center expansion and other expenses. The Company used the $480 million of proceeds to repay the outstanding balances under its 7% Senior Notes due 2015, outstanding borrowings under the former revolving credit facility, $73 million of the CBT Notes, $91 million of the 8.375% Senior Notes due 2020, and associated premiums and expenses.

On January 24, 2013, we completed the IPO of CyrusOne, which owns and operates our former data center colocation business. CyrusOne conducts its data center business through CyrusOne LP, an operating partnership. After the IPO, we own approximately 1.9 million shares, or 8.6%, of CyrusOne's common stock and are a limited partner in CyrusOne LP, owning approximately 42.6 million, or 66%, of its partnership units. The Company may redeem its CyrusOne LP units into common stock of CyrusOne on a one-to-one basis, or for cash at the fair value of a share of CyrusOne common stock, at the option of CyrusOne, commencing on January 17, 2014. Although we effectively own approximately 69% of the economic interests of CyrusOne through our ownership of its common stock and partnership units of CyrusOne LP, we no longer control its operations.

Further details of this transaction are provided in Note 20 to the Consolidated Financial Statements of this Form 10-K report.

Highlights for 2012 were as follows:

Wireline

Wireline revenue in 2012 was $730.5 million, comparable to $732.1 million in 2011, as the impact of higher revenue generated from its growing Fioptics and enterprise data and VoIP product lines continues to mitigate the reductions in voice revenue caused by continued ILEC access line losses. The Company ended the year with 573,900 total access lines compared to 621,300 access lines at December 31, 2011, a loss of 8% that is consistent with the 2011 losses. Fioptics continued its strong growth during 2012, and as of December 31, 2012, the Company had "passed" and is now able to provide its Fioptics suite of products to 205,000 homes and businesses, or approximately 26% of the Greater Cincinnati market.

Operating income of $212.9 million in 2012 declined by $15.6 million compared to 2011, due largely to the loss of high-margin access lines combined with additional costs to acquire new Fioptics customers.

Wireless

Wireless revenue of $241.8 million in 2012 decreased by 13% compared to 2011, driven by a 13% decrease in the Company's subscriber base. The Company believes it continued to lose subscribers in 2012 due to customer preference for its competitors' premium handsets on competitors' LTE networks. Our postpaid smartphone subscriber base continues to be instrumental to increasing data revenue per subscriber (e.g., text messaging, emails, and internet service) as this increase mitigates the decline in voice revenue, resulting in a stable average revenue per subscriber.

Operating income of $51.2 million increased by $47.9 million compared to 2011 due primarily to the $50.3 million goodwill impairment loss that was recognized in 2011. Although the Wireless revenue decline of $35.8 million was substantial, the Company was able to mostly offset this decline with the favorable impact of lower operating expenses. Management believes it will not be able to offset the declining Wireless revenues with cost reductions in 2013 to the extent it was able to achieve in 2012.

IT Services and Hardware

IT Services and Hardware revenue in 2012 was $315.7 million, up 5% compared to 2011, driven by an increase of $16.6 million, or 18%, in revenue from managed and professional services due to higher customer demand for IT outsourcing and consulting projects. This increased revenue was partially offset by slightly lower sales of telecom and IT equipment that is largely attributable to the cyclical nature of capital spending by enterprise customers.

Operating income of $10.3 million in 2012 increased by $0.5 million over 2011 primarily due to lower restructuring charges.

Data Center Colocation

Data Center Colocation revenue was $221.3 million in 2012, up 20% compared to 2011, on sales of incremental space and power to both new and existing customers. Total data center capacity increased by 22% from the prior year to 932,000 square feet as of December 31, 2012, compared to a total of 763,000 square feet of capacity at December 31, 2011. CyrusOne's utilization at the end of 2012 was 78% compared to 88% at the end of 2011. This decrease in utilization resulted from the significant construction of new space in 2012 that is now available for sale.

Operating income for the year totaled $30.4 million, a decrease of $16.0 million over 2011, due largely to a $13.3 million impairment loss associated with the segment's 2007 GramTel acquisition.

Consolidated Results of Operations

2012 Compared to 2011

Service revenue was $1,272.8 million in 2012, an increase of $22.0 million compared to 2011. Data center revenue increased by $36.6 million due to sales of new data center space and power, while managed and professional services revenue increased by $16.6 million in 2012 as a result of increased IT outsourcing and consulting projects. These increases were partially offset by lower wireless service revenue which declined by $27.9 million in 2012 compared to 2011. Growth in Wireline Fioptics, VoIP and audio conferencing service revenue was offset by declines in local voice, long distance and DSL revenues.

Product revenue totaled $201.1 million in 2012, a decrease of $10.5 million, or 5%, compared to 2011. This decrease was largely due to lower sales of wireless handsets which drove a $7.9 million decrease in sales compared to 2011. In addition, sales of telecommunications and IT hardware decreased by $1.4 million compared to 2011, a reflection of the cyclical nature of capital spending by enterprise customers.

Cost of services was $489.9 million in 2012 compared to $464.3 million in 2011, an increase of $25.6 million, or 6%. Contract services increased by $10.7 million over 2011 driven largely by increased use of outside contractors to support the growth in data center operations and Fioptics, business data and VoIP services, and also due to positioning CyrusOne to operate as a stand-alone publicly-traded company. Operating taxes increased by $7.0 million from 2011 driven largely by higher regulatory rates and higher franchise taxes resulting from increased Fioptics revenue and higher property taxes from our increased data center footprint. Payroll and employee-related costs also increased by $4.0 million compared to 2011, due primarily to the addition of new personnel to support growth in data center operations and the higher demand for professional and managed IT services.

Cost of products sold was $204.7 million in 2012 compared to $213.0 million in the prior year, a decrease of $8.3 million, or 4%, that was mainly driven by lower sales of wireless handsets and IT equipment, as discussed above.

Selling, general and administrative ("SG&A") expenses were $269.5 million in 2012, an increase of $6.4 million, or 2%, compared to 2011. The increase was largely due to stock compensation mark-to-market expense of $7.9 million, up from $0.6 million in 2011, primarily associated with an 81% increase in the Company's stock price during 2012. The Company grants stock-based compensation, some of which are cash-payment awards indexed to the Company's stock price.

Depreciation and amortization was $217.4 million in 2012, an increase of $17.9 million compared to the prior year. The higher depreciation and amortization was primarily the result of new assets placed in service for our data center facilities.

Restructuring charges were $3.4 million in 2012 compared to $12.2 million in the prior year. In 2012, restructuring charges represented severance associated with employee separations and lease abandonments. In 2011, restructuring costs were incurred for employee separations, lease abandonments and contract terminations. Such costs were lower in 2012 as we completed certain restructuring activities begun in the prior year.

In 2011, the Company ratified a new labor agreement which curtails future pension service credits for certain employees. As a result of this event, the bargained employees' pension plan was remeasured and a curtailment loss of $4.2 million was recognized. In 2012, no events occurred to trigger a remeasurement of our pension plans or curtailment loss.

Gain on sale or disposal of assets was $1.6 million in 2012, down from $8.4 million in 2011. In 2012, a gain was realized primarily from the sale of copper cables no longer utilized in our Wireline network. In 2011, a gain of $8.4 million was recognized as a result of selling substantially all of the assets associated with our home security monitoring business.

Asset impairment losses amounted to $14.2 million in 2012 compared to $52.4 million in 2011. In 2012, impairment losses were largely driven by $13.3 million of impairment losses in the Data Center Colocation segment on a customer relationship intangible asset and property and equipment that was primarily associated with our 2007 acquisition of GramTel. During 2011, the Company recognized goodwill impairment losses totaling $50.3 million that were related to the Wireless segment.

Transaction costs of $6.3 million were incurred in 2012, up from $2.6 million incurred in 2011. In 2012, these costs represented legal and consulting costs incurred to restructure our legal entities in preparation for the proposed IPO of the common stock of CyrusOne and to prepare CyrusOne to be a real estate investment trust. In 2011, transaction costs represented legal and consulting costs to investigate acquisition opportunities.

Interest expense was $218.9 million in 2012 compared to $215.0 million in 2011, an increase of $3.9 million. The increase was largely due to the issuance by CyrusOne LP and CyrusOne Finance Corp of $525 million of 6 $^{3}/_{8}$% Senior Notes due 2022 in the fourth quarter of 2012 which increased interest expense by $3.8 million, higher interest costs of $2.4 million from lease obligations, as well as $0.8 million of lower capitalized interest. The impact of these increases was partially offset by lower interest expense from the redemptions of the 7% Senior Notes due 2015, certain CBT Notes and a portion of the 8 $^{3}/_{8}$% Senior Notes due 2020.

Loss on extinguishment of debt of $13.6 million was a result of the debt repayment and partial redemptions made during the fourth quarter of 2012 as discussed in the preceding paragraph. No debt extinguishment occurred in 2011.

Other expense of $1.7 million in 2012, increased by $0.8 million compared to 2011, primarily due to a loss recorded on the termination of a lease financing arrangement.

Income tax expense was $24.7 million in 2012, substantially the same as the prior year. Pre-tax income was lower in 2012 but was largely offset by a higher effective tax rate. 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 federal and state net operating losses to defray payment of federal and state tax liabilities. As a result, the Company had cash income tax payments, net of refunds, of $0.1 million in 2012.

2011 Compared to 2010

Service revenue was $1,250.8 million in 2011, an increase of $51.5 million compared to 2010. Data center revenues increased by $59.4 million primarily due to expansion of data center facilities and the acquisition of Cyrus Networks in June 2010. Managed and professional services revenue increased by $14.7 million compared to 2010. These increases were partially offset by declines in local voice revenues from access line losses and wireless service revenues from lower postpaid subscribers.

Product revenue was $211.6 million in 2011, up $33.9 million compared to 2010. The increase was primarily related to increased sales of telecommunications and IT hardware of $31.1 million, driven by higher spending by customers.

Cost of services was $464.3 million in 2011, up $50.4 million, or 12%, compared to 2010. Payroll and payroll related costs increased by $20.1 million compared to 2010 due to overtime as well as personnel added to support growth in IT services and data center operations. Other data center costs increased by $18.7 million primarily due to expansion of data center facilities and the acquisition of Cyrus Networks in 2010. Network costs increased by $7.2 million in 2011 due to growth in Fioptics, audio conferencing and VoIP services, and increased data usage. Contract services increased by $2.3 million in 2011 primarily due to a large number of telephony installations and out-of-territory support performed by outside contractors.

Cost of products sold was $213.0 million in 2011, an increase of $22.4 million from the prior year. This increase resulted from higher sales of telecommunications and IT hardware in 2011.

SG&A expenses were $263.1 million in 2011 compared to $270.9 million in the prior year, a decrease of $7.8 million. Lower payroll expense, contract services, advertising and bad debt expense were incurred in 2011 compared to the prior year. Partially offsetting these savings were higher legal and consulting costs and non-employee commissions. Also, the release of a previously established indemnification liability lowered 2011 SG&A costs by $1.2 million.

Depreciation and amortization was $199.5 million in 2011, up $20.0 million compared to 2010. Higher depreciation and amortization was incurred in 2011 due to tangible and intangible assets acquired with Cyrus Networks in June 2010, as well as the expansion of several data center facilities.

Restructuring charges were $12.2 million in 2011 and $13.7 million in 2010. In both periods, restructuring charges included costs associated with employee separations, lease abandonments and contract terminations. In 2011, pension curtailment losses of $4.2 million resulted from reductions in future pension service credits which arose from a new contract with bargained employees. In 2011, the sale of assets associated with our home security monitoring business resulted in a gain of $8.4 million. In 2011, goodwill impairment losses of $50.3 million were recorded related to the Wireless segment. Asset impairment losses, excluding goodwill, were $2.1 million in 2011, resulting from abandonment of certain facilities, equipment, and capital projects. Acquisition costs of $2.6 million were incurred in 2011, as acquisition opportunities were investigated in 2011 but none were completed. In 2010, acquisition costs of $9.1 million were incurred due to the completion of the Cyrus Networks acquisition.

Interest expense increased to $215.0 million in 2011 compared to $185.2 million in 2010. Average debt outstanding was higher in 2011 compared to the prior year primarily due to the acquisition of Cyrus Networks. In addition, the average interest rate on outstanding debt was also higher in 2011. In 2010, a loss on debt extinguishment of $46.5 million was recognized upon the refinancing of the Company's 8 $^{3}/_{8}$% Senior Notes due 2014 and repayment of the Tranche B Term Loan.

Income tax expense was $25.0 million in 2011 compared to $38.9 million in the prior year. The lower tax provision reflects a decrease in pre-tax income in 2011 and the effects of one-time discrete adjustments related to 2010. 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 federal and state net operating losses to defray payment of federal and state tax liabilities. As a result, the Company had cash income tax refunds of $1.2 million in 2011.

Discussion of Operating Segment Results

The Company manages its business based upon products and service offerings. At December 31, 2012, we operated four business segments: Wireline, Wireless, IT Services and Hardware and Data Center Colocation. Certain corporate administrative expenses have been allocated to our business segments based upon the nature of the expense and the relative size of the segment. Intercompany transactions between segments have been eliminated.

Wireline

The Wireline segment provides local voice, data, long distance, entertainment, VoIP, 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 DSL technology and over fiber using its GPON. Data services also provide data transport for businesses, including LAN services, dedicated network access, and metro ethernet and DWDM/optical wave data transport, which principally are used to transport large amounts of data over private networks. These services are provided 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 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 Dayton, Ohio 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. The Wireline segment links the Cincinnati and Dayton, Ohio geographies through its SONET, which provides route diversity via two separate paths.

In 2012, the Company continued to expand its Fioptics product suite of services, which are fiber-based entertainment, high-speed internet and voice services. At year end 2012, the Company passed and can provide Fioptics service to 205,000 homes and businesses, or approximately 26% of Greater Cincinnati. The penetration rate of this product is approximately 28% of the total units that have been passed with the Fioptics network. The Wireline segment also includes long distance, audio conferencing, other broadband services including private line and MPLS.

Wireline continued

(dollars in millions, except for operating metrics)	2012	2011	$ Change 2012 vs. 2011	% Change 2012 vs. 2011	2010	$ Change 2011 vs. 2010	% Change 2011 vs. 2010
Revenue:							
Voice — local service	$255.4	$280.3	$(24.9)	(9)%	$311.9	$(31.6)	(10)%
Data	306.9	291.5	15.4	5%	283.3	8.2	3%
Long distance and VoIP	113.9	111.3	2.6	2%	104.4	6.9	7%
Entertainment	35.4	26.6	8.8	33%	16.7	9.9	59%
Other	18.9	22.4	(3.5)	(16)%	26.2	(3.8)	(15)%
Total revenue	730.5	732.1	(1.6)	0%	742.5	(10.4)	(1)%
Operating costs and expenses:							
Cost of services and products	283.8	270.0	13.8	5%	256.8	13.2	5%
Selling, general and administrative	125.6	126.7	(1.1)	(1)%	140.1	(13.4)	(10)%
Depreciation and amortization	106.0	102.4	3.6	4%	103.9	(1.5)	(1)%
Restructuring charges	3.5	7.7	(4.2)	(55)%	8.2	(0.5)	(6)%
Curtailment loss	—	4.2	(4.2)	n/m	—	4.2	n/m
Gain on sale or disposal of assets	(1.8)	(8.4)	6.6	79%	—	(8.4)	n/m
Asset impairments	0.5	1.0	(0.5)	(50)%	—	1.0	n/m
Total operating costs and expenses	517.6	503.6	14.0	3%	509.0	(5.4)	(1)%
Operating income	$212.9	$228.5	$(15.6)	(7)%	$233.5	$ (5.0)	(2)%
Operating margin	29.1%	31.2%		(2.1)pts	31.4%		(0.2)pts
Capital expenditures	$114.2	$112.6	$1.6	1%	$ 98.6	$ 14.0	14%
Metrics information (in thousands):							
Local access lines	573.9	621.3	(47.4)	(8)%	674.1	(52.8)	(8)%
High-speed internet subscribers							
DSL subscribers	202.6	218.0	(15.4)	(7)%	228.9	(10.9)	(5)%
Fioptics internet subscribers	56.8	39.3	17.5	45%	27.2	12.1	44%
	259.4	257.3	2.1	1%	256.1	1.2	0%
Long distance lines	417.9	447.4	(29.5)	(7)%	482.8	(35.4)	(7)%
Fioptics entertainment subscribers	55.1	39.6	15.5	39%	28.1	11.5	41%

2012 Compared to 2011

Revenues

Voice local service revenue includes local service, value added services, digital trunking, switched access, and information services. Voice local service revenue was $255.4 million in 2012, down $24.9 million, or 9%, compared to 2011. The decrease in revenue is primarily due to fewer local access lines compared to a year ago. Access lines within the segment's ILEC territory decreased by 41,400, or 7%, to 511,000 at December 31, 2012 from 552,400 at December 31, 2011. The Company had 62,900 CLEC access lines at December 31, 2012 compared to 68,900 access lines at December 31, 2011. The segment continues to lose access lines as a result of, among other factors, customers electing to solely use wireless service in lieu of traditional local wireline service, Company-initiated disconnections of customers with credit problems, and customers electing to use service from other providers.

Data revenue consists of Fioptics and DSL high-speed internet access, data transport, and LAN interconnection services. Data revenue was $306.9 million in 2012, up $15.4 million, or 5%, compared to 2011. Data transport and LAN services increased by $13.0 million, or 7%, year-over-year primarily as a result of increased demand by business customers for higher speed connections. Revenue from Fioptics high-speed internet service increased to $18.1 million in 2012, up from $12.5 million in the prior year due to increased subscribers. As of December 31, 2012, the Company had 56,800 high-speed internet Fioptics customers, which is an increase of 17,500 subscribers, or 45%, compared to December 31, 2011. These revenue increases were partially offset by lower DSL revenue as DSL subscribers decreased by 7% to 202,600 subscribers at the end of 2012.

Long distance and VoIP revenue was $113.9 million in 2012, an increase of $2.6 million, or 2%, compared to 2011. This increase was primarily due to an increase in VoIP and audio conferencing services, driven by a larger number of subscribers and higher usage. Partially offsetting this favorable trend was a decrease in long distance residential revenue which declined by $3.6 million in 2012. As of December 31, 2012, long distance subscriber lines totaled 417,900, a 7% decrease compared to the prior year. Long distance subscriber lines have continued to decline as consumers opt to utilize wireless and VoIP services.

Entertainment revenue was $35.4 million in 2012, up $8.8 million, or 33%, compared to the prior year driven primarily by the growth in Fioptics entertainment. Fioptics entertainment revenue grew by $9.1 million over 2011, driven by a 39% increase in the number of Fioptics entertainment subscribers. As of December 31, 2012, the segment had 55,100 Fioptics entertainment subscribers. The Company continues to expand its Fioptics service area as there is strong consumer demand for this service.

Other revenue was $18.9 million in 2012, a decrease of $3.5 million compared to the prior year. The decrease was primarily related to the sale of the Company's home security monitoring business in 2011.

Costs and Expenses

Cost of services and products was $283.8 million in 2012, an increase of $13.8 million, or 5%, compared to 2011. This increase was largely attributable to a $14.6 million increase in costs, including contract services and network-related costs, associated with the growth in Fioptics, audio conferencing and VoIP services. In addition, operating taxes increased by $4.1 million compared to 2011 primarily due to higher regulatory rates and higher franchise taxes resulting from increased Fioptics revenue. The impact of these cost increases was partially offset by a $5.2 million reduction in payroll and rent expenses as a result of our cost reduction initiatives.

SG&A expenses were $125.6 million in 2012, a decrease of $1.1 million, or 1%, compared to the prior year. This decrease was mainly driven by lower consulting and advertising costs, as well as the impact of our cost reduction initiatives.

Depreciation and amortization was $106.0 million in 2012, reflecting an increase of $3.6 million compared to the prior year. Assets placed in service in connection with the expansion of our Fioptics network drove the higher depreciation expense.

Restructuring charges were $3.5 million in 2012 compared to $7.7 million in the prior year. The Company continues to manage and reduce the legacy cost structure of this business. Employee separation costs amounted to $3.2 million and $3.5 million in 2012 and 2011, respectively, while lease abandonment costs were $0.3 million in 2012 and $2.5 million in 2011. Contract termination costs were $1.7 million in 2011 but none were incurred in 2012.

During 2011, curtailment losses of $4.2 million were recognized from the reduction of future pension benefits for certain bargained employees, and a gain of $8.4 million was recognized from the sale of substantially all of the assets associated with our home security monitoring business. During 2012, the segment recognized a gain on sale of assets of $1.8 million primarily from the sale of copper cabling that was no longer in use.

Asset impairments of $0.5 million in 2012 relate primarily to the write-off of an out-of-territory fiber network. The impairment losses in 2011 of $1.0 million were related to abandoned leasehold improvements on vacated office space and the write-down to fair value of certain assets that were held for sale.

Capital Expenditures

Capital expenditures are incurred to maintain the wireline network, expand the Company's Fioptics product suite, and upgrade its DSL network. Capital expenditures were $114.2 million in 2012, an increase of $1.6 million compared to 2011. As of December 31, 2012, the Company's Fioptics service passed 205,000 homes and businesses, representing approximately 26% of the Greater Cincinnati market. The Company intends to expand its Fioptics footprint over the next few years.

2011 Compared to 2010

Revenues

Voice local service revenue was $280.3 million in 2011, a decrease of 10% compared to the prior period. The decrease in revenue was driven by access line loss from the prior year. Access lines decreased by 52,800, or 8% compared to 2010.

Data revenue was $291.5 million in 2011, up $8.2 million compared to the same period in 2010. Revenue from Fioptics high-speed internet service increased to $15.8 million in 2011, up from $10.2 million in the prior year. As of December 31, 2011, the Company had 39,300 high-speed internet Fioptics subscribers, which is an increase of 12,100 subscribers, or 44%, from the December 31, 2010 total of 27,200 subscribers. These increases were primarily offset by lower DSL revenue resulting from a 5% decline in subscribers from 2010.

Long distance and VoIP revenue was $111.3 million in 2011, an increase of $6.9 million, or 7%, compared to 2010. The increase was primarily attributable to an increase in VoIP and audio conferencing services provided to additional subscribers. This increase was partially offset by a $4.1 million decrease in long distance residential revenue. As of December 31, 2011, long distance subscriber lines were 447,400, a 7% decline from 2010.

Entertainment revenue was $26.6 million in 2011, up $9.9 million, or 59%, compared to 2010. Fioptics entertainment subscribers totaled 39,600 at December 31, 2011, an increase of 41% compared to December 31, 2010. The increase in entertainment subscribers is related to expansions of the Fioptics network and high customer demand.

Other revenue was $22.4 million for 2011, down $3.8 million from 2010. The sale of the Company's home security monitoring business decreased revenues by $2.1 million in 2011. Fewer wire installation jobs also contributed to lower revenues compared to the prior year.

Costs and Expenses

Cost of services and products was $270.0 million, an increase of $13.2 million, or 5%, compared to 2010. Payroll related costs and contract services were up $6.6 million and $2.7 million, respectively, primarily due to overtime associated with the start-up of Fioptics IPTV, as well as higher volumes of repair work resulting from record rainfall in our operating territory. Network costs also increased by $6.0 million in 2011 compared to 2010 as a result of growth in audio conferencing, VoIP, and Fioptics services.

SG&A expenses were $126.7 million, a decrease of $13.4 million, or 10%, compared to 2010. Payroll and other employee related costs were down $10.1 million due to lower headcount. Contract services and advertising costs were down $2.8 million and $1.5 million, respectively, compared to 2010. Partially offsetting these favorable variances were higher legal and consulting costs and non-employee commissions in 2011.

Depreciation and amortization was $102.4 million in 2011, down $1.5 million compared to 2010.

Restructuring charges in 2011 were $7.7 million, a decrease of $0.5 million compared to 2010. Employee separation costs were $3.5 million in 2011 and $4.9 million in 2010. Lease abandonment costs were $2.5 million and $3.3 million in 2011 and 2010, respectively. Contract termination costs were $1.7 million in 2011, with no such costs incurred in the prior year.

In 2011, curtailment losses of $4.2 million were recognized from the reduction of future pension benefits for certain bargained employees. The sale of substantially all the assets associated with our home security business in 2011 resulted in a gain of $8.4 million. Asset impairment losses were $1.0 million 2011, with no such losses in 2010. Asset impairment losses arose from abandoned leasehold improvements related to vacated office space and the write-down to fair value of certain assets held for sale.

Capital Expenditures

Capital expenditures were $112.6 million in 2011, an increase of $14.0 million, or 14%, compared to 2010. Spending to expand the Company's Fioptics service area increased by $22.1 million from 2010 to 2011.

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)	2012	2011	$ Change 2012 vs. 2011	% Change 2012 vs. 2011	2010	$ Change 2011 vs. 2010	% Change 2011 vs. 2010
Revenue:							
Postpaid service	$174.6	$199.2	$(24.6)	(12)%	$214.6	$(15.4)	(7)%
Prepaid service	49.9	53.2	(3.3)	(6)%	54.6	(1.4)	(3)%
Equipment and other	17.3	25.2	(7.9)	(31)%	20.0	5.2	26%
Total revenue	241.8	277.6	(35.8)	(13)%	289.2	(11.6)	(4)%
Operating costs and expenses:							
Cost of services and products	113.0	134.2	(21.2)	(16)%	137.4	(3.2)	(2)%
Selling, general and administrative	43.7	55.2	(11.5)	(21)%	61.1	(5.9)	(10)%
Depreciation and amortization	31.9	33.5	(1.6)	(5)%	33.4	0.1	0%
Restructuring charges	1.6	—	1.6	n/m	1.0	(1.0)	n/m
Impairment of goodwill	—	50.3	(50.3)	n/m	—	50.3	n/m
Impairment of assets, excluding goodwill	0.4	1.1	(0.7)	(64)%	—	1.1	n/m
Total operating costs and expenses	190.6	274.3	(83.7)	(31)%	232.9	41.4	18%
Operating income	$ 51.2	$ 3.3	$ 47.9	n/m	$ 56.3	$(53.0)	(94)%
Operating margin	21.2%	1.2%		20.0pts	19.5%		(18.3)pts
Capital expenditures	$ 15.8	$ 17.6	$ (1.8)	(10)%	$ 11.7	$ 5.9	50%
Metrics information:							
Postpaid ARPU*	$51.29	$50.06	$ 1.23	2%	$49.79	$ 0.27	1%
Prepaid ARPU*	$28.48	$28.58	$(0.10)	0%	$29.58	$(1.00)	(3)%
Postpaid subscribers (in thousands)	251.3	311.0	(59.7)	(19)%	351.2	(40.2)	(11)%
Prepaid subscribers (in thousands)	146.5	148.0	(1.5)	(1)%	157.8	(9.8)	(6)%
Average postpaid churn	2.5%	2.2%		0.3pts	2.1%		0.1pts

* 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.

2012 Compared to 2011

Revenue

Postpaid service revenue was $174.6 million in 2012, a decrease of $24.6 million, or 12%, compared to a year ago. The decrease in postpaid service revenue was driven by a 19% decrease in postpaid subscribers combined with a decrease in voice minutes of use, partially offset by higher data usage. The subscriber losses are attributed to competitive pressure resulting from, among other factors, competitors' premium handsets and competitors' service on new LTE networks.

Total postpaid ARPU for 2012 increased to $51.29 from $50.06 in 2011 driven primarily by the higher data ARPU, but partially offset by a 4% year-over-year decrease in voice ARPU due to fewer minutes used by postpaid subscribers.

At December 31, 2012, the Company had 101,000 postpaid smartphone subscribers, a 5% decrease compared to 106,000 such subscribers at December 31, 2011. As of December 31, 2012, these postpaid smartphone subscribers represented 40% of the total postpaid subscriber base, up from 34% at the end of 2011. The higher smartphone penetration drove a data ARPU of $17.11 for 2012, up 18% compared to 2011.

Prepaid service revenue was $49.9 million in 2012, a decrease of $3.3 million compared to the prior year. The number of prepaid subscribers at December 31, 2012 was 146,500, a decrease of 1% compared to the prior year. During 2012, higher data usage by prepaid smartphone users was largely offset by lower voice rates resulting in a prepaid ARPU of $28.48, comparable to $28.58 generated in 2011.

Equipment and other revenue for 2012 decreased by $7.9 million to $17.3 million in 2012 primarily as a result of the continued postpaid subscriber losses which drove fewer activations and upgrades in 2012, combined with the impact of a large nonrecurring equipment sale to a wholesale distributor in 2011.

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. The total cost of services and products was $113.0 million in 2012, a decrease of $21.2 million compared to 2011. This decrease was primarily due to $9.0 million of lower network related costs resulting from renegotiated roaming rates with other wireless carriers, lower network access expenses due to a reduced subscriber base, and the continued impact of the Company's cost containment efforts. Cost of goods sold decreased by an additional $9.0 million over the prior year, driven largely by the impact of fewer sales of wireless handsets and related accessories. In addition, contract services and other costs of providing service decreased by $3.1 million year-over-year due largely to the Company's cost containment efforts which led to reduced call center, network software and cell site maintenance expenses.

SG&A expense in 2012 decreased by $11.5 million year-over-year to $43.7 million, largely reflecting the impact of cost containment initiatives combined with a $2.8 million reduction in bad debt expense. The closing of three retail stores and associated headcount reductions in 2012 resulted in lower payroll costs of $2.5 million compared to the prior year, while other selling and marketing expenses and advertising expenses also decreased by $2.1 million and $1.7 million, respectively, driven by the Company's cost containment efforts.

Depreciation and amortization was $31.9 million in 2012, a decrease of $1.6 million from 2011 due largely to the closing of three retail stores in 2012.

Restructuring charges of $1.6 million incurred in 2012 were related to employee separation costs as well as lease abandonments from the closing of the three retail stores in 2012. In 2011, no restructuring charges were recognized.

In 2011, Wireless recognized a goodwill impairment loss of $50.3 million that resulted from declines in the segment's revenue and wireless subscribers. In 2012 and 2011, other asset impairments were $0.4 million and $1.1 million, respectively, related to the write-off of canceled or abandoned capital projects.

Capital Expenditures

Capital expenditures were $15.8 million in 2012, comparable to $17.6 million in 2011, as the Company continues to support increasing data usage on its network.

2011 Compared to 2010

Revenue

Postpaid service revenue was $199.2 million for 2011, a decrease of $15.4 million, or 7%, compared to 2010 due to an 11% decrease in subscribers and a decrease in voice minutes of use, partially offset by higher data usage. At December 31, 2011, the Company had 106,000 postpaid smartphone subscribers compared to 96,000 postpaid smartphone subscribers at December 31, 2010, a 10% increase from 2010. The increase in smartphone subscribers increased data usage, and the Company earned $14.54 of data ARPU in 2011 compared to $11.69 in 2010.

Prepaid service revenue was $53.2 million in 2011, a decrease of $1.4 million, or 3%, compared to 2010. Prepaid subscribers were 148,000 at December 31, 2011, down 6% from a year earlier, due to aggressive competitor promotions on prepaid service.

Equipment and other revenue in 2011 was $25.2 million, up $5.2 million compared to 2010 primarily due to higher revenue per smartphone handset sales to consumers and increased sales to a wholesale distributor.

Costs and Expenses

Cost of services and products was $134.2 million, a decrease of $3.2 million, or 2%, compared to 2010. The decrease was primarily attributable to lower handset subsidies and contract services compared to 2010, which was partially offset by higher cost of goods sold due to the increase in equipment revenue and higher network operation costs resulting from increased smartphone penetration and data usage.

SG&A expenses were $55.2 million in 2011, a decrease of $5.9 million, or 10%, compared to 2010, primarily due to a $2.8 million decrease in third-party service provider and payroll costs and a $2.6 million decrease in advertising and promotional expenses due to cost reduction initiatives.

Depreciation and amortization was $33.5 million for 2011, essentially flat compared to 2010. In 2011, Wireless began amortizing its trademark license which added $1.5 million of amortization expense. The increase in amortization was offset by a decrease in depreciation on tangible assets.

In 2011, Wireless recognized a goodwill impairment loss of $50.3 million and asset impairment losses of $1.1 million. The goodwill impairment loss arose from declines in revenues and wireless subscribers. Asset impairments were recognized for canceled capital projects. In 2010, Wireless incurred a $1.0 million restructuring charge primarily for employee separation costs.

Capital Expenditures

Capital expenditures were $17.6 million in 2011, up $5.9 million, or 50%, compared to 2010. During 2011, Wireless deployed software upgrades and incurred additional fiber costs to begin its network upgrade to 4G using HSPA+ technology.

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 geographic areas including locations in the U.S., Canada and Europe. By offering a full range of equipment and outsourced services in conjunction with the Company's wireline network, 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)	2012	2011	$ Change 2012 vs. 2011	% Change 2012 vs. 2011	2010	$ Change 2011 vs. 2010	% Change 2011 vs. 2010
Revenue:							
Telecom and IT equipment distribution	$204.6	$206.0	$ (1.4)	(1)%	$174.9	$31.1	18%
Managed and professional services	111.1	94.5	16.6	18%	79.8	14.7	18%
Total revenue	315.7	300.5	15.2	5%	254.7	45.8	18%
Operating costs and expenses:							
Cost of services and products	255.7	243.0	12.7	5%	202.6	40.4	20%
Selling, general and administrative	42.3	37.4	4.9	13%	37.7	(0.3)	(1)%
Depreciation and amortization	8.6	8.4	0.2	2%	7.3	1.1	15%
Restructuring charges (reversals)	(1.2)	1.9	(3.1)	n/m	2.8	(0.9)	(32)%
Total operating costs and expenses	305.4	290.7	14.7	5%	250.4	40.3	16%
Operating income	$ 10.3	$ 9.8	$ 0.5	5%	$ 4.3	$ 5.5	n/m
Operating margin	3.3%	3.3%		—pts	1.7%		1.6pts
Capital expenditures	$ 9.0	$ 6.8	$ 2.2	32%	$ 8.3	$ (1.5)	(18)%

2012 Compared to 2011

Revenue

Revenue from telecom and IT equipment distribution represents the sale, installation, and maintenance of major, branded IT and telephony equipment. Telecom and IT equipment distribution revenue was $204.6 million in 2012, a decrease of $1.4 million, or 1%, compared to 2011. The decrease in 2012 compared to 2011 primarily reflects the cyclical fluctuation in capital spending by enterprise customers which may be influenced by, among other factors, the timing of customers' capital spend, the size of customers' capital budgets, as well as general economic conditions.

Managed and professional services revenue consists of managed VoIP solutions and IT services that include network management, electronic data storage, disaster recovery and data security management, as well as both long and short-term IT outsourcing and consulting engagements. In 2012, managed and professional services revenue was $111.1 million, an increase of $16.6 million, or 18%, compared to the prior year due largely to increased customer demand for staff augmentation and higher sales to one of the Company's largest customers.

Costs and Expenses

Cost of services and products was $255.7 million in 2012, an increase of $12.7 million, or 5%, compared to 2011. The increase was largely driven by higher payroll, contract services and other costs incurred to support the growth in managed and professional services revenue.

SG&A expenses were $42.3 million in 2012, an increase of $4.9 million, or 13%, from the prior year. This increase is largely attributable to the integration of certain functions associated with the Cincinnati-based data center business into the Data Center Colocation segment in 2012, which resulted in comparatively higher payroll costs being incurred by IT Services and Hardware.

Depreciation and amortization expense for 2012 of $8.6 million was comparable to that in 2011.

In 2012, a reversal of previously recognized expense of $1.2 million was recognized due to changes in estimates of employee separation costs recognized in the prior year. Restructuring charges of $1.9 million were recorded in 2011 primarily related to employee separation obligations associated with the continued integration of certain functions into the Wireline segment.

Capital Expenditures

Capital expenditures were $9.0 million in 2012 compared to $6.8 million in 2011. Capital expenditures were higher in 2012 due to increased managed service projects.

2011 Compared to 2010

Revenue

Revenue from telecom and IT equipment distribution was $206.0 million in 2011, an increase of $31.1 million, or 18%, compared to 2010. The increase in 2011 versus 2010 was primarily attributable to higher equipment sales arising from increased capital spending by enterprise customers.

In 2011, managed and professional services revenue was $94.5 million, an increase of $14.7 million, or 18%, compared to the same period a year ago. The increase in revenue was attributable to increased managed services provided to one of the Company's largest customers and increased demand for professional services from existing customers in 2011.

Costs and Expenses

Cost of services and products was $243.0 million in 2011, an increase of $40.4 million, or 20%, compared to 2010. Cost of equipment sold increased $25.1 million as a result of the higher revenue from telecom and IT equipment distribution. Additionally, increased demand for managed and professional services drove an increase in payroll and payroll related costs and contract service expenses from 2010 of $13.3 million.

SG&A expenses were $37.4 million in 2011, a decrease of $0.3 million, or 1%, from 2010. SG&A was relatively flat despite higher revenues due to cost reduction initiatives.

The $1.1 million increase in depreciation and amortization expense for 2011 compared to 2010 was primarily due to the assets placed in service to support the expansion of managed and professional services projects.

The IT Services and Hardware segment incurred employee separation charges of $1.9 million and $2.8 million in 2011 and 2010, respectively, associated with the integration of certain functions with the Wireline segment.

Capital Expenditures

Capital expenditures were $6.8 million in 2011, down $1.5 million compared to 2010, due to projects in 2010 which required additional capital spending.

Data Center Colocation

The Data Center Colocation segment provided large enterprise customers with outsourced data center operations, including all necessary redundancy, security, power, cooling, and interconnection. As of December 31, 2012, our data center operations were operated under CyrusOne, a wholly-owned subsidiary. On January 24, 2013, we completed the IPO of CyrusOne's common stock. After the IPO, we effectively own approximately 69% of the economic interests of CyrusOne through our ownership of its common stock and partnership units of CyrusOne LP, but we no longer control its operations. Accordingly, after the IPO, we will recognize income from our investment in CyrusOne LP on the equity method and dividend income from our investment in CyrusOne.

(dollars in millions, except for operating metrics)	2012	2011	$ Change 2012 vs. 2011	% Change 2012 vs. 2011	2010	$ Change 2011 vs. 2010	% Change 2011 vs. 2010
Revenue	$ 221.3	$ 184.7	$ 36.6	20%	$ 125.3	$ 59.4	47%
Operating costs and expenses:							
Cost of services	75.7	59.7	16.0	27%	39.2	20.5	52%
Selling, general and administrative	31.0	23.8	7.2	30%	15.9	7.9	50%
Depreciation and amortization	70.6	54.8	15.8	29%	34.6	20.2	58%
Restructuring charges	0.5	—	0.5	n/m	1.4	(1.4)	n/m
Gain on sale of assets	(0.2)	—	(0.2)	n/m	—	—	n/m
Asset impairments	13.3	—	13.3	n/m	—	—	n/m
Total operating costs and expenses	190.9	138.3	52.6	38%	91.1	47.2	52%
Operating income	$ 30.4	$ 46.4	$ (16.0)	(34)%	$ 34.2	$ 12.2	36%
Operating margin	13.7%	25.1%		(11.4)pts	27.3%		(2.2)pts
Capital expenditures	$ 228.2	$ 118.5	$ 109.7	93%	$ 31.1	$ 87.4	n/m
Metrics information:							
Data center capacity (in square feet)	932,000	763,000	169,000	22%	639,000	124,000	19%
Utilization rate*	78%	88%		(10)pts	88%		—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.

2012 Compared to 2011

Revenue

Data center service revenue consisted of recurring colocation rents and nonrecurring revenue for installation of customer equipment. Data center revenue was $221.3 million in 2012, up $36.6 million, or 20%, compared to 2011 primarily due to sales of additional space, power, and related colocation products to new and existing customers.

Our data center capacity increased to 932,000 square feet at December 31, 2012, a net increase of 22% compared to the same period last year. During 2012, we completed construction on 199,000 square feet of new data center capacity but also decommissioned 30,000 square feet of old, low-value legacy space in the Cincinnati market, resulting in a net increase in capacity of 169,000 square feet. The amount of new space contractually committed to customers totaled 92,000 square feet in 2012. As a result, the utilization rate of the data center facilities was 78% at December 31, 2012, down from 88% in the prior year. Of the 199,000 square feet of new capacity added during 2012, 66% was completed and commissioned during the second half of 2012.

Costs and Expenses

Cost of services in 2012 of $75.7 million increased by $16.0 million compared to 2011. Substantially all property operating costs increased as a result of the expansion of our data center facilities. Payroll, electricity, contract services, rent and property taxes all increased as additional data center space was commissioned for service.

SG&A costs were $31.0 million in 2012, an increase of $7.2 million compared to 2011. Payroll and other employee-related costs increased by $8.6 million as CyrusOne built and strengthened the quality of personnel in their finance function and senior management. Marketing costs increased by $1.5 million as CyrusOne increased their brand awareness through advertising, trade shows and other promotional activities, and consulting and legal costs increased by $1.4 million. The impact of these increases was partially offset by a decrease in other SG&A costs from the integration of the Cincinnati-based sales and back office functions into the Data Center Colocation segment in 2012.

The $15.8 million increase in depreciation and amortization expense for 2012 compared to 2011 was primarily due to new data center facilities placed into service in 2011 and 2012.

Restructuring charges of $0.5 million in 2012 were primarily related to the separation of a member of the senior management team. No restructuring costs were incurred in 2011.

Gain on sale of assets of $0.2 million was realized from the sale of generators following an equipment upgrade at a Texas data center.

Asset impairments of $13.3 million in 2012 related to a long-lived assets write-down of $11.8 million and a $1.5 million impairment of customer relationship intangibles, both of which were primarily associated with the 2007 acquisition of GramTel. No such losses were incurred in 2011.

Capital Expenditures

Capital expenditures were $228.2 million in 2012, an increase of $109.7 million compared to the prior year. During 2012, CyrusOne continued its development of real estate, completing construction on 199,000 square feet of new space primarily at its Houston, Carrollton, San Antonio, Phoenix, Austin and Lewisville facilities. At December 31, 2012, expansions of data centers are ongoing in London, Phoenix and Houston.

2011 Compared to 2010

Revenue

Data center revenue in 2011 was $184.7 million, an increase of $59.4 million, or 47%, compared to 2010. The increase in revenue was primarily related to the acquisition of Cyrus Networks in June 2010 and new business earned in 2011. Changes to presentation of certain customers' utility billings in 2011 also added $7.6 million to revenue for the year.

The Data Center Colocation business had 763,000 square feet of data center space at December 31, 2011, up 19% from a year earlier, primarily from the acquisition of Cyrus Networks in June 2010. At December 31, 2011 the utilization rate of the Company's data center facilities was 88%, consistent with the prior year.

Costs and Expenses

Cost of services was $59.7 million for 2011, up $20.5 million, or 52%, compared to 2010. The increase is primarily related to the acquisition of Cyrus Networks and expansion of the Cincinnati-based operations. Cost of services increased by $13.4 million compared to the prior year. The change in the presentation of certain customers' utility billings, described above, also increased cost of services by $7.6 million.

SG&A expenses were $23.8 million for 2011, up $7.9 million, or 50%, versus the prior year. The increase is primarily related to the acquisition of Cyrus Networks. In addition, legal and consulting costs increased in 2011 related to start-up costs associated with new locations and advertising costs.

The $20.2 million increase in depreciation and amortization expense for 2011 compared to 2010 was primarily due to the assets acquired with Cyrus Networks and additional assets placed in service to increase data center capacity.

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 Cyrus Networks program.

Capital Expenditures

Capital expenditures were $118.5 million in 2011, an increase of $87.4 million compared to 2010. An increase in capital expenditures was undertaken to expand data center space available for customers.

Corporate

Corporate is comprised primarily of general and administrative costs that have not been allocated to the business segments. Corporate costs totaled $34.7 million in 2012, $28.5 million in 2011, and $29.0 million in 2010.

2012 Compared to 2011

Corporate costs increased by $6.2 million compared to the prior year, driven largely by an increase in stock compensation mark-to-market expense of $7.3 million. The Company grants stock-based compensation, some of which are cash-payment awards indexed to its stock price, which resulted in the higher mark-to-market charges in 2012 given the 81% increase to the Company's stock price. In addition to the higher mark-to-market expenses, the Company incurred transaction costs of $6.3 million in 2012 compared to $2.6 million in 2011, representing an increase of $3.7 million. In 2012, these costs related to legal and consulting costs incurred to restructure our legal entities in preparation for the proposed IPO of the common stock of CyrusOne. In 2011, these costs represented legal and consulting costs to investigate acquisition opportunities.

The impact of these cost increases was partially offset by a $3.6 million year-over-year decrease in restructuring charges and lower legal costs. In 2012, Corporate had a net reversal of restructuring charges amounting to $1.0 million compared to a charge of $2.6 million in 2011, due primarily to lower projected employee separations.

2011 Compared to 2010

Corporate costs decreased by $0.5 million compared to 2010. Expenses decreased as a result of lower transaction costs, the release of a previously established indemnification liability of $1.2 million, and cost savings for third-party services of $0.5 million. Transaction costs were $2.6 million in 2011, down from $9.1 million in 2010 associated with the acquisition of Cyrus Networks. In 2011, acquisition opportunities were pursued but none were completed. Mostly offsetting these decreases were increases in payroll and benefit related costs of $5.4 million and restructuring charges of $2.3 million. Payroll and benefit related costs increased due to higher headcount, incentive compensation, long-term disability obligations and stock-based compensation expense.

Financial Condition, Liquidity, and Capital Resources

Capital Investment, Resources and Liquidity

Short-term view

Our primary source of cash is generated by operations. In 2012, 2011 and 2010, we generated $212.7 million, $289.9 million, and $300.0 million, respectively, of cash flows from operations. We expect cash flows from operations to be our primary source of cash in 2013. As of December 31, 2012, including CyrusOne, we had $480.9 million of short-term liquidity, comprised of $23.6 million of cash and cash equivalents, $200.0 million of undrawn capacity on our Corporate Credit Agreement, $225.0 million of undrawn capacity on CyrusOne's Credit Agreement, and $32.3 million of unused capacity on the Receivables Facility. Excluding the impact of CyrusOne as of December 31, 2012, we had $239.7 million of short-term liquidity, comprised of $7.4 million of cash and cash equivalents and the total unused capacity of $232.3 million from our Corporate Credit Agreement and Receivables Facility.

Our primary uses of cash are capital expenditures and debt service. In 2012, 2011 and 2010, capital expenditures were $367.2 million, $255.5 million, and $149.7 million, respectively. The higher capital expenditures in 2012 resulted from increased spending on CyrusOne data centers, which totaled $228.2 million in 2012. In 2013, capital expenditures are expected to be in a range of $180 million to $190 million. In 2012, 2011 and 2010, debt repayments were $442.4 million, $11.5 million, and $1,554.5 million, respectively. In the fourth quarter of 2012, CyrusOne LP and CyrusOne Finance Corp issued $525 million of 6 $^3/_8$% Senior Notes, the proceeds from which were used to repay its intercompany payables, to pay debt issuance costs, and also to support its operations. In turn, the Company used the $480 million of proceeds received from CyrusOne to make debt repayments, to pay the debt redemption premiums and accrued interest obligations associated with such repayments, and to also pay the debt issuance costs related to its new Corporate Credit Agreement.

Interest payments were $217.9 million, $211.8 million and $172.4 million in 2012, 2011 and 2010, respectively. The higher interest payments in 2012 were largely the result of $4.6 million of accelerated interest payments associated with the early redemption in the fourth quarter of 2012 of the 7% Senior Notes due 2015. Interest on these bonds was previously due semi-annually in February and August of each year. Also contributing to the increased interest payments was the impact of higher capital lease and other financial obligations primarily associated with CyrusOne's increased data center footprint. For 2013, excluding the impact of CyrusOne, our contractual debt maturities, including capital lease obligations, are $7.1 million and associated contractual interest payments are expected to be approximately $175 million.

To a lesser extent, cash is also used primarily to fund our pension obligations, to pay preferred stock dividends, and also to repurchase shares of common stock as and when the stock price offers an attractive valuation. Cash contributions to our qualified pension plans were $23.9 million, $18.1 million and $5.6 million in 2012, 2011 and 2010, respectively. Contributions to our qualified pension plans for 2013 are expected to be $41.6 million. Dividends paid on preferred stock were $10.4 million in each of 2012, 2011 and 2010. We do not currently pay dividends on our common shares, nor do we plan to pay dividends on such shares in 2013. In 2012, 2011 and 2010, cash used to repurchase common shares was $0.3 million, $10.4 million and $10.0 million, respectively. As of December 31, 2012, management has authority to repurchase additional common shares with a value of up to $129.2 million under the most recent plan approved by the Board of Directors. This plan does not have a stated maturity date. Management may purchase additional shares in the future to the extent that cash is available and management believes the share price offers an attractive value.

The Company's Receivables Facility, which had $32.3 million in available borrowing capacity at December 31, 2012, is subject to renewal annually. While we expect to continue to renew this facility, we would be required to use cash, our Corporate Credit Agreement, or other sources to repay any outstanding balance on the Receivables Facility if it were not renewed.

Management believes that cash on hand, cash generated from operations, and available funding from its credit facilities will be adequate to meet the Company's investing and financing needs for 2013.

Long-term view, including debt covenants

As of December 31, 2012, the Company had $2.7 billion of outstanding indebtedness and an accumulated deficit of $3.2 billion. Excluding the impact of CyrusOne's debt, the Company's indebtedness at December 31, 2012 amounted to $2.1 billion. A significant amount of indebtedness was previously incurred from the purchase and operation of a national broadband business, which was sold in 2003.

In addition to the uses of cash described in the *Short-term view* section above, the Company has to satisfy the above-mentioned long-term debt obligations. The Company has no significant debt maturities until 2017. Contractual debt maturities, excluding CyrusOne, are $7.1 million in 2013, $57.8 million in 2014, $5.1 million in 2015, $5.2 million in 2016, $502.6 million in 2017 and $1,562.0 million thereafter. In addition, we have ongoing obligations to fund our qualified pension plans. Based on current legislation and current actuarial assumptions, we estimate these contributions to approximate $190 million over the period from 2013 to 2020. It is also possible that we will use a portion of our cash flows generated from operations for de-leveraging in the future, including discretionary, opportunistic repurchases of debt prior to the scheduled maturities. On January 24, 2013, we completed the IPO of CyrusOne, our former data center colocation business. It is management's intent to sell down the Company's interests in CyrusOne over time and use such proceeds to further de-leverage the Company.

During the fourth quarter of 2012, the Company's $210 million revolving credit facility, previously expiring in June 2014, was replaced with a new $200 million Corporate Credit Agreement that expires in July 2017. Proceeds from this new facility may be used for ongoing working capital and for other general corporate purposes. The amount available under this facility will be reduced to $150 million by December 31, 2014 and further reduced to $125 million on December 31, 2015, subject to the amount of cash proceeds received by the Company from any sales of its ownership in CyrusOne's common stock. This new Corporate Credit Agreement contains financial covenants that require us to maintain certain leverage and interest coverage ratios, and limits our capital expenditures on an annual basis. Capital expenditures are permitted subject to predetermined annual thresholds which are not to exceed $955 million in the aggregate over the next five years. The facility also has certain covenants, which, among other things, limit our ability to incur additional debt or liens, pay dividends, sell, transfer, lease, or dispose of assets, and make certain 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 in 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.

In addition, the CyrusOne Credit Agreement required CyrusOne to maintain a certain secured net leverage ratio, ratio of EBITDA to fixed charges and ratio of total indebtedness to gross asset value, in each case on a consolidated basis. Notwithstanding these limitations, CyrusOne will be permitted, subject to the terms and conditions of the CyrusOne Credit Agreement, to distribute to its shareholders cash dividends in an amount not to exceed 95% of its adjusted funds from operations for any period. Similarly, CyrusOne's indenture permits dividends and distributions necessary for CyrusOne to maintain its status as a real estate investment trust.

As of December 31, 2012, the Company was in compliance with both the Corporate and CyrusOne Credit Agreement covenants.

Various issuances of the Company's public debt, which include the 8 1⁄4% Senior Notes due 2017, the 8 3⁄4% Senior Subordinated Notes due 2018, the 8 3⁄8% Senior Notes due 2020, and the CyrusOne 6 3⁄8% Senior Notes 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. As of December 31, 2012, the Company was in compliance with these covenants.

The Company's most restrictive covenants are generally included in its Corporate Credit Agreement. In order to continue to have access to the amounts available to it under the Corporate Credit Agreement, the Company must remain in compliance with all covenants. The following table presents the calculation of the most restrictive debt covenant, the Consolidated Total Leverage Ratio, as of and for the year ended December 31, 2012:

(dollars in millions)	
Consolidated Total Leverage Ratio as of December 31, 2012	5.12
Maximum ratio permitted for compliance	7.25
Consolidated Funded Indebtedness additional availability	$ 894.1
Consolidated EBITDA clearance over compliance threshold	$ 123.3

Definitions and components of this calculation are detailed in our credit agreement and can be found in the Company's Form 8-K filed on November 20, 2012.

In various issuances of the Company's public debt indentures, a financial covenant exists 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 Credit Agreement. Also, the Company's ability to make restricted payments would be limited, including common stock dividend payments or repurchasing outstanding common shares. As of December 31, 2012, the Company was below the 4:00 to 1:00 Consolidated Adjusted Senior Debt to EBITDA ratio. In addition, the Company had in excess of $200 million available in its restricted payment basket as of December 31, 2012. If the Company is under the 4:00 to 1:00 ratio on a pro forma basis, the Company may use this basket to make restricted payments, including share repurchases or dividends, and/or the Company may designate one or more of its subsidiaries as unrestricted.

Management believes that cash on hand, operating cash flows, its Corporate Credit Agreement and its Receivables Facility, 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.

Cash Flows

Cash flows from operating activities

Cash provided by operating activities during 2012 was $212.7 million, a decrease of $77.2 million compared to $289.9 million generated during 2011. This decrease was largely driven by unfavorable changes in operating assets and liabilities, combined with $6.6 million of higher pension and postretirement payments and $6.1 million of additional interest payments as noted above.

Cash provided by operating activities during 2011 was $289.9 million, a decrease of $10.1 million compared to $300.0 million generated during 2010. This decrease included an additional $39.4 million of interest payments and $18.2 million of higher pension and postretirement payments, partially offset by favorable changes in operating assets and liabilities. Higher average outstanding debt, resulting from the Cyrus Networks acquisition in 2010, and higher interest rates on debt refinancings, led to the higher interest payments in 2011.

Cash flows from investing activities

Cash flows used in investing activities were $371.8 million in 2012 compared to $244.7 million in 2011 and $675.5 million in 2010. Capital expenditures were $367.2 million for 2012, which was $111.7 million higher than 2011 as a result of the continued expansion of data center operations and our Fioptics network. Capital expenditures were $105.8 million higher for 2011 versus 2010 for the same reasons. In 2012, we deposited $11.1 million of cash into an escrow account and released $4.9 million from this account to fund construction of a data center. Proceeds from sales of assets were $1.6 million in 2012, primarily from sales of copper cable.

In 2011, the sale of substantially all of the home security monitoring business assets provided cash of $11.5 million, and in June 2010, the Company used cash of approximately $526 million to acquire Cyrus Networks.

Cash flows from financing activities

Cash flows provided by financing activities were $109.0 million in 2012. During 2012, CyrusOne LP and CyrusOne Finance Corp. issued $525 million of 6⅜% Senior Notes due 2022 and used $480 million of the net proceeds of $511 million to repay intercompany payables. The Company repaid $442.4 million of debt during the year, largely with the net proceeds received from CyrusOne, including the redemption of the $247.5 million of 7% Senior Notes due 2015, $91.1 million of 8⅜% Senior Notes due 2020, purchased pursuant to a tender offer completed in the fourth quarter of 2012, and $73.0 million of various series of CBT Notes due 2023. The Company also used the net proceeds received from CyrusOne to pay the redemption premiums, debt issuance and other costs associated with this series of transactions and to repay the outstanding borrowings on our prior credit facility of $40 million. In 2012, the Company also borrowed $52.0 million under its Receivables Facility and received cash proceeds of $12.1 million from the exercise of stock options and warrants. In 2012, cash was used to pay $10.4 million of preferred stock dividends and to fund $5.7 million of costs associated with the CyrusOne IPO.

Cash flows used in financing activities were $48.8 million in 2011. Cash was used to pay $10.4 million of preferred stock dividends, repurchase 3.4 million shares of common stock for $10.4 million, repay $11.5 million of long-term debt, and settle $16.0 million of other financing obligations.

Cash flows provided by financing activities for 2010 were $429.8 million. During 2010, the Company issued $2.1 billion of debt consisting of $625 million of 8¾% Senior Subordinated Notes due 2018, a $760 million secured term loan credit facility due 2017, and $775 million of 8⅜% Senior Notes due 2020. The net proceeds from these borrowings were used to redeem the $560 million of outstanding 8⅜% Senior Subordinated Notes due 2014, repay the Company's previous credit facility of $204.3 million, fund the acquisition of Cyrus Networks, repay the secured term loan facility totaling $756.2 million and to pay debt issuance fees and expenses. The Company paid $42.6 million of debt issuance costs related to the various issuances of these instruments in 2010. Also, during 2010, the Company repaid $85.9 million of borrowings under the Receivables Facility, repurchased approximately 4 million shares of common stock for $10.0 million, and paid $10.4 million of preferred stock dividends.

Future Operating Trends

Wireline

The Company expects to increase revenues from its Fioptics suite of products, high speed data transmission, managed voice and data, cloud computing and professional services. Fioptics is a fiber-based product offering that provides one of the fastest internet speeds in the Company's operating territory, as well as entertainment and voice services. At year end 2012, the Company passed and can provide Fioptics service to 205,000 homes and businesses, or approximately 26% of Greater Cincinnati, and had 55,100 entertainment, 56,800 high-speed internet, and 40,800 voice Fioptics customers. The penetration rate of this product is approximately 28% of the total units that have been passed with the Fioptics network. Management plans to continue its investment in Fioptics and expects to pass an additional 72,000 units by year end 2013.

Wireline legacy products with declining future revenues include local voice, DSL, and long distance. In 2012, Wireline suffered a 7% loss of ILEC access lines and a 7% loss of long distance subscribers as additional customers elected to use wireless communication in lieu of the traditional local service, purchased service from other providers, or service was disconnected due to non-payment. DSL subscribers decreased from 218,000 in 2011 to 202,600 in 2012 and are projected to continue to decline as customers switch to higher speed services, such as our Fioptics product. We expect revenues from these legacy products to become a smaller percentage of our total revenues over the next few years.

Wireless

Churn in our Wireless postpaid subscribers accelerated in the last few months of 2012. As of December 31, 2012, Wireless postpaid subscribers decreased to 251,300, down 19% compared to the prior year. Our operating territory is well saturated with competitors, which include Verizon, AT&T, Sprint Nextel, T-Mobile, Leap and TracFone. Both Verizon and AT&T have implemented LTE networks within our operating territory. In 2013, both T-Mobile and Sprint Nextel are expected to begin to offer LTE service in our operating territory. LTE provides higher-speed data transmission which is attractive to smartphone users. The Company has piloted an LTE network trial program in limited operating territories, and has not yet determined whether it will upgrade its network to LTE or, if it does upgrade, the timing of the LTE upgrade and the extent of its network that it will upgrade with LTE. Our limited handset offerings are also a factor in our ability to attract and retain customers. Although we believe our handsets are technologically equivalent to those being offered by the national carriers, we do not carry the premium brand-name handsets such as the iPhone™. These competitive factors will likely result in a continued loss of wireless subscribers and adversely affect our wireless revenues and operating margins.

IT Services and Hardware

Growth in managed services and professional services was strong in 2012, up 18%, driven by strong demand from one of our largest customers. We expect growth in 2013 to be more moderate. Investment in this segment has generally been limited by the availability of cash and the deployment of capital to support other business initiatives, such as the expansion of our Fioptics service territory.

Demand for IT hardware is cyclical in nature. That is, in periods of fiscal restraint, a customer may defer these capital purchases and, instead, use its existing equipment for a longer period of time. As such, IT and telephony equipment sales in 2013 are somewhat dependent on the business economy and outlook in 2013.

In 2013, we plan to integrate our IT Services and Hardware sales, service, marketing and back office functions into our Wireline business markets operations. We expect the integration of these operations to reduce costs, improve technical and customer services, and drive back-office efficiencies.

Data Center Colocation

In connection with the formation of CyrusOne, its debt issuance and IPO, CyrusOne and all its subsidiaries were released from their guarantees of our 8 3⁄8% Senior Notes due 2020, 8 3⁄4% Senior Subordinated Notes due 2018, and 8 1⁄4% Senior Notes due 2017. On January 24, 2013, we completed the IPO of CyrusOne, which owns and operates our former Data Center Colocation business. We currently own approximately 1.9 million shares, or 8.6%, of CyrusOne's common stock and are a limited partner in CyrusOne LP, owning approximately 42.6 million, or 66%, of its partnership units. CyrusOne LP units are exchangeable into common stock of CyrusOne on a one-to-one basis, or cash at the fair value of a share of CyrusOne common stock, at the option of CyrusOne, commencing on January 17, 2014.

Although we effectively own approximately 69% of the economic interests of CyrusOne through our ownership of its common stock and partnership units of CyrusOne LP, we no longer control its operations as we are a limited partner in CyrusOne LP, and own less than 10% of CyrusOne's common stock. Upon completion of the IPO, we deconsolidated CyrusOne's assets and liabilities and recognized our investment in CyrusOne's common stock as an available-for-sale security on our balance sheet. Any fair value changes due to CyrusOne's stock price will be recognized in other comprehensive income. In addition, our investment in CyrusOne LP was recorded as an equity method investment, and we will recognize our share of CyrusOne LP's net income as non-operating income.

In 2012, CyrusOne experienced strong demand for data center colocation services, and we expect this trend to continue for the foreseeable future. CyrusOne plans to continue to expand its data center capacity in 2013.

It is management's intent to sell down the Company's interests in CyrusOne over time and use such proceeds to further de-leverage the Company. As of January 24, 2013, the Company's tax basis in CyrusOne was approximately $600 million.

Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2012:

	Payments due by Period				
(dollars in millions)	**Total**	**< 1 Year**	**1-3 Years**	**3-5 Years**	**Thereafter**
Long-term debt, excluding capital leases (1)	$2,561.8	$ 1.2	$ 52.2	$500.0	$2,008.4
Capital leases	135.1	12.2	18.2	14.2	90.5
Interest payments on long-term debt, capital leases, and other financing arrangements (2)	1,567.5	213.9	424.3	412.5	516.8
Non-cancellable operating lease obligations	44.9	16.2	21.5	5.7	1.5
Purchase obligations (3)	119.6	119.2	0.4	—	—
Pension and postretirement benefits obligations (4)	230.2	63.9	65.8	51.2	49.3
Other liabilities (5)	67.8	11.8	16.7	5.8	33.5
Total	$4,726.9	$438.4	$599.1	$989.4	$2,700.0

(1) Long-term debt excludes net unamortized discounts and premiums.

(2) Interest payments on both fixed and variable rate long-term debt, capital leases, and other financing arrangements assuming no early payment of debt in future periods. The interest rate applied on variable rate borrowings is the rate in effect as of December 31, 2012.

(3) Purchase obligations primarily consist of amounts under open purchase orders for purchases of energy, network, IT and telephony equipment, and other goods; contractual obligations for services such as software maintenance, outsourced services and data center construction; and other purchase commitments.

(4) Included in pension and postretirement benefit obligations are payments for postretirement benefits, qualified pension plans, non-qualified pension plan and other employee retirement agreements. Amounts for 2013 include $20.5 million expected to be contributed for postretirement benefits. Although the Company expects to continue operating the plans past 2013, its contractual obligation related to postretirement obligations only extends through 2013. Amounts for 2013 through 2020 include approximately $190 million of estimated cash contributions to its qualified pension plans, with $41.6 million expected to be contributed in 2013. Expected qualified pension plan contributions are based on current plan design, legislation and current actuarial assumptions. Any changes in plan design, legislation or actuarial assumptions may also affect the expected contribution amount.

(5) Includes contractual obligations primarily related to restructuring reserves, asset removal obligations, long-term disability obligations, workers compensation liabilities, other financing obligations, and long-term incentive plan obligations.

The contractual obligations table is presented as of December 31, 2012. 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.

As of January 24, 2013, we completed the IPO of CyrusOne. Excluding CyrusOne, our contractual obligations as of December 31, 2012 were as follows:

	Payments due by Period				
(dollars in millions)	**Total**	**< 1 Year**	**1-3 Years**	**3-5 Years**	**Thereafter**
Long-term debt, excluding capital leases (1)	$2,036.8	$ 1.2	$ 52.2	$500.0	$1,483.4
Capital leases	103.0	5.9	10.7	7.8	78.6
Interest payments on long-term debt, capital leases, and other financing arrangements (2)	1,174.3	172.5	342.9	332.7	326.2
Non-cancellable operating lease obligations	38.4	12.6	19.8	5.5	0.5
Purchase obligations (3)	70.5	70.1	0.4	—	—
Pension and postretirement benefits obligations (4)	230.2	63.9	65.8	51.2	49.3
Other liabilities (5)	44.3	11.3	14.5	2.6	15.9
Total	$3,697.5	$337.5	$506.3	$899.8	$1,953.9

(1) Long-term debt excludes net unamortized discounts and premiums.
(2) Interest payments on both fixed and variable rate long-term debt, capital leases, and other financing arrangements assuming no early payment of debt in future periods. The interest rate applied on variable rate borrowings is the rate in effect as of December 31, 2012.
(3) Purchase obligations primarily consist of amounts under open purchase orders for purchases of network, IT and telephony equipment, and other goods; contractual obligations for services such as software maintenance, outsourced services; and other purchase commitments.
(4) Included in pension and postretirement benefit obligations are payments for postretirement benefits, qualified pension plans, non-qualified pension plan and other employee retirement agreements. Amounts for 2013 include $20.5 million expected to be contributed for postretirement benefits. Although the Company expects to continue operating the plans past 2013, its contractual obligation related to postretirement obligations only extends through 2013. Amounts for 2013 through 2020 include approximately $190 million of estimated cash contributions to its qualified pension plans, with $41.6 million expected to be contributed in 2013. Expected qualified pension plan contributions are based on current plan design, legislation and current actuarial assumptions. Any changes in plan design, legislation or actuarial assumptions may also affect the expected contribution amount.
(5) Includes contractual obligations primarily related to restructuring reserves, asset removal obligations, long-term disability obligations, workers compensation liabilities, and long-term incentive plan obligations.

Contingencies

We are subject to various lawsuits, actions, proceedings, claims and other matters asserted under laws and regulations in the normal course of business. We believe the amounts provided in our Financial Statements, as prescribed by GAAP, are adequate in light of the probable and estimable contingencies. However, there can be no assurances that the actual amounts required to satisfy alleged liabilities from various legal proceedings, claims, tax examinations, and other matters, including the matters discussed below, and to comply with applicable laws and regulations, will not exceed the amounts reflected in our Consolidated Financial Statements. As such, costs, if any, that may be incurred in excess of those amounts provided as of December 31, 2012, cannot be reasonably determined.

In 2011, the Company and certain directors and officers were named as defendants in a federal court and a state court shareholder derivative action. Plaintiffs' allegations, which defendants denied, in both the federal and state court actions, were that the director defendants breached their duty of loyalty in connection with 2010 executive compensation decisions and the officer defendants were unjustly enriched. On March 1, 2012, the parties to the case captioned: NECA-IBEW Pension Fund (The Decatur Plan) v. Cox, et al., Case No. 11-cv-00451, United States District Court, Southern District of Ohio, Western Division ("the Federal Action"), reached an agreement concerning the Federal Action. Pursuant to the agreement, the parties agreed to stipulate to the filing of an Amended Complaint, which was docketed with the court, and thereafter, the parties jointly moved the court to stay the Federal Action pending the entry of a judgment in the state court action, captioned:In re Cincinnati Bell Inc. Derivative Litigation, Case No. A1105305, Court of Common Pleas, Hamilton County, Ohio ("the State Action"). The Federal Action was stayed by the court. The parties to the State Action previously reached a settlement of that action which includes certain changes to the Company's corporate governance policies. On April 16, 2012, in the State Action, the court held a hearing to consider final approval of the settlement and fee and expense request by plaintiffs' counsel. The court on April 16, 2012 approved the settlement and the fees and expenses requested by plaintiffs' counsel, including counsel for plaintiff in the Federal Action, and entered an Order and Final Judgment, dismissing the State Action with prejudice. Subsequently, the Federal Action was dismissed with prejudice. The settlement and counsel fees and expenses were fully paid as of December 31, 2012.

The resolution of the above claims did not individually, or in the aggregate, have a material effect on our financial position, results of operations or cash flows during the period ended December 31, 2012. Based on information currently available, consultation with counsel, available insurance coverage and established reserves, management believes the eventual outcome of all outstanding claims will not individually, or in the aggregate, have a material effect on the Company's financial position, results of operations or cash flows.

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, sale, 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, (d) indemnities involving the representations and warranties in certain contracts, and (e) outstanding letters of credit which totaled $6.3 million as of December 31, 2012. 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.

On November 20, 2012, certain subsidiaries of the Company (the "Contributors") entered into contribution agreements (the "Contribution Agreements") with CyrusOne LP, pursuant to which, on November 20, 2012, the Contributors contributed direct or indirect interests in a portfolio of properties and certain other assets related to such properties to CyrusOne LP in exchange for units of limited partnership interest in CyrusOne LP and the assumption of liabilities by CyrusOne LP.

The Contribution Agreements provide that CyrusOne LP assumed or succeeded to all of the Contributors' rights, liabilities and obligations with respect to the property entity, property interests and assets contributed. The Contribution Agreements contain customary representations and warranties by the Contributors with respect to the property entity, property interests and assets contributed to CyrusOne LP, such as title to any owned property, compliance with laws (including environmental laws), enforceability of certain material contracts and leases and certain other matters. In the event of a breach of such representations and warranties, the Contributors will indemnify CyrusOne LP for any resulting losses.

No Contributor will be liable unless and until the amount of losses exceeds 1% of the aggregate value of the units of limited partnership interest in CyrusOne LP received by the Contributor that contributed the property to which such losses relate. The liability of each Contributor will be limited to 10% of the aggregate value of the units of limited partnership interest in CyrusOne LP received by such Contributor in connection with the contribution transactions, and, with respect to any liability that arises from a specific contributed property, such indemnification will be limited to 10% of the aggregate value of the units of limited partnership interest in CyrusOne LP issued in respect of such contributed property. The foregoing limitations on the Contributors' indemnification obligations will not apply to the Contributors' representations and warranties with respect to title to any owned property contributed to CyrusOne LP until such time as CyrusOne LP obtains title insurance policies with respect to such properties.

The representations and warranties made by the Contributors will survive for a period of one year after the closing of the contribution transactions. In the event CyrusOne LP does not become aware of a breach until after such period, or if CyrusOne LP otherwise fails to assert a claim prior to the end of such period, CyrusOne LP will have no further recourse against the Contributors.

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. During 2012, warrant holders elected to exercise a total of 3.2 million warrants, primarily on a cashless basis, and received 1.5 million shares of common stock. As of December 31, 2012, there were 14.3 million warrants that remained unexercised. There were no exercises of warrants in 2011 or 2010.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States. Application of these principles requires management to make estimates or judgments that affect the amounts reported in the financial statements and accompanying notes. These estimates are based on information available as of the date of the financial statements; accordingly, as this information changes, the financial statements could reflect different estimates or judgments. Certain accounting policies inherently have a greater reliance on the use of estimates and as such, have a greater possibility of producing results that could be materially different than originally reported.

Our most significant accounting policies are presented in Note 1 to the consolidated financial statements. Management views critical accounting policies to be those policies that are highly dependent on subjective or complex judgments, estimates or assumptions, and where changes in those estimates and assumptions could have a significant impact on the consolidated financial statements. We have discussed our most critical accounting policies, judgments, and estimates with our Audit and Finance Committee.

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.

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 collectibility is reasonably assured.

With respect to arrangements with multiple deliverables, we determine 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 — Revenues from local telephone, special access, and internet product services, which are billed monthly prior to performance of service, are not recognized upon billing or cash receipt but rather are deferred until the service is provided. Long distance and switched access are billed monthly in arrears. Wireline 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 reporting period for usage-based services such as long distance and switched access, we must estimate service revenues earned but not yet billed. Our estimates are based upon historical usage, and we adjust these estimates during the period in which actual usage is determinable, 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. Wireless 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 reporting period for usage-based services such as postpaid wireless, we estimate service revenues earned but not yet billed. Our estimates are based upon historical usage, and we adjust these estimates during the period in which actual usage is determinable, 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 generally in excess of the related handset and activation revenue. Termination fees are recognized as revenue to the extent collection is deemed reasonably assured.

IT Services and Hardware — Professional services, including product installations, are recognized as the service is provided. Maintenance services on telephony equipment are deferred and recognized ratably over the term of the underlying customer contract, generally one to four years.

Equipment revenue is recognized upon the completion of our contractual obligations, such as shipment, delivery, installation, or customer acceptance. Installation service revenue is generally recognized when installation is complete. We have vendor specific evidence of selling price, as we sell equipment and installation services on both a combined and standalone basis.

The Company is a reseller of IT and telephony equipment. For these transactions, we consider the gross versus net revenue recording criteria of ASC 605. 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. Vendor rebates are earned on certain equipment sales. If the rebate is earned and the amount is determinable, we recognize the rebate as an offset to cost of products sold.

Data Center Colocation — Data center colocation rentals are generally billed monthly in advance and some contracts have escalating payments over the non-cancellable term of the contract. If rents escalate without the lessee gaining access to or control over additional leased space or power, and the lessee takes possession of, or controls the physical use of the property (including all contractually committed power) at the beginning of the lease term, the rental payments by the lessee are recognized as revenue on a straight-line basis over the term of the lease. If rents escalate because the lessee gains access to and control over additional leased space or power, revenue is recognized in proportion to the additional space or power in the years that the lessee has control over the use of the additional space or power. The excess of revenue recognized over amounts contractually due is recognized in other current assets and other noncurrent assets in the accompanying combined balance sheets.

Some of our leases are structured on a full-service gross basis in which the customer pays a fixed amount for both colocation rental and power. Other leases provide that the customer will be billed for power based upon actual usage which is separately metered. In both cases, this revenue is presented on a gross basis in the accompanying combined statements of operations. Power is generally billed one month in arrears and an estimate of this revenue is accrued in the month that the associated costs are incurred. We generally are not entitled to reimbursements for real estate taxes, insurance or other operating expenses.

Revenue is recognized for services or products that are deemed separate units of accounting. When a customer makes an advance payment which is not deemed a separate unit of accounting, deferred revenue is recorded. This revenue is recognized ratably over the expected term of the customer relationship, unless the pattern of service suggests otherwise.

Certain customer contracts require specified levels of service or performance. If we fail to meet these service levels, our customers may be eligible to receive credits on their contractual billings. These credits are recognized against revenue when an event occurs that gives rise to such credits.

Accounting for Allowances for Uncollectible Accounts Receivable — The allowance for uncollectible accounts is determined using historical percentages of credit losses applied to outstanding aged receivables, as well as specific provisions for certain identifiable, potentially uncollectible balances. Management believes its allowance for uncollectible accounts represents a reasonable estimate of future credit losses. However, if one or more of our larger customers were to default on its accounts receivable obligations, or if general economic conditions in our operating area deteriorated, our future credit losses could exceed the amount recognized in the allowance for uncollectible accounts receivable. Most of our outstanding accounts receivable balances are with companies located within our geographic operating areas. Regional and national telecommunications companies account for most of the remainder of our accounts receivable balances. As of December 31, 2012 and 2011, receivables with one large customer exceeded 10% of the Company's total accounts receivable. Our Wireline and Wireless segments, which comprise 78% and 12% of the allowance for uncollectible accounts receivables as of December 31, 2012, respectively, would be the segments most affected by an adverse development in credit losses.

Reviewing the Carrying Values of Goodwill and Indefinite-Lived Intangible Assets — The Company adheres to the amended guidance under ASC 350-20 in testing goodwill for impairment. Under this revised guidance, the Company has the option of performing a qualitative assessment for impairment prior to performing the quantitative tests. In 2012, the Company adopted this new guidance but elected to perform a quantitative assessment of goodwill for all reporting units in 2012. The Company performs impairment testing of goodwill and indefinite-lived intangible assets on an annual basis, or when events or changes in circumstances indicate that an asset may be impaired. We perform our annual impairment tests in the fourth quarter when our five-year plan is updated.

Management estimates the fair value of each reporting unit using a combination of valuation methods, including both income-based and market-based methods. The income-based approach utilizes a discounted cash flow model using projected cash flows derived from the five-year plan, adjusted to reflect market participants' assumptions. Expected future cash flows are discounted at the weighted average cost of capital applying a market participant approach. The market-based approach utilizes earnings multiples from comparable publicly-traded companies.

In 2011, our Wireless reporting unit recognized a goodwill impairment loss of $50.3 million due to declines in revenues and wireless subscribers. Fair value of the reporting unit was estimated using both an income approach and market approach. The income approach was weighted more heavily than the market approach due to projections of declining revenues. No impairment losses were recognized on goodwill in 2012 or 2010. In 2012, the estimated fair value of goodwill exceeded the carrying value of goodwill by more than 25% for all reporting units.

In July 2012, the FASB amended the guidance in ASC 350-30 on testing indefinite-lived intangibles assets, other than goodwill, for impairment. Under the revised guidance, an entity testing an indefinite-lived intangible asset for impairment has the option of performing a qualitative assessment before performing quantitative tests. If the entity determines, on the basis of qualitative factors, that the fair value of the indefinite-lived intangible asset is not more likely than not impaired, the entity would not need to perform the quantitative tests. In 2012, we adopted this guidance for our impairment tests of indefinite-life intangible assets.

Wireless owns FCC wireless spectrum licenses which are indefinite-lived intangible assets. These licenses are generally renewed every ten years for a nominal fee, provided we continue to meet the service and geographic coverage provisions required by the FCC. In 2012, management performed a qualitative assessment of impairment on this asset and concluded it was more likely than not that no impairment had occurred. The key qualitative factors that affect the fair value of licensed spectrum consists of regulatory use, population characteristics, population density, position of the spectrum within the spectrum band, quantity and frequency of use. Our analysis of these factors indicated favorable market characteristics for spectrum in our operating territory, continued increases in customer demand for data and wireless applications, and no additional supply of spectrum in our operating territory.

In 2011, a quantitative approach was utilized to test this asset for potential impairment. The fair value of these licenses was determined by using both the "Greenfield" method and the "Auction" method. The Greenfield method is an income approach technique that presents the expected economics of an actual asset using a hypothetical set of operating assumptions. Specifically, in this approach, a hypothetical start-up of a business is assumed wherein the only asset of the business is the spectrum being analyzed. The Auction method measures the value of the spectrum by examining transactions in the marketplace involving the sale of spectrum with attributes similar to those of the subject. The Greenfield method was weighted more heavily than the Auction method due to limited transactions in the market. As of December 31, 2011, the fair value of these licenses exceeded the carrying value of this asset by 25%. No impairment was recognized on these licenses in 2012, 2011 or 2010.

Changes in certain assumptions could have a significant impact on the impairment tests for goodwill and indefinite-lived intangible assets. The most critical assumptions are projected future growth rates, operating margins, capital expenditures, terminal values, and discount rate selection. These assumptions are subject to change as the Company's long-term plans and strategies are updated each year.

Reviewing the Carrying Values of Long-Lived Assets — Depreciation of our Wireline telephone plant is determined on a straight-line basis using the group depreciation method. 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. Repair and maintenance expense items are charged to expense as incurred.

The useful lives of plant and equipment are estimated in order to determine the amount of depreciation expense to be recorded during any reporting period. The majority of Wireline's 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 our ability to generate cash flow from our network-based services. This competition could ultimately result in an impairment of certain of our tangible or intangible assets. This could have a substantial impact on our future operating results. A one-year change in the useful life of these assets would increase or decrease annual depreciation expense by approximately $30 million.

Management 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.

In 2012, management identified impairment indicators for a customer relationship intangible and long-lived assets primarily associated with the 2007 GramTel acquisition. We performed step one of the impairment tests utilizing cash flow projections from our most recent long-term business plan and other updated assumptions. Management engaged a third-party valuation specialist to assist with the Company's estimation of the fair value of these assets.

Management estimated the fair value of the customer relationship using the income approach, which discounted the expected earnings attributable to current customer contracts, and included estimates of future expenses, capital expenditures and a discount rate of 12%. Management estimated the fair value of the customer relationship intangible to be $2.8 million, resulting in an asset impairment of $1.5 million. The fair value of other long-lived assets, primarily leasehold improvements, was estimated at $2.4 million, resulting in an impairment loss of $11.8 million. Both fair value estimates are deemed Level 3 measurements within the fair value hierarchy due to the significance of unobservable inputs utilized in these measurements. For the year ended December 31, 2012, impairment losses of $13.3 million were recognized in the Data Center Colocation segment.

During 2012, management also identified impairment indicators for an out-of-territory fiber network. Management estimated the fair value of this asset using an income approach which discounted the expected earnings attributable to current customer contracts, and included estimates of future expenses and a discount rate of 12%. The fair value of this asset was estimated at $0.4 million, resulting in an impairment loss of $0.5 million. This fair value estimate was deemed a Level 3 measurement within the fair value hierarchy due to the significance of unobservable inputs utilized in these measurements. This impairment loss was recognized in the

Wireline segment for the year ended December 31, 2012. In 2011, the Wireline segment recognized an impairment loss of $1.0 million on abandoned assets with no resale value. No impairments were recognized in 2010.

Also in 2012, management identified impairment indicators for its Wireless long-lived assets resulting from continued subscriber losses. We performed step one of the impairment tests using cash flow projections from our most recent long-term business plan and other updated assumptions. Management estimated the cash flows of this asset group considering projected declines in wireless subscribers, and included estimates of future expenses, capital expenditures and an estimated terminal value. As the cash flows exceeded the carrying value of this asset group, no impairment loss was recognized in 2012. However, the gross cash flows only exceeded the carrying value of this asset group by a small margin of approximately 3%. In 2011, the Wireless segment recognized an impairment loss of $1.1 million on abandoned assets with no resale value. No impairments were recognized in 2010.

Accounting for Business Combinations — In accounting for business combinations, we follow 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, management 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 significant estimates and assumptions, especially with respect to the intangible assets. Transaction costs associated with acquisitions are expensed as incurred.

In determining the fair value of the assets acquired with the purchase of Cyrus Networks in 2010, management utilized several valuation methods:

- *Excess earnings method:* This method was used to determine the fair value of customer relationships. 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 as a result of owning the respective asset or technology.

In 2011, we finalized the purchase price allocation for Cyrus Networks. No significant changes were made in 2011 to the estimates or assumptions applied in the preliminary purchase price allocation.

Accounting for Taxes

Income Taxes

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction as well as various foreign, state and local jurisdictions. The Company's previous tax filings are subject to normal reviews by regulatory agencies until the related statute of limitations expires. With a few exceptions, the Company is no longer subject to U.S. federal, state or local examinations for years prior to 2009.

The Company has net operating loss carryforwards at the federal, state, local and foreign levels. Federal tax loss carryforwards are available to offset taxable income in current and future periods. The majority of these 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 our 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, management expects to fully utilize its federal net operating loss carryforwards within their expiration periods. However, realization of certain state, local and foreign net operating losses, as well as other deferred tax assets, is not certain.

A valuation allowance of $56.8 million and $58.4 million has been recognized as of December 31, 2012 and 2011, respectively. In 2012, we reduced valuation allowances by $1.6 million primarily based on the expected future utilization of certain state deferred tax assets.

As of December 31, 2012 and 2011, the liability for unrecognized tax benefits was $22.8 million and $21.8 million, respectively. As of December 31, 2012, the amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is $22.3 million. Management does not currently anticipate that the amount of unrecognized tax benefits will change significantly over the next year. Accrued penalties related to unrecognized tax benefits are recognized in income tax expense. Accrued interest related to unrecognized tax benefits is recognized in interest expense.

Operating Taxes

Certain operating taxes 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 Company's level of income. The expense for certain operating tax audit exposures is also recognized in operating income. Liabilities are established for operating tax audit exposures based on management's assessment of the probability of payment. Upon resolution of an audit, any remaining liability not paid is released and increases operating income.

Regulatory Taxes

Federal regulatory taxes are assessed on certain of the Company's revenue producing transactions. We recover certain of these taxes by billing the customer, however, billings cannot exceed the amount due to the federal regulatory agency. These federal regulatory taxes are presented on a gross basis in sales and cost of services in the consolidated financial statements. In certain instances, the Company does not fully recover these taxes from customers. Revenue associated with regulatory taxes was $22.2 million in 2012, $20.6 million in 2011, and $19.9 million in 2010. Cost of services associated with these taxes was $24.4 million, $22.7 million, and $22.0 million in 2012, 2011, and 2010, respectively. All other federal taxes collected from customers are presented in the consolidated financial statements on a net basis.

Accounting for Pension and Postretirement Expenses — In accounting for pension and postretirement expenses, we apply ASC 715, "Compensation — Retirement Benefits." A liability has been recognized on the consolidated balance sheet for the unfunded status of the pension and postretirement plans. Actuarial gains/(losses) and prior service costs that arise during the period are recognized as a component of accumulated other comprehensive loss on the consolidated balance sheet.

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 former senior executives. We also provide healthcare and group life insurance benefits for eligible retirees. The measurement date for our pension and postretirement obligations is as of December 31. When changes to the plans occur during interim periods, management reviews the changes and determines if a remeasurement is necessary.

In 2011, the Company entered into a new labor agreement with its bargained employees which eliminated future pension credits for certain employees effective January 1, 2012. As a result of this event, we remeasured the projected benefit obligation of the non-management benefit plan and recognized a curtailment loss of $4.2 million in 2011.

The measurement of our pension and postretirement projected benefit obligations involves significant assumptions and estimates. Each time we remeasure our projected benefit obligations, we reassess the significant assumptions and estimates. 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 healthcare cost trend rates.

Discount rate

A discount rate is used to measure the present value of projected benefit obligations. The discount rate for each plan is individually calculated based upon the timing of expected future benefit payments. Our discount rates are derived based upon a yield curve developed to reflect yields available on high-quality corporate bonds as of the measurement date. As of December 31, 2012 and 2011, the discount rate used to value the pension plans was 3.30% and 3.90%, respectively, while the discount rate used to value the postretirement plans was 3.10% and 3.60%. Lower rates of interest available on high-quality corporate bonds drove the decrease in the discount rates in 2012.

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. As of December 31, 2012 and 2011, the estimated long-term rate of return on pension plan assets was 7.75%. The long-term rate of return on postretirement plan assets was estimated to be zero in both periods as these plans have minimal assets with a low rate of return. Actual asset returns for the pension trusts, which represent over 90% of invested assets, were gains of 15% in 2012, 6% in 2011, and 14% in 2010. In our pension calculations, we utilized 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.

Healthcare cost trend

Our healthcare cost trend rate is developed based on historical cost data, the near-term outlook, and an assessment of likely long-term trends. As of both December 31, 2012 and 2011, the healthcare cost trend rate used to measure the postretirement health benefit obligation was 6.5% and 8.0%, respectively. As of December 31, 2012, the healthcare cost trend rate is assumed to decrease gradually to 4.5% by the year 2016.

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 pension and postretirement plans as of December 31, 2012:

		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%	$28.5/($28.5)	$0.9/($0.9)	$6.2/($5.7)	$0.1/(0.1)
Expected return on assets	+/-0.5%	n/a	$1.7/($1.7)	n/a	$0.1/(0.1)
Healthcare cost trend rate	+/-1.0%	n/a	n/a	$5.4/($4.8)	$0.2/($0.2)

At December 31, 2012 and 2011, unrecognized actuarial net losses were $399.8 million and $411.6 million, respectively. The unrecognized net losses have been primarily generated by differences between assumed and actual rates of return on invested assets, changes in discount rates, and healthcare 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, we are 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, we amortize the excess over the average remaining service period of active employees for the pension and bargained postretirement plans (approximately 10-14 years) and average life expectancy of retirees for the management postretirement plan (approximately 17 years).

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 our historical termination rates, historical severance costs, as well as management's expectation of future severance events. As of December 31, 2012 and 2011, accrued employee separation liabilities were $7.8 million and $14.2 million, respectively, resulting largely from projected headcount reductions primarily in our Wireline segment. Further headcount reductions are anticipated in the next few years as we continue to manage our payroll costs to lower levels.

When employee terminations occur, management also considers the guidance in ASC 715 to determine if employee terminations give rise to a pension and postretirement curtailment charge. Our accounting policy is that terminations in a calendar year involving 10% or more of the plan future service years are deemed to be a plan curtailment.

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 are 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. Many of the FCC's regulatory proceedings are now focused on the fulfillment of the goals of the NBP. The financial impact of the various federal proceedings will depend on many factors including the extent of competition, the timing of the FCC's decisions, and the outcome of any appeals of those decisions.

Universal Service

The federal Universal Service Fund ("USF") is funded via an assessment on the interstate end-user revenue of all telecommunications carriers and interconnected VoIP providers. The assessment is used to support high cost, low income, rural healthcare, and school and library programs.

As recommended in the NBP, in October 2011 the FCC adopted new rules (Report and Order in WC Docket No. 10-90, FCC 11-161, the "Order") aimed at controlling the size of the high-cost portion of the fund and transitioning it from supporting legacy circuit-switched networks to broadband. The Order capped the high-cost fund and established a framework for transitioning support to the new Connect America Fund ("CAF") to bring broadband to unserved areas. Phase I reforms freeze existing high-cost support and provided a mechanism for distributing additional support for price cap companies. The details of the Phase II reforms are still being developed but when finalized will use a combination of competitive bidding and a forward-looking cost model to distribute support in price cap areas. Phase II CAF support will be phased in over a five-year period as Phase I support is phased out. A new Mobility Fund has been established to further the deployment of mobile broadband. The Phase I Mobility Fund will use reverse auctions to allocate an initial amount of money to deploy mobile broadband infrastructure. In addition, funds will be allotted for ongoing operating support under the Phase II Mobility Fund, the details of which must still be developed. Finally, the Order adopted some initial reforms to limit the high-cost support received by rate-of-return carriers.

During 2012 the FCC adopted reforms to the low income support programs in order to control the cost of this portion of the fund and established a pilot program to encourage broadband adoption. The FCC also considered major reforms to the USF contribution mechanism to improve the efficiency, fairness and sustainability of system, but stopped short of adopting major changes.

The price cap carrier changes adopted in 2011 froze CBT's existing high cost support of approximately $0.8 million. CBT is eligible to receive this frozen support until the Phase II program is implemented. It is unlikely that the Company will receive significant Phase II CAF support. The reforms to the low income programs had minor impact on CBT and CBW. Although adoption of a new funding mechanism could have significant impacts for the Company, the FCC is unlikely to adopt any major changes in the near term.

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. As the NBP recommended in October 2011, in conjunction with its reform of the USF high cost support program, the FCC adopted comprehensive reforms to the switched access and reciprocal compensation rules. The end point of the reforms is a bill-and-keep system under which all per-minute intercarrier charges are eliminated.

Beginning in 2012, terminating switched access and reciprocal compensation rates are phased out over a six-year period for CBT and other price cap carriers and over a nine-year period for rate-of-return carriers. The plan establishes a mechanism whereby ILECs are permitted to recover some of the lost revenue from increased end-user charges and support from the newly created Connect America Fund. The transition and recovery mechanism for originating access and transport rates has not yet been established by the FCC. The impact of these reforms for the Company will primarily fall on CBT. The impact in 2012 was relatively insignificant, but the impact will increase each year during the six-year transition to bill-and-keep. The Company's terminating switched access and reciprocal compensation revenue subject to these rules was estimated to be less than $7 million in total, and will be phased out to zero over the six-year transition period. The potential to offset these losses via increased end-user charges will primarily depend on competitive conditions in the ILEC operating area.

Special Access

In 2005, the FCC opened a proceeding to review the current special access pricing rules. Under the existing rules, special access services are subject to price cap regulation with no earnings cap and ILECs are entitled to pricing flexibility in metropolitan statistical areas served by a sufficient number of competitors. The special access review proceeding examines the entire special access pricing structure, including whether or not to reinstate an earnings cap and whether the pricing flexibility rules should be modified. During 2012, the FCC suspended the grant of any new pricing flexibility requests and issued a mandatory data request. The data will be collected in 2013 and the impact of any action by the FCC in this proceeding is still uncertain and likely several years away.

VoIP

Although the FCC does not classify VoIP services as telecommunications services or information services, it has applied many traditional telecommunications service obligations to VoIP service providers, including, among others, 911, universal service funding, local number portability, telecommunications relay service, and regulations governing customer proprietary network information. In November 2010, the FCC declared that states may levy USF assessments on nomadic VoIP service intrastate revenue. Since that time, an increasing number of states have required VoIP providers to register with the state and have extended USF assessments to interconnected VoIP services. The USF /Intercarrier Compensation Order adopted by the FCC in the fourth quarter of 2011 brought VoIP—Public Switched Telephone Network ("PSTN") traffic under the intercarrier compensation framework and established transitional default intercarrier compensation rates for toll VoIP-PSTN traffic under interstate access rates, effectively preempting state authority to subject this traffic to intrastate access charges. These changes have had relatively insignificant and offsetting impacts within the Company.

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. 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. Although appeals of these rules are pending, the rules took effect in 2011, and our Wireline and Wireless operations implemented procedures to comply with the rules.

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 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 restrict the ability to increase the price of basic local service and related services but, in return, prevent 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). Under these rules, CBT applied for and received authority from the PUCO to increase its rates for basic local exchange service in eight of its Ohio exchanges and subsequently implemented rate increases for basic local exchange service in all of these exchanges.

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 and CBT implemented a rate increase for basic local exchange service in all of its Ohio exchanges beginning in the first quarter of 2011 and 2012. Furthermore, the legislation provided cost savings and revenue opportunities resulting from revision of the PUCO's retail rules and service standards that were effective 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 were capped in exchange for earnings freedom and pricing flexibility on other retail services. The caps on basic local exchange service prices expired in July 2011 and CBT increased rates for basic local exchange service for residential lines in December 2011 and January 2013 and business lines in January 2012.

Ohio and Kentucky Cable Franchises

The states of Ohio and Indiana permit statewide video service authorization. The Company is now authorized by Ohio and Indiana 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 has reached an agreement with eight franchising authorities in Kentucky.

Recently Issued Accounting Standards

Refer to Note 2 of the Consolidated Financial Statements for further information on recently issued accounting standards. The adoption of new accounting standards did not have a material impact on the Company's financial results for the years ended December 31, 2012, 2011 or 2010.

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 our current expectations, estimates, forecasts 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. Actual results may differ materially from those expressed in any forward-looking statements. The following important factors, among other things, could cause or contribute to actual results being materially and adversely different from those described or implied by such forward-looking statements including, but not limited to:

- 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 businesses and prospects generally;
- the credit facilities and other indebtedness impose significant restrictions on the Company;
- the Company depends on its revolving credit and accounts receivable facilities to provide for its financing requirements in excess of amounts generated by operations;
- 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 depends on the receipt of dividends or other intercompany transfers from its subsidiaries and investments;
- the Company's access lines, which generate a significant portion of its cash flows and profits are decreasing in number;
- the Company's wireless subscribers are decreasing in number;
- 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 Company generates a substantial portion of its revenue by serving a limited geographic area;
- 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;
- maintaining the Company's telecommunications networks requires significant capital expenditures, and its inability or failure to maintain its telecommunications networks would have a material impact on its market share and 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;
- 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 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 loss or significant reduction in business from one or more large customers could cause operating revenues to decline significantly and have a materially adverse long-term impact on the Company's business;
- 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 the Company's growth or cause it to lose customers;
- a failure of back-office information technology systems could adversely affect the Company's results of operations and financial condition;
- the business could be negatively impacted by cybersecurity threats;
- 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 has a significant investment in CyrusOne;
- the Company no longer controls CyrusOne;
- CyrusOne may encounter difficulties in executing its strategic plans;
- a small number of customers account for a significant portion of CyrusOne's revenues;
- CyrusOne's performance and value are subject to risks associated with real estate assets and with the real estate industry;
- if CyrusOne does not qualify as a REIT, or fails to remain qualified as a REIT, they will be subject to U.S. federal income tax as a regular corporation and could face a substantial tax liability, which will reduce the amount of cash available for distribution to their stockholders;
- CyrusOne's cash available for distribution to stockholders may not be sufficient to make distributions at expected levels;
- the trading price of the Company's common stock may be volatile, and the value of an investment in the Company's common stock may decline;
- the uncertain economic environment, including uncertainty in the U.S. and world securities markets, could impact the Company's business and financial condition;
- the Company's future cash flows could be adversely affected if it is unable to realize its deferred tax assets;
- adverse changes in the value of assets or obligations associated with the Company's employee benefit plans could negatively impact shareowners' deficit and liquidity;
- 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;
- 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 could incur significant costs resulting from complying with, or potential violations of, environmental, health, and human safety laws.

Readers 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 revise or 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

The Company has exposure to interest rate risk, primarily in the form of variable-rate borrowings from its credit facilities and changes in current rates compared to that of its fixed rate debt. The Company's management periodically employs derivative financial instruments to manage exposure to interest rate risk. At December 31, 2012 and 2011, the Company held no derivative financial instruments. As of December 31, 2012 the Company had variable-rate borrowings of $52.0 million under the Receivables Facility, the interest on which varies with changes in commercial paper and LIBOR rates. A hypothetical increase or decrease of one percentage point in the rates of commercial paper and LIBOR would increase or decrease our annual interest expense on the Receivables Facility by approximately $0.5 million, assuming no additional borrowings or repayments are made under this Facility. The Company had no variable-rate borrowings as of December 31, 2011.

The following table sets forth the face amounts, maturity dates, and average interest rates at December 31, 2012 for our fixed and variable-rate debt, excluding capital leases and other debt, and unamortized discounts:

(dollars in millions)	2013	2014	2015	2016	2017	Thereafter	Total	Fair Value
Fixed-rate debt:	$ —	$ —	$ —	$ —	$500.0	$2,008.4	$2,508.4	$2,646.1
Weighted average interest rate on fixed-rate debt	—	—	—	—	8.3%	7.8%	7.9%	—
Variable-rate debt:	—	$52.0	—	—	—	—	$ 52.0	$ 52.0
Average interest rate on variable-rate debt (1)	—	1.4%	—	—	—	—	1.4%	—

(1) Based on the average rate in effect during 2012.

At December 31, 2011, the carrying value and fair value of fixed-rate debt was $2,395.1 million and $2,316.4 million, respectively.

Foreign Currency Risk

Substantially all of our revenue and expenses are denominated in U.S. dollars. We do not currently employ forward contracts or other financial instruments to mitigate foreign currency risk.

Commodity Price Risk

Certain of our operating costs are subject to price fluctuations caused by the volatility of the underlying commodity prices, gas utilized primarily by our field operations group, and network and building materials, such as steel, fiber and copper, used in the construction of our networks. As of December 31, 2012, CyrusOne had a contract to purchase 14 MW of electricity at fixed prices for use in one of its Houston data centers through March 31, 2013. As of February 28, 2013, we have not entered into any forward contracts or other financial instruments to mitigate the risk of commodity price risk.

Item 8. Financial Statements and Supplementary Data

Index to Consolidated Financial Statements

	Page
Consolidated Financial Statements:	
Management's Report on Internal Control over Financial Reporting	71
Reports of Independent Registered Public Accounting Firm	72
Consolidated Balance Sheets	74
Consolidated Statements of Operations	75
Consolidated Statements of Comprehensive Income/(Loss)	76
Consolidated Statements of Shareowners' Deficit	77
Consolidated Statements of Cash Flows	78
Notes to Consolidated Financial Statements	79
Financial Statement Schedule:	
For each of the three years in the period ended December 31, 2012:	
II — Valuation and Qualifying Accounts	137

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.

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, 2012. 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, 2012, the Company's internal control over financial reporting is effective based on those criteria.

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, 2013

/s/ Theodore H. Torbeck

Theodore H. Torbeck
President and Chief Executive Officer

/s/ Kurt A. Freyberger

Kurt A. Freyberger
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, 2012, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. 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, 2012, 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, 2012 of the Company and our report dated February 28, 2013 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ Deloitte & Touche LLP

Cincinnati, Ohio
February 28, 2013

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, 2012 and 2011, and the related consolidated statements of operations, comprehensive income/(loss), shareowners' deficit and cash flows for each of the three years in the period ended December 31, 2012. 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, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012, 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.

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, 2012, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2013 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Cincinnati, Ohio
February 28, 2013

Cincinnati Bell Inc.
CONSOLIDATED BALANCE SHEETS
(Dollars in millions, except share amounts)

	December 31, 2012	December 31, 2011
Assets		
Current assets		
Cash and cash equivalents	$ 23.6	$ 73.7
Receivables, less allowances of $13.3 and $11.6	199.0	179.4
Inventory, materials and supplies	30.7	23.8
Deferred income taxes	26.8	30.2
Prepaid expenses	11.8	11.2
Other current assets	11.6	2.7
Total current assets	303.5	321.0
Property, plant and equipment, net	1,587.4	1,400.5
Goodwill	290.6	290.6
Intangible assets, net	196.8	216.9
Deferred income taxes	407.8	423.5
Other noncurrent assets	86.3	62.2
Total assets	$ 2,872.4	$ 2,714.7
Liabilities and Shareowners' Deficit		
Current liabilities		
Current portion of long-term debt	$ 13.4	$ 13.0
Accounts payable	135.6	133.4
Unearned revenue and customer deposits	51.2	48.2
Accrued taxes	21.6	15.5
Accrued interest	41.3	45.6
Accrued payroll and benefits	52.1	52.6
Other current liabilities	40.2	48.1
Total current liabilities	355.4	356.4
Long-term debt, less current portion	2,676.0	2,520.6
Pension and postretirement benefit obligations	362.7	389.9
Other noncurrent liabilities	176.5	163.0
Total liabilities	3,570.6	3,429.9
Shareowners' deficit		
Preferred stock, 2,357,299 shares authorized; 155,250 shares (3,105,000 depositary shares) of 6 $^3/_4$% Cumulative Convertible Preferred Stock issued and outstanding at December 31, 2012 and 2011; liquidation preference $1,000 per share ($50 per depositary share)	129.4	129.4
Common shares, $.01 par value; 480,000,000 shares authorized; 202,960,430 and 196,322,649 shares issued; 202,468,710 and 195,721,796 shares outstanding at December 31, 2012 and 2011	2.0	2.0
Additional paid-in capital	2,590.9	2,584.6
Accumulated deficit	(3,208.8)	(3,220.0)
Accumulated other comprehensive loss	(209.7)	(208.9)
Common shares in treasury, at cost	(2.0)	(2.3)
Total shareowners' deficit	(698.2)	(715.2)
Total liabilities and shareowners' deficit	$ 2,872.4	$ 2,714.7

The accompanying notes are an integral part of the consolidated financial statements.

Cincinnati Bell Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in millions, except per share amounts)

	Year Ended December 31,		
	2012	2011	2010
Revenue			
Services	$1,272.8	$1,250.8	$1,199.3
Products	201.1	211.6	177.7
Total revenue	1,473.9	1,462.4	1,377.0
Costs and expenses			
Cost of services, excluding items below	489.9	464.3	413.9
Cost of products sold, excluding items below	204.7	213.0	190.6
Selling, general and administrative	269.5	263.1	270.9
Depreciation and amortization	217.4	199.5	179.5
Restructuring charges	3.4	12.2	13.7
Curtailment loss	—	4.2	—
Gain on sale or disposal of assets	(1.6)	(8.4)	—
Impairment of goodwill	—	50.3	—
Impairment of assets, excluding goodwill	14.2	2.1	—
Transaction costs	6.3	2.6	9.1
Total operating costs and expenses	1,203.8	1,202.9	1,077.7
Operating income	270.1	259.5	299.3
Interest expense	218.9	215.0	185.2
Loss on extinguishment of debt	13.6	—	46.5
Other expense, net	1.7	0.9	0.4
Income before income taxes	35.9	43.6	67.2
Income tax expense	24.7	25.0	38.9
Net income	11.2	18.6	28.3
Preferred stock dividends	10.4	10.4	10.4
Net income applicable to common shareowners	$ 0.8	$ 8.2	$ 17.9
Basic earnings per common share	$ 0.00	$ 0.04	$ 0.09
Diluted earnings per common share	$ 0.00	$ 0.04	$ 0.09
Weighted-average common shares outstanding (millions)			
Basic	197.0	196.8	201.0
Diluted	204.7	200.0	204.0

The accompanying notes are an integral part of the consolidated financial statements.

Cincinnati Bell Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)
(Dollars in millions)

	Year Ended December 31,		
	2012	2011	2010
Net income	$11.2	$ 18.6	$ 28.3
Other comprehensive income/(loss), net of tax:			
Foreign currency translation loss	—	(0.1)	—
Defined benefit plans:			
Net loss arising during the period, net of tax of $5.1, $30.9, $13.9	(9.2)	(56.5)	(25.1)
Amortization of prior service costs included in net income, net of tax of $4.8, $4.7, $4.6	(8.3)	(8.2)	(8.0)
Amortization of net loss included in net income, net of tax of $(9.5), $(7.6), $(5.3)	16.7	13.2	9.2
Reclassification adjustment for curtailment loss included in net income, net of tax of $(1.5)	—	2.7	—
Total other comprehensive loss, net of tax	(0.8)	(48.9)	(23.9)
Total comprehensive income/(loss)	$10.4	$(30.3)	$ 4.4

The accompanying notes are an integral part of the consolidated financial statements.

Cincinnati Bell Inc.
CONSOLIDATED STATEMENTS OF SHAREOWNERS' DEFICIT
(in millions)

	6¾% Cumulative Convertible Preferred Shares		Common Shares		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Shares		Total
	Shares	Amount	Shares	Amount				Shares	Amount	
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
Other comprehensive loss	—	—	—	—	—	—	(23.9)	—	—	(23.9)
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)
Stock-based compensation	—	—	—	—	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)
Net income	—	—	—	—	—	18.6	—	—	—	18.6
Other comprehensive loss	—	—	—	—	—	—	(48.9)	—	—	(48.9)
Shares issued under employee plans	—	—	1.5	—	0.4	—	—	—	0.1	0.5
Shares purchased under employee plans and other	—	—	(0.2)	—	(0.5)	—	—	—	—	(0.5)
Stock-based compensation	—	—	—	—	4.1	—	—	—	—	4.1
Repurchase and retirement of shares	—	—	(3.3)	—	(10.5)	—	—	(0.1)	(0.3)	(10.8)
Dividends on preferred stock	—	—	—	—	(10.4)	—	—	—	—	(10.4)
Balance at December 31, 2011	3.1	129.4	196.3	2.0	2,584.6	(3,220.0)	(208.9)	(0.6)	(2.3)	(715.2)
Net income	—	—	—	—	—	11.2	—	—	—	11.2
Other comprehensive loss	—	—	—	—	—	—	(0.8)	—	—	(0.8)
Shares issued under employee plans	—	—	5.2	—	14.5	—	—	—	—	14.5
Shares purchased under employee plans and other	—	—	—	—	(2.8)	—	—	—	—	(2.8)
Stock-based compensation	—	—	—	—	5.2	—	—	—	—	5.2
Exercise of warrants	—	—	1.5	—	0.1	—	—	—	—	0.1
Retirement of shares	—	—	—	—	(0.3)	—	—	0.1	0.3	—
Dividends on preferred stock	—	—	—	—	(10.4)	—	—	—	—	(10.4)
Balance at December 31, 2012	3.1	$129.4	203.0	$2.0	$2,590.9	$(3,208.8)	$(209.7)	(0.5)	$(2.0)	$(698.2)

The accompanying notes are an integral part of the consolidated financial statements.

Cincinnati Bell Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in millions)

	Year Ended December 31,		
	2012	2011	2010
Cash flows from operating activities			
Net income	$ 11.2	$ 18.6	$ 28.3
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	217.4	199.5	179.5
Loss on extinguishment of debt	13.6	—	46.5
Gain on sale of assets	(1.6)	(8.4)	—
Impairment of goodwill and other assets	14.2	52.4	—
Provision for loss on receivables	13.9	13.9	15.2
Noncash portion of interest expense	7.8	7.7	8.0
Deferred income tax expense, including valuation allowance change	21.6	24.9	38.2
Pension and other postretirement benefits in excess of expense	(28.4)	(19.5)	(10.7)
Stock-based compensation	5.2	4.1	3.3
Excess tax benefit for share based payments	(2.4)	—	—
Other, net	(1.4)	(3.7)	(3.5)
Changes in operating assets and liabilities, net of effects of acquisitions:			
Increase in receivables	(33.6)	(10.6)	(26.7)
(Increase) decrease in inventory, materials, supplies, prepaid expenses and other current assets	(14.5)	(5.9)	22.2
(Decrease) increase in accounts payable	(6.9)	19.2	4.6
(Decrease) increase in accrued and other current liabilities	(10.0)	(0.5)	4.0
Decrease (increase) in other noncurrent assets	4.6	1.1	(5.4)
Increase (decrease) in other noncurrent liabilities	2.0	(2.9)	(3.5)
Net cash provided by operating activities	212.7	289.9	300.0
Cash flows from investing activities			
Capital expenditures	(367.2)	(255.5)	(149.7)
Acquisitions of businesses, net of cash acquired	—	—	(526.7)
Proceeds from sale of assets	1.6	11.5	—
Increase in restricted cash	(11.1)	—	—
Release of restricted cash	4.9	—	—
Other, net	—	(0.7)	0.9
Net cash used in investing activities	(371.8)	(244.7)	(675.5)
Cash flows from financing activities			
Proceeds from issuance of long-term debt	525.0	—	2,134.3
Increase (decrease) in corporate credit and receivables facilities with initial maturities less than 90 days	52.0	0.4	(85.9)
Repayment of debt	(442.4)	(11.5)	(1,554.5)
Debt issuance costs	(20.9)	(0.8)	(42.6)
Dividends paid on preferred stock	(10.4)	(10.4)	(10.4)
CyrusOne stock issuance costs	(5.7)	—	—
Common stock repurchase	(0.3)	(10.4)	(10.0)
Proceeds from exercise of options and warrants	12.1	0.4	0.5
Excess tax benefit for share based payments	2.4	—	—
Financing obligations and other, net	(2.8)	(16.5)	(1.6)
Net cash provided by (used in) financing activities	109.0	(48.8)	429.8
Net (decrease) increase in cash and cash equivalents	(50.1)	(3.6)	54.3
Cash and cash equivalents at beginning of year	73.7	77.3	23.0
Cash and cash equivalents at end of year	$ 23.6	$ 73.7	$ 77.3

The accompanying notes are an integral part of the consolidated financial statements.

Cincinnati Bell Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business and Accounting Policies

Description of Business — Cincinnati Bell Inc. and its consolidated subsidiaries ("Cincinnati Bell", "we" ,"our","us" or the "Company") provides diversified telecommunications and technology services. The Company generates a large portion of its revenue by serving customers in the Greater Cincinnati and Dayton, Ohio and Texas areas. An economic downturn or natural disaster occurring in this, or a portion of this, limited operating territory could have a disproportionate effect on our 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. Revenue derived from foreign operations is less than 1% of consolidated revenue.

As of December 31, 2012, the Company managed its business by product and service offerings in four segments: Wireline, Wireless, IT Services and Hardware and Data Center Colocation. On January 24, 2013, we completed the IPO of CyrusOne Inc. ("CyrusOne"), which owns and operates our former Data Center Colocation business. CyrusOne conducts its data center business through CyrusOne LP, an operating partnership. Effective with the IPO, we now own approximately 1.9 million shares, or 8.6%, of CyrusOne's common stock and are a limited partner in CyrusOne LP, owning approximately 42.6 million, or 66%, of its partnership units. The Company may redeem its CyrusOne LP units into common stock of CyrusOne on a one-to-one basis, or for cash at the fair value of a share of CyrusOne common stock, at the option of CyrusOne, commencing on January 17, 2014. Although we effectively own approximately 69% of CyrusOne through our ownership of its common stock and partnership units of CyrusOne LP, we no longer control its operations.

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 ("SEC") and, in the opinion of management, include all adjustments necessary for a fair presentation of the results of operations, comprehensive income/(loss), financial position, and cash flows for each period presented.

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. As of December 31, 2012 and 2011, the Company had no equity method investments. Investments in which we own less than 20% of the ownership interests and cannot exercise significant influence over the investee's operations are recorded at cost.

Use of Estimates — The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates. Significant items subject to such estimates and judgments include: the carrying value of property, plant and equipment; the valuation of insurance and claims liabilities; the valuation of allowances for receivables and deferred income taxes; reserves recorded for income tax exposures; the valuation of asset retirement obligations; assets and liabilities related to employee benefits; the valuation of goodwill and intangibles. In the normal course of business, the Company is also 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.

Cash and Cash Equivalents — Cash consists of funds held in bank accounts. 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 21—90 days. The Company has receivables with one large customer that exceed 10% of the outstanding accounts receivable balance at December 31, 2012 and 2011. Unbilled receivables arise from services rendered but not yet billed. As of December 31, 2012 and 2011, unbilled receivables totaled $26.0 million and $26.8 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 is 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 losses. Maintenance and repairs are charged to expense as incurred while improvements which extend an asset's useful life or increase its functionality are capitalized and depreciated over the asset's remaining life. 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 of the asset or the term of the lease, including optional 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. The Company records the fair value of a legal liability for an asset retirement obligation in the period it is incurred. The estimated 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. Goodwill is generally allocated to reporting units one level below business segments. Goodwill is tested for impairment on an annual basis or when events or changes in circumstances indicate that such assets may be impaired. If the net book value of the reporting unit exceeds its fair value, an impairment loss may be recognized. An impairment loss is measured as the excess of the carrying value of goodwill of a reporting unit over its implied fair value. The implied fair value of goodwill represents the difference between the fair value of the reporting unit and the fair value of all the assets and liabilities of that unit, including any unrecognized intangible assets.

Intangible assets not subject to amortization — Intangible assets represent purchased assets that lack physical substance but can be separately distinguished from goodwill because of contractual or legal rights, or because the asset is capable of being separately sold or exchanged. Federal Communications Commission ("FCC") licenses for wireless spectrum represent indefinite-lived intangible assets. 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.

Long-Lived Assets — Management reviews the carrying value of property, plant and equipment and other long-lived assets, including intangible assets with definite lives, 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. Long-lived intangible assets are amortized based on the estimated economic value generated by the asset in future years.

Cost Method Investments — Certain of our cost method investments do not have readily determinable fair values. The carrying value of these investments was $2.7 million and $2.9 million as of December 31, 2012 and 2011, respectively, and was included in "Other noncurrent assets" in the Consolidated Balance Sheets. Investments are reviewed annually for impairment, or sooner if changes in circumstances indicate the carrying value may not be recoverable. 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 analysis.

Leases — Certain property and equipment are leased. At lease inception, the lease terms are assessed to determine if the transaction should be classified as a capital or operating lease. Several of the buildings used in our former data center operations were leased facilities. When we were involved in the construction of structural improvements to the leased property, we were deemed the accounting owner of leased real estate. In these instances, we bore substantially all the construction period risk, such as managing or funding construction. These transactions generally did not qualify for sale-leaseback accounting due to our continued involvement in these data center operations.

At inception, the fair value of the real estate, which generally consisted of a building shell, and our associated obligation was recorded as construction in progress. As construction progressed, the value of the asset and obligation was increased by the fair value of the structural improvements. When construction was completed, the asset was placed in service and depreciation commenced. Leased real estate was depreciated to the lesser of (i) its estimated fair value at the end of the term or (ii) the expected amount of the unamortized obligation at the end of the term.

Treasury Shares — The repurchase of common shares is recorded at purchase cost as treasury shares. Our policy is to retire, either formally or constructively, treasury shares that management 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.

Revenue Recognition — We apply the 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 collectibility is reasonably assured.

With respect to arrangements with multiple deliverables, management 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 — Revenues from local telephone, special access, and internet product services, which are billed monthly prior to performance of service, are not recognized upon billing or cash receipt but rather are deferred until the service is provided. Long distance and switched access are billed monthly in arrears. Wireline 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 reporting period for usage-based services such as long distance and switched access, we must estimate service revenues earned but not yet billed. These estimates are based upon historical usage, and we adjust these estimates during the period in which actual usage is determinable, 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. Wireless 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 reporting period for usage-based services such as postpaid wireless, we estimate service revenues earned but not yet billed. Our estimates are based upon historical usage, and we adjust these estimates during the period in which actual usage is determinable, 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 generally in excess of the related handset and activation revenue. Revenue from termination fees are recognized when collection is deemed reasonably assured.

IT Services and Hardware — Professional services, including product installations, are recognized as the service is provided. Maintenance services on telephony equipment are deferred and recognized ratably over the term of the underlying customer contract, generally one to four years.

Equipment revenue is recognized upon the completion of our contractual obligations, such as shipment, delivery, installation, or customer acceptance. Installation service revenue is generally recognized when installation is complete. The revenue recognition guidance in ASC 605 is applied. We have vendor specific evidence of selling price for installation services, as we sell these services on a standalone basis.

The Company is a reseller of IT and telephony equipment. For these transactions, we consider the gross versus net revenue recording criteria of ASC 605. 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. Vendor rebates are earned on certain equipment sales. If the rebate is earned and the amount is determinable, we recognize the rebate as an offset to cost of products sold.

Data Center Colocation — Data center colocation rentals are generally billed monthly in advance and some contracts have escalating payments over the non-cancellable term of the contract. If rents escalate without the lessee gaining access to or control over additional leased space or power, and the lessee takes possession of, or controls the physical use of the property (including all contractually committed power) at the beginning of the lease term, the rental payments by the lessee are recognized as revenue on a straight-line basis over the term of the lease. If rents escalate because the lessee gains access to and control over additional leased space or power, revenue is recognized in proportion to the additional space or power in the years that the lessee has control over the use of the additional space or power. The excess of revenue recognized over amounts contractually due is recognized in other current and noncurrent assets in the accompanying Consolidated Balance Sheets.

Some of our leases are structured on a full-service gross basis in which the customer pays a fixed amount for both colocation rental and power. Other leases provide that the customer will be billed for power based upon actual usage which is separately metered. In both cases, this revenue is presented on a gross basis in the accompanying Consolidated Statements of Operations. Power is generally billed one month in arrears and an estimate of this revenue is accrued in the month that the associated costs are incurred. We generally are not entitled to reimbursements for real estate taxes, insurance or other operating expenses.

Revenue is recognized for services or products that are deemed separate units of accounting. When a customer makes an advance payment which is not deemed a separate unit of accounting, deferred revenue is recorded. This revenue is recognized ratably over the expected term of the customer relationship, unless the pattern of service suggests otherwise.

Certain customer contracts require specified levels of service or performance. If we fail to meet these service levels, our customers may be eligible to receive credits on their contractual billings. These credits are recognized against revenue when an event occurs that gives rise to such credits.

Advertising Expenses — Costs related to advertising are expensed as incurred. Advertising costs were $16.6 million, $18.4 million, and $22.0 million in 2012, 2011, and 2010, 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 Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction as well as various foreign, state and local jurisdictions. The provision for income taxes is based upon income in the consolidated financial statements, rather than amounts reported on the income tax return. 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 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 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.

Previous tax filings are subject to normal reviews by regulatory agencies until the related statute of limitations expires.

Operating taxes — Certain operating taxes such as property, sales, use, and gross receipts taxes are reported as expenses in operating income primarily within cost of services. These taxes are not included in income tax expense because the amounts to be paid are not dependent on our level of income. Liabilities for audit exposures are established based on management's assessment of the probability of payment. The provision for such liabilities is recognized as an operating expense. Upon resolution of an audit, any remaining liability not paid is released and increases operating income.

Regulatory taxes — The Company incurs federal regulatory taxes on certain revenue producing transactions. We are 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 2012, 2011, and 2010 were $22.2 million, $20.6 million, and $19.9 million, respectively. The amounts expensed for 2012, 2011, and 2010 were $24.4 million, $22.7 million, and $22.0 million, respectively. We record all other federal taxes collected from customers on a net basis.

Stock-Based Compensation — Compensation cost is recognized for all share-based awards to employees. We value all share-based awards to employees at fair value on the date of grant and expense this amount over the required service period, generally defined as the applicable vesting period. For awards which contain a performance condition, compensation expense is recognized over the service period, when achievement of the performance condition is deemed probable. 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. Our accounting policy for graded vesting awards is to recognize compensation expense on a straight-line basis over the vesting period. We have also granted employee awards to be ultimately paid in cash which are indexed to the change in the Company's common stock price. These awards are adjusted to the fair value of the Company's common stock, and the adjusted fair value is expensed on a pro-rata basis over the vesting period. When an award is granted to an employee who is retirement eligible, the compensation cost is recognized over the service period up to the date that the employee first becomes eligible to retire.

Pension and Postretirement Benefit Plans — The Company maintains qualified and non-qualified defined benefit pension plans, and also provides postretirement healthcare and life insurance benefits for eligible employees. We recognize the overfunded or underfunded status of the defined benefit pension and other postretirement benefit plans as either an asset or liability. Changes in the funded status of these plans are recognized as a component of comprehensive income/(loss) in the year they occur. 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 are amortized over the average life expectancy of participants or remaining service period, based upon whether plan participants are mostly retirees or active employees. 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 for the pension and bargained postretirement plans (approximately 10-14 years) and average life expectancy of retirees for the management postretirement plan (approximately 17 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 severance costs, and management's expectation of future separations.

Special termination benefits are recognized upon acceptance by an employee of a voluntary termination offer. For terminations involving a large group of employees, we consider whether a pension and postretirement curtailment event has occurred. We define a curtailment as an event that reduces the expected years of future service of present employees by 10% or more.

Business Combinations — In accounting for business combinations, we apply 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, management 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. Transaction costs are expensed as incurred.

Fair Value Measurements — Fair value of financial and non-financial assets and liabilities is defined as the 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. Fair value is utilized to measure certain investments on a recurring basis. Fair value measurements are also utilized to determine the initial value of assets and liabilities acquired in a business combination, to perform impairment tests, and for disclosure purposes.

Management uses quoted market prices and observable inputs to the maximum extent possible when measuring fair value. In the absence of quoted market prices or observable inputs, fair value is determined using valuation models that incorporate assumptions that a market participant would use in pricing the asset or liability.

Fair value measurements are classified within one of three levels, which prioritizes the inputs used in the methodologies of measuring fair value for asset and liabilities, as follows:

Level 1 — Quoted market prices for identical instruments in an active market;

Level 2 — 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 management'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 our own data.

Foreign Currency Translation and Transactions — The financial position of foreign subsidiaries is translated at the exchange rates in effect at the end of the period, while revenues and expenses are translated at average rates of exchange during the period. Gains or losses from translation of foreign operations where the local currency is the functional currency are included as components of accumulated other comprehensive income/(loss). Gains and losses arising from foreign currency transactions are recorded in other income (expense) in the period incurred.

2. Recently Issued Accounting Standards

In February 2013, the FASB amended the guidance in ASC 220 on comprehensive income. The new guidance will require additional information to be disclosed about the amounts reclassified out of accumulated other comprehensive income by the respective line items of net income, but only if the amount reclassified is required under U.S. GAAP to be reclassified in their entirety to net income. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, cross references to other disclosures will be required. We will be required to adopt this new guidance beginning with our interim financial statements for the three months ended March 31, 2013.

In July 2012, the FASB amended the guidance in ASC 350-30 on testing indefinite-lived intangible assets, other than goodwill, for impairment. Under the revised guidance, an entity testing an indefinite-lived intangible asset for impairment has the option of performing a qualitative assessment before performing quantitative tests. If the entity determines, on the basis of qualitative factors, that the fair value of the indefinite-lived intangible asset is not more likely than not impaired, the entity would not need to perform the quantitative tests. We adopted this guidance for the year ended December 31, 2012. The adoption of this guidance did not have a material impact on the Company's financial statements.

In September 2011, the FASB amended the guidance in ASC 350-20 on testing goodwill for impairment. Under the revised guidance, entities testing goodwill for impairment have the option of performing a qualitative assessment before calculating the fair value of the reporting unit. If entities determine, on the basis of qualitative factors, that the fair value of the reporting unit is more likely than not less than the carrying amount, the two-step impairment test would be required. The Company adopted this guidance beginning with its interim financial statements for the three months ended March 31, 2012. The adoption of this accounting standard did not have a material impact on the Company's financial statements.

In June 2011, the FASB issued new guidance under ASC 220 regarding the presentation of comprehensive income in financial statements. An entity has the option to present the components of net income and other comprehensive income (loss) either in a single continuous statement or in two separate but consecutive statements. In March 2012, we adopted this accounting standard by presenting a separate statement of other comprehensive income (loss) in our financial statements.

3. Acquisitions and Dispositions

Acquisition of Cyrus Networks, LLC

On June 11, 2010, the Company purchased Cyrus Networks, LLC ("Cyrus Networks"), a data center operator based in Texas, for approximately $526 million, net of cash acquired, which was subsequently merged into its subsidiary CyrusOne. The purchase of Cyrus Networks was accounted for as a business combination under the acquisition method. Management completed the purchase price allocation early in 2011.

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, we valued the assets acquired and liabilities assumed at fair value. Management 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 management.

The following unaudited pro forma consolidated results assume the acquisition of Cyrus Networks was completed as of the beginning of the year ended December 31, 2010:

(dollars in millions, except per share amounts)	2010
Revenue	$1,408.6
Net income	23.3
Earnings per share:	
Basic earnings per common share	$ 0.06
Diluted earnings per common share	0.06

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.

Disposition of Cincinnati Bell Complete Protection Inc. Assets

On August 1, 2011, we sold substantially all of the assets associated with our home security monitoring business for $11.5 million. The pre-tax gain recognized on the sale of these assets was $8.4 million. The operating results of this business, which were included within the Wireline segment prior to its sale, were immaterial to our consolidated financial statements for the years ended December 31, 2011 and 2010.

4. Earnings Per Common Share

Basic earnings per common share ("EPS") is based upon the weighted-average number of common shares outstanding during the period. Diluted EPS reflects the potential dilution that would occur upon issuance of common shares for awards under stock-based compensation plans, exercise of warrants, or conversion of preferred stock, but only to the extent that they are considered dilutive.

The following table shows the computation of basic and diluted EPS:

(in millions, except per share amounts)	Year Ended December 31, 2012	2011	2010
Numerator:			
Net income	$ 11.2	$ 18.6	$ 28.3
Preferred stock dividends	10.4	10.4	10.4
Income applicable to common shareowners — basic and diluted	$ 0.8	$ 8.2	$ 17.9
Denominator:			
Weighted-average common shares outstanding — basic	197.0	196.8	201.0
Warrants	4.5	0.4	0.6
Stock-based compensation arrangements	3.2	2.8	2.4
Weighted-average common shares outstanding — diluted	204.7	200.0	204.0
Basic earnings per common share	$ 0.00	$ 0.04	$ 0.09
Diluted earnings per common share	$ 0.00	$ 0.04	$ 0.09

For the years ended December 31, 2012, 2011, and 2010, awards under our stock-based compensation plans for common shares of 5.3 million, 11.4 million, and 14.5 million, respectively, were excluded from the computation of diluted EPS as their inclusion would have been anti-dilutive. For all periods presented, preferred stock convertible into 4.5 million common shares was excluded as it was anti-dilutive.

5. Property, Plant and Equipment

Property, plant and equipment is comprised of the following:

(dollars in millions)	December 31, 2012	2011	Depreciable Lives (Years)
Land and rights-of-way	$ 49.7	$ 30.9	20-Indefinite
Buildings and leasehold improvements	895.9	736.2	3-50
Network equipment	2,858.4	2,701.3	2-50
Office software, furniture, fixtures and vehicles	133.8	129.3	3-14
Construction in process	78.6	78.3	n/a
Gross value	4,016.4	3,676.0	
Accumulated depreciation	(2,429.0)	(2,275.5)	
Property, plant and equipment, net	$ 1,587.4	$ 1,400.5	

Depreciation expense on property, plant and equipment was $198.8 million, $180.4 million, and $167.9 million in 2012, 2011, and 2010, respectively. Approximately 87%, 84%, and 82% of "Depreciation," as presented in the Consolidated Statements of Operations in 2012, 2011, and 2010, respectively, was associated with the cost of providing services. There are numerous assets included within network equipment resulting in a range of depreciable lives between 2 and 50 years, the majority of which, however, fall within the range of 9 to 22 years.

During the year ended December 31, 2012, an asset impairment loss of $11.8 million was recognized in the Data Center Colocation segment on certain leasehold improvements at data centers acquired in the GramTel acquisition. Also during 2012, asset impairment losses of $0.4 million and $0.5 million were recognized in the Wireless and Wireline segments, respectively. The Wireless impairment loss was associated with abandoned assets that have no resale market, and the Wireline impairment loss was associated with an out-of-territory fiber network. During 2011, asset impairment losses of $1.1 million and $1.0 million were recognized in the Wireless and Wireline segments, respectively, on abandoned assets that had no resale market. No asset impairment losses were recognized in 2010.

As of December 31, 2012 and 2011, buildings and leasehold improvements, network equipment, and office software, furniture, fixtures and vehicles include $244.1 million and $222.7 million, respectively, of assets accounted for as capital leases or financing arrangements. Amortization of capital lease assets is included in "Depreciation and amortization" in the Consolidated Statements of Operations.

6. Goodwill and Intangible Assets

Goodwill

At December 31, 2012 and 2011, the gross value of goodwill was $340.9 million. Accumulated impairment losses were $50.3 million at December 31, 2012 and 2011.

The changes in the carrying amount of goodwill, net of accumulated impairment losses, for the years ended December 31, 2012 and 2011 are as follows:

(dollars in millions)	Wireless	Wireline	Data Center Colocation	IT Services and Hardware	Total
Balance as of December 31, 2010	$ 50.3	$12.6	$276.3	$2.5	$341.7
Impairment	(50.3)	—	—	—	(50.3)
Disposition of home security business assets	—	(0.8)	—	—	(0.8)
Balance as of December 31, 2011	—	11.8	276.3	2.5	290.6
Impairment	—	—	—	—	—
Balance as of December 31, 2012	$ —	$11.8	$276.3	$2.5	$290.6

In 2011, we recognized a goodwill impairment loss in the Wireless business segment. The impairment loss arose from declines in revenues and wireless subscribers. See Note 9 for further information on how fair value of the reporting unit was estimated.

In 2011, we sold substantially all the assets of our home security monitoring business for a gain of $8.4 million. Goodwill of $0.8 million was associated with the assets sold and included within "Gain on sale or disposal of assets" in the Consolidated Statements of Operations. This business was historically included within the Wireline segment.

Intangible Assets Not Subject to Amortization

As of December 31, 2012 and 2011, intangible assets not subject to amortization consist solely of FCC wireless spectrum licenses with a carrying value of $88.2 million. These licenses are subject to renewal every 10 years for a nominal fee. The next renewal date is in 2015.

Intangible Assets Subject to Amortization

Intangible assets subject to amortization consist of customer relationships, trademarks and a favorable leasehold interest. For the year ended December 31, 2012, an impairment loss of $1.5 million was recognized by the Data Center Colocation segment on a customer relationship intangible that was obtained with the 2007 GramTel acquisition. No impairments were recognized on intangible assets subject to amortization in 2011 or 2010.

Summarized below are the carrying values for the major classes of intangible assets subject to amortization:

(dollars in millions)	Weighted-Average Life in Years	December 31, 2012 Gross Carrying Amount	December 31, 2012 Accumulated Amortization	December 31, 2011 Gross Carrying Amount	December 31, 2011 Accumulated Amortization
Customer relationships					
Wireline	10	$ 7.0	$ (4.9)	$ 7.0	(4.2)
Wireless	9	8.7	(8.1)	8.7	(7.6)
Data Center Colocation	15	129.5	(36.8)	136.6	(26.4)
IT Services and Hardware	5	2.0	(2.0)	2.0	(2.0)
		147.2	(51.8)	154.3	(40.2)
Trademarks					
Wireless	7	6.2	(2.8)	6.2	(1.5)
Data Center Colocation	15	7.4	(1.3)	7.4	(1.3)
		13.6	(4.1)	13.6	(2.8)
Favorable leasehold interest					
Data Center Colocation	56	3.9	(0.2)	3.9	(0.1)
		$164.7	$(56.1)	$171.8	$(43.1)

Amortization expense for intangible assets subject to amortization was $18.6 million in 2012, $19.1 million in 2011, and $11.6 million in 2010.

The following table presents estimated amortization expense for 2013 through 2017:

(dollars in millions)	
2013	$18.8
2014	18.4
2015	15.6
2016	12.4
2017	10.2

7. Debt and Other Financing Arrangements

The Company's debt consists of the following:

(dollars in millions)	December 31, 2012	December 31, 2011
Current portion of long-term debt:		
Capital lease obligations and other debt	$ 13.4	$ 13.0
Current portion of long-term debt	13.4	13.0
Long-term debt, less current portion:		
Receivables facility	52.0	—
7% Senior Notes due 2015	—	250.4
8 1/4% Senior Notes due 2017	500.0	500.0
8 3/4% Senior Subordinated Notes due 2018	625.0	625.0
8 3/8% Senior Notes due 2020	683.9	775.0
CyrusOne 6 3/8% Senior Notes due 2022	525.0	—
7 1/4% Senior Notes due 2023	40.0	40.0
Various Cincinnati Bell Telephone notes	134.5	207.5
Capital lease obligations and other debt	123.1	131.4
	2,683.5	2,529.3
Net unamortized discount	(7.5)	(8.7)
Long-term debt, less current portion	2,676.0	2,520.6
Total debt	$2,689.4	$2,533.6

Corporate Credit Agreement

On November 20, 2012, the Company entered into a new corporate credit agreement ("Corporate Credit Agreement") which provides for a $200 million revolving credit facility, with a sublimit of $30 million for letters of credit and a $25 million sublimit for swingline loans. The Corporate Credit Agreement has a maturity date of July 15, 2017. Borrowings under the Corporate Credit Agreement will be used to provide ongoing working capital and for other general corporate purposes of the Company. Upon issuance of the Corporate Credit Agreement, the Company's former revolving credit facility was terminated. Availability under the new revolving credit facility is subject to customary borrowing conditions.

Borrowings under the Corporate Credit Agreement 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 for advances under the revolving facility is based on certain financial ratios and ranges between 3.50% and 4.25% for LIBOR rate advances and 2.50% and 3.25% for base rate advances. As of December 31, 2012, the applicable margin was 4.25% for LIBOR rate advances and 3.25% for base rate advances. Base rate is the higher of (i) the bank prime rate, (ii) the one-month LIBOR rate plus 1.00% and (iii) the federal funds rate plus 0.5%.

The original revolving commitments under the Corporate Credit Agreement will be permanently reduced by the lesser of (i) the amount of net cash proceeds from the first sale by the Company of its equity interests in CyrusOne or CyrusOne LP to occur after the IPO of common stock of CyrusOne and (ii) $50 million, provided that such sale occurs by December 31, 2014. If such sale has not occurred by that date, the original revolving commitments will be permanently reduced to $150 million. In addition, the original revolving commitments will be further reduced to $125 million on December 31, 2015.

The Company is required to use 100% of the net cash proceeds of sales (other than certain excluded dispositions) of property and assets, firstly, to prepay outstanding loans under the Corporate Credit Agreement and secondly, at the Company's election, to prepay outstanding indebtedness that is eligible for prepayment or redemption at a fixed price under the terms of the documentation governing such indebtedness or to make contributions to underfunded pensions plans, subject to, in the case of sales other than sales of the Company's equity interests in CyrusOne and CyrusOne LP, customary reinvestment rights and an exception for the first $25 million of such proceeds in each fiscal year. The Company is subject to a similar requirement in the event of casualty or condemnation of property and assets. Voluntary prepayments of the Corporate Credit Agreement will be permitted at any time without prepayment penalty, other than breakage and redeployment costs in the case of prepayment of LIBOR rate loans.

All existing and future subsidiaries of the Company (other than Cincinnati Bell Telephone Company LLC, Cincinnati Bell Funding LLC (and any other similar special purpose receivables financing subsidiary), Cincinnati Bell Shared Services LLC, Cincinnati Bell Extended Territories LLC, CBMSM Inc. and its direct and indirect subsidiaries, and the Company's joint ventures, subsidiaries prohibited by applicable law from becoming guarantors and foreign subsidiaries) are required to guarantee borrowings under the Corporate Credit Agreement. Debt outstanding under the Corporate Credit Agreement is secured by perfected first priority pledges of and security interests in (i) substantially all of the equity interests of the Company's U.S. subsidiaries (other than subsidiaries of non-guarantors of the Corporate Credit Agreement) and 66% of the equity interests in the first-tier foreign subsidiaries held by the Company and the guarantors under the Corporate Credit Agreement, (ii) certain personal property and intellectual property of the Company and its subsidiaries (other than that of non-guarantors of the Corporate Credit Agreement and certain other excluded property) and (iii) the Company's equity interests in CyrusOne and CyrusOne LP, both of which, together with their respective subsidiaries, are treated as non-subsidiaries of the Company and are not guarantors for purposes of the Corporate Credit Agreement.

The Corporate Credit Agreement contains financial covenants that require the Company to maintain certain leverage and interest coverage ratios and comply with annual limitations on capital expenditures. The Corporate Credit Agreement contains customary affirmative and negative covenants including, but not limited to, restrictions on the Company's ability to incur additional indebtedness, create liens, pay dividends, make certain investments, prepay other indebtedness, sell, transfer, lease, or dispose of assets and enter into, or undertake, certain liquidations, mergers, consolidations or acquisitions.

The Corporate Credit Agreement contains customary events of default (which are in some cases subject to certain exceptions, thresholds and grace periods), including, but not limited to, nonpayment of principal or interest, failure to perform or observe covenants, breaches of representations and warranties, cross-defaults with certain other indebtedness, certain bankruptcy-related events or proceedings, final monetary judgments or orders, ERISA defaults, invalidity of loan documents or guarantees, and certain change of control events. If an event of default occurs and is continuing, no additional borrowings will be available until the default is waived or cured.

As of December 31, 2012 and 2011, there were no borrowings under the Corporate Credit Agreement or the prior revolving credit facility.

The Company pays commitment fees for the unused amount of borrowings on the Corporate Credit Agreement, the prior revolving credit facility, and letter of credit fees on outstanding letters of credit. The commitment fees are calculated based on the total leverage ratio and range between 0.500% and 0.625% of the actual daily amount by which the aggregate revolving commitments exceed the sum of outstanding revolving loans and letter of credit obligations. These fees were $1.6 million in 2012 and $2.3 million in 2011 and 2010.

CyrusOne Credit Agreement

On November 20, 2012, CyrusOne entered into a credit agreement (the "CyrusOne Credit Agreement") which provides for a $225 million senior secured revolving credit facility, with a sublimit of $50 million for letters of credit and a $30 million sublimit for swingline loans. The CyrusOne Credit Agreement has a maturity date of November 20, 2017. Borrowings under the CyrusOne Credit Agreement will be used for working capital, capital expenditures and other general corporate purposes of CyrusOne LLC, the operating subsidiary of CyrusOne LP, the borrower and the other subsidiaries of CyrusOne, including for acquisitions, dividends and other distributions permitted thereunder. Letters of credit will be used for general corporate purposes.

Borrowings under the CyrusOne Credit Agreement bear interest, at CyrusOne's election, at a rate per annum equal to LIBOR or a base rate plus an applicable margin equal to, in the case of LIBOR borrowings, 3.50% per annum and, in the case of base rate borrowings, 2.50% per annum, subject to periodic adjustment for changes in the total net leverage ratio of CyrusOne.

The CyrusOne Credit Agreement will be guaranteed by CyrusOne and certain of its subsidiaries. The obligations under the CyrusOne Credit Agreement will be secured by, subject to certain exceptions, the capital stock of certain subsidiaries of CyrusOne, certain intercompany debt and the tangible and other intangible assets of CyrusOne and certain of its subsidiaries.

The CyrusOne Credit Agreement contains customary affirmative and negative covenants (which are in some cases subject to certain exceptions), including, but not limited to, restrictions on the ability to incur additional indebtedness, create liens, make certain investments, make certain dividends and related distributions, prepay certain debt, engage in affiliate transactions, enter into, or undertake, certain liquidations, mergers, consolidations or acquisitions, amend the organizational documents of CyrusOne. and its subsidiaries and dispose of assets or subsidiaries. In addition, the CyrusOne Credit Agreement requires CyrusOne to maintain a certain secured net leverage ratio, ratio of EBITDA to fixed charges and ratio of total indebtedness to gross asset value, in each case on a consolidated basis. The indenture permits dividends and distributions necessary for CyrusOne to maintain its status as a real estate investment trust. Notwithstanding the limitations set forth above, CyrusOne will be permitted, subject to the terms and conditions of the CyrusOne Credit Agreement, to distribute to its shareholders cash dividends in an amount not to exceed 95% of its adjusted funds from operations for any period.

The CyrusOne Credit Agreement contains customary events of default (which are in some cases subject to certain exceptions, thresholds, notice requirements and grace periods), including, but not limited to, nonpayment of principal or interest, failure to perform or observe covenants, breaches of representations and warranties, cross-defaults with certain other indebtedness, certain bankruptcy-related events or proceedings, final monetary judgments or orders, ERISA defaults, certain change of control events and loss of REIT status following a REIT election by CyrusOne.

As of December 31, 2012, there were no borrowings on the CyrusOne Credit Agreement.

CyrusOne pays commitment fees for the unused amount of borrowings on the CyrusOne Credit Agreement and letter of credit fees on any outstanding letters of credit. The commitment fees are equal to 0.50% of the actual daily amount by which the aggregate revolving commitments exceed the sum of outstanding revolving loans and letter of credit obligations. Commitment fees related to the CyrusOne Credit Agreement were immaterial in 2012.

Accounts Receivable Securitization Facility

Cincinnati Bell Inc. and certain of its subsidiaries have an accounts receivable securitization facility ("Receivables Facility"), which permits maximum borrowings of up to $105.0 million as of December 31, 2012. CBT, CBET, Cincinnati Bell Wireless, LLC ("CBW"), Cincinnati Bell Any Distance Inc. ("CBAD"), Cincinnati Bell Any Distance of Virginia LLC, CBTS, and eVolve Business Solutions LLC ("eVolve") all participate in this facility. The available borrowing capacity is calculated monthly based on the quantity and quality of outstanding accounts receivable and thus may be lower than the maximum borrowing limit. At December 31, 2012, the available borrowing capacity was $90.6 million. On October 1, 2012, the Company and CBF amended the Receivables Facility to remove CyrusOne as an originator and to remove the CyrusOne receivables from the financing provided under the Receivables Facility.

The transferors 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 various purchasers, including commercial paper conduits, in exchange for cash while maintaining a subordinated undivided interest in the form of over-collateralization in the pooled receivables. The transferors have 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 renewal every 364 days, and in any event expires in June 2014. In the event the Receivables Facility is not renewed, management believes it would be able to refinance any outstanding borrowings under the Corporate Credit Agreement.

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, 2012, the Company had $52.0 million of borrowings and $6.3 million letters of credit outstanding on this facility, leaving $32.3 million remaining on the available borrowing capacity of $90.6 million. A portion of interest on the Receivables Facility is based on the commercial paper rate plus 1.10%, and the remaining portion of interest on the Receivables Facility is based on the LIBOR rate plus 1.10%. There were nominal borrowings and repayments on the Receivables Facility in 2011. The average interest rate on the Receivables Facility was 1.4% in 2012. The Company pays commitment fees for the unused amount of borrowings on the securitization facility, and letter of credit fees on this facility. These fees were $0.7 million in 2012 and 2011, and $0.6 million in 2010.

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 Agreement 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.

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% Senior 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% Senior 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% Senior 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 Agreement is also a guarantor of the 8 3/4% Senior Subordinated Notes on an unsecured senior subordinated basis, with certain immaterial exceptions. The indenture governing the 8 3/4% Senior 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% Senior 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% Senior 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% Senior 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% Senior 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% Senior 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% Senior 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.

8 ⅜ % Senior Notes due 2020

In the fourth quarter of 2010, the Company issued $775 million of 8⅜% Senior Notes due 2020 ("8⅜% 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 8⅜% Senior Notes are fixed rate bonds to maturity. In the fourth quarter of 2012, the Company conducted a tender offer and redeemed $91.1 million of the 8⅜% Senior Notes.

Interest on the 8⅜% Senior Notes is payable semi-annually in cash in arrears on April 15 and October 15 of each year, commencing April 15, 2011. The 8⅜% 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 Agreement is also a guarantor of the 8 ⅜% Senior Notes on an unsecured senior basis, with certain immaterial exceptions. The indenture governing the 8⅜% 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 8⅜% 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 8⅜% 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 8⅜ % 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 8⅜% 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 8⅜% 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 8⅜% 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.

7¼ % Senior Notes due 2023

In 1993, the Company issued $50 million of 7¼% Senior Notes due 2023 ("7¼% Senior Notes"). The indenture related to these 7¼% 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 7¼% Senior Notes equally and ratably with the indebtedness or obligations secured by such liens. The 7¼% Senior Notes are collateralized on a basis consistent with the Corporate Credit Agreement. Interest on the 7¼% Senior Notes is payable semi-annually on June 15 and December 15. The Company may not call the 7¼% 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.

CyrusOne 6 3/8% Senior Notes due 2022

On November 20, 2012, CyrusOne LP and CyrusOne Finance Corp. (the "Issuers") issued $525 million of 6⅜ % Senior Notes due 2022 ("CyrusOne 6⅜% Senior Notes"). The CyrusOne 6⅜% Senior Notes are senior unsecured obligations of the Issuers, which rank equally in right of payment with all existing and future unsecured senior debt of the Issuers. The CyrusOne 6⅜% Senior Notes are effectively subordinated to all existing and future secured indebtedness of the Issuers to the extent of the value of the assets securing such indebtedness. The CyrusOne 6⅜ % Senior Notes are guaranteed on a joint and several basis by CyrusOne and certain of its subsidiaries. Each such guarantee is a senior unsecured obligation of the applicable guarantor, ranking equally with all existing and future unsecured senior debt of such guarantor and effectively subordinated to all existing and future secured indebtedness of such guarantor to the extent of the value of the assets securing that indebtedness. The CyrusOne 6⅜% Senior Notes are structurally subordinated to all liabilities (including trade payables) of each subsidiary of the Issuers that does not guarantee the Notes.

The CyrusOne 6⅜% Senior Notes bear interest at a rate of 6⅜% per annum, payable semi-annually on May 15 and November 15 of each year, beginning on May 15, 2013, to persons who are registered holders of the CyrusOne 6⅜% Senior Notes on the immediately preceding May 1 and November 1, respectively.

The indenture governing the CyrusOne 6⅜% Senior Notes limits the ability of CyrusOne LP and its restricted subsidiaries to incur indebtedness, encumber their assets, enter into sale and leaseback transactions, make restricted payments, create dividend restrictions and other payment restrictions that affect CyrusOne LP's restricted subsidiaries, permit restricted subsidiaries to guarantee certain indebtedness, enter into transactions with affiliates, sell assets, and engage in certain business activities, in each case subject to certain qualifications set forth in the indenture.

The CyrusOne 6⅜% Senior Notes will mature on November 15, 2022. However, prior to November 15, 2017, the issuers may, at their option, redeem some or all of the CyrusOne 6⅜% Senior Notes at a redemption price equal to 100% of the principal amount of the CyrusOne 6⅜% Senior Notes, together with accrued and unpaid interest, if any, plus a "make-whole" premium. On or after November 15, 2017, the Issuers may, at their option, redeem some or all of the 6⅜% Senior Notes at any time at declining redemption prices equal to (i) 103.188% beginning on November 15, 2017, (ii) 102.125% beginning on November 15, 2018, (iii) 101.063% beginning on November 15, 2019 and (iv) 100.000% beginning on November 15, 2020 and thereafter, plus, in each case, accrued and unpaid interest, if any, to the applicable redemption date. In addition, before November 15, 2015, and subject to certain conditions, the issuers may, at their option, redeem up to 35% of the aggregate principal amount of the CyrusOne 6⅜% Senior Notes with the net proceeds of certain equity offerings at 106.375% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of redemption; *provided* that (i) at least 65% of the aggregate principal amount of the CyrusOne 6⅜% Senior Notes remains outstanding and (ii) the redemption occurs within 90 days of the closing of any such equity offering.

Cincinnati Bell Telephone Notes

CBT issued $80.0 million in unsecured notes that were guaranteed on a subordinated basis by Cincinnati Bell Inc. but not the subsidiaries of Cincinnati Bell Inc. These notes had various final maturity dates occurring in 2023, and were callable prior to maturity. The fixed interest rates on these notes ranged from 7.18% to 7.27%. In the fourth quarter of 2012, the Company fully redeemed the outstanding balance of $73.0 million under the CBT Notes.

CBT issued $150.0 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. The maturity date of these notes is in 2028 and they may not be called prior to maturity. The indentures governing these notes provide 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 $20.0 million. At both December 31, 2012 and 2011, the amount outstanding under these senior notes was $134.5 million.

Capital Lease Obligations

Capital lease obligations represent our obligation for certain leased assets, including wireless towers, data center facilities and various equipment. These leases generally contain renewal options. As of December 31, 2012, CyrusOne held a purchase option on one leased data center facility.

Other Financing Arrangements

CyrusOne leases certain buildings used in its data center operations. Structural improvements were made to these leased facilities in excess of normal tenant improvements and, as such, we are deemed the accounting owner of these facilities. As of December 31, 2012 and 2011, the liability related to these financing arrangements was $60.8 million and $47.9 million, respectively, which was recognized within "Other noncurrent liabilities" in the Consolidated Balance Sheets.

The following table summarizes our annual minimum payments for these financing arrangements for the five years subsequent to December 31, 2012, and thereafter:

(dollars in millions)	
2013	$ 6.0
2014	6.4
2015	6.6
2016	6.7
2017	6.9
Thereafter	42.3
Total	$ 74.9

Debt Maturity Schedule

The following table summarizes our annual principal maturities of debt and capital leases for the five years subsequent to December 31, 2012, and thereafter:

(dollars in millions)	Debt	Capital Leases	Total Debt
Year ended December 31,			
2013	$ 1.2	$ 12.2	$ 13.4
2014	52.1	9.7	61.8
2015	0.1	8.5	8.6
2016	—	9.0	9.0
2017	500.0	5.2	505.2
Thereafter	2,008.4	90.5	2,098.9
	2,561.8	135.1	2,696.9
Net unamortized discount	(7.5)	—	(7.5)
Total debt	$2,554.3	$135.1	$2,689.4

Total capital lease payments including interest are expected to be $21.8 million for 2013, $18.5 million for 2014, $16.7 million for 2015, $16.6 million for 2016, $12.3 million for 2017, and $139.3 million thereafter.

Deferred Financing Costs

Deferred financing costs are costs incurred in connection with obtaining long-term financing. In 2012, deferred financing costs were incurred in connection with the issuance of the Corporate Credit Agreement, CyrusOne Credit Agreement and CyrusOne 6 $^{3}/_{8}$% Senior Notes due 2022. As of December 31, 2012 and 2011, deferred financing costs totaled $47.1 million and $35.7 million, respectively. Deferred financing costs are amortized over the term of the related indebtedness or credit agreement. Amortization of deferred financing costs, included in "Interest expense" in the Consolidated Statements of Operations, totaled $7.2 million in 2012, $7.0 million in 2011, and $6.6 million in 2010.

Debt Covenants

Credit Facility

The Corporate Credit Agreement has financial covenants that require the Company to maintain certain leverage and interest coverage ratios. Capital expenditures are permitted subject to predetermined annual thresholds which are not to exceed $955 million in the aggregate over the next five years. The Corporate Credit Agreement 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 Agreement, no additional borrowings under this facility would be available until the default was waived or cured. The Corporate Credit Agreement provides for customary events of default, including for failure to make any payment when due and for cross default on any other existing indebtedness.

Public Indentures

Various issuances of the Company's public debt, which include the 8¼% Senior Notes due 2017, 8¾% Senior Subordinated Notes due 2018, and 8⅜% 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.

One of the financial covenants permits the issuance 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 Credit Agreement. Also, the Company's ability to make Restricted Payments (as defined by the individual indentures) would be limited, including common stock dividend payments or repurchasing outstanding Company shares. As of December 31, 2012, the Company was below the 4:00 to 1:00 Consolidated Adjusted Senior Debt to EBITDA ratio. In addition, the Company had in excess of $200 million available in its restricted payment basket as of December 31, 2012. If the Company is under the 4:00 to 1:00 ratio on a pro forma basis, the Company may use this basket to make restricted payments, including share repurchases or dividends, and/or the Company may designate one or more of its subsidiaries as Unrestricted (as defined in the various indentures) such that any Unrestricted Subsidiary would generally not be subject to the restrictions of these various indentures. However, certain provisions which govern the Company's relationship with Unrestricted Subsidiaries would begin to apply.

CyrusOne 6⅜% Senior Notes

The indenture governing the CyrusOne 6 3/8% Senior Notes contains affirmative and negative covenants customarily found in indebtedness of this type, including a number of covenants that, among other things, restrict, subject to certain exceptions, CyrusOne's ability to: incur secured or unsecured indebtedness; pay dividends or distributions on its equity interests, or redeem or repurchase equity interests of CyrusOne or CyrusOne LP; make certain investments or other restricted payments; enter into transactions with affiliates; enter into agreements limiting the ability of the operating partnership's subsidiaries to pay dividends or make certain transfers and other payments to the operating partnership or to other subsidiaries; sell assets; and merge, consolidate or transfer all or substantially all of the operating partnership's assets. Notwithstanding the foregoing, the covenants contained in the indenture do not restrict CyrusOne's ability to pay dividends or distributions to stockholders to the extent (i) no default or event of default exists or is continuing under the indenture and (ii) CyrusOne believes in good faith that they qualify as a REIT under the Internal Revenue Code and the payment of such dividend or distribution is necessary either to maintain their status as a REIT or to enable them to avoid payment of any tax that could be avoided by reason of such dividend or distribution. CyrusOne LP and its subsidiaries are also required to maintain total unencumbered assets of at least 150% of their unsecured debt on a consolidated basis, provided that for the purposes of such calculation their revolving credit facility shall be treated as unsecured indebtedness.

Extinguished Notes

In the fourth quarter of 2012, the Company redeemed its 7% Senior Notes due 2015 ("7% Senior Notes") with a principal balance of $247.5 million, a portion of its 8⅜% Senior Notes due 2020 with a principal balance of $91.1 million, purchased pursuant to a tender offer conducted during the fourth quarter of 2012, and CBT unsecured notes with a principal balance of $73.0 million. The Company had previously terminated an interest rate swap related to the 7% Senior Notes. For the year ended December 31, 2012, a loss on debt extinguishment of $13.6 million was recognized on these redemptions.

In 2010, the Company redeemed its 8⅜% Senior Subordinated Notes due 2014 ("8⅜% Subordinated Notes") with a principal balance of $560 million and its Tranche B Term Loan with a principal balance of $760 million. The Company also terminated an interest rate swap related to the 8⅜% Subordinated Notes. For the year ended December 31, 2010 the Company recognized a debt extinguishment loss of $46.5 million.

8. Commitments and Contingencies

Operating Lease Commitments

The Company leases certain circuits, facilities, and equipment used in its operations. Operating lease expense was $19.3 million, $20.4 million, and $16.2 million in 2012, 2011, and 2010, respectively. Certain facility leases and tower site leases provide for renewal options with fixed rent escalations beyond the initial lease term.

At December 31, 2012, future minimum lease payments required under operating leases having initial or remaining noncancelable lease terms for the next five years are as follows:

(dollars in millions)	
2013	$16.2
2014	12.5
2015	9.0
2016	4.1
2017	1.6
Thereafter	1.5
Total	$44.9

Data Center Customer Leases

Data center customer leases customarily contain provisions that either allow for renewal or continuation on a month-to-month arrangement. Certain leases contain early termination rights. At lease inception, early termination is generally not deemed reasonably assured due to the significant economic penalty incurred by the lessee to exercise its termination right and to relocate its equipment. The future minimum lease payments expected to be received under noncancelable operating leases, excluding month-to-month arrangements and submetered power, for the next five years are as follows: $135.2 million in 2013, $106.5 million in 2014, $70.7 million in 2015, $49.6 million in 2016, and $34.1 million in 2017.

Asset Retirement Obligations

Asset retirement obligations exist for leased wireless towers and certain other assets. 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:

	December 31,	
(dollars in millions)	2012	2011
Balance, beginning of period	$5.4	$ 5.1
Liabilities incurred	0.2	0.2
Revisions to estimated cash flow	1.1	(0.2)
Accretion expense	0.4	0.3
Balance, end of period	$7.1	$ 5.4

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, sale, 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 $6.3 million as of December 31, 2012. 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.

As permitted under Ohio law, the Company has agreements whereby the Company indemnifies its officers and directors for certain events or occurrences while the officer or director is, or was, serving at the Company's request in such capacity. The term of the indemnification period is for the lifetime of the officer or director. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has a director and officer insurance policy that limits the Company's exposure and enables the Company to recover a portion of any future amounts paid. As a result of the Company's insurance policy coverage, the Company believes the estimated fair value of these indemnification agreements is minimal. The Company has no liabilities recorded for these agreements as of December 31, 2012 or 2011.

Purchase Commitments

The Company has noncancelable purchase commitments related to certain goods and services. These agreements range from one to three years. As of December 31, 2012 and 2011, the minimum commitments for these arrangements were approximately $120 million and $66 million, respectively. The Company generally has the right to cancel open purchase orders prior to delivery and to terminate the contracts without cause.

Litigation

Cincinnati Bell and its subsidiaries are subject to various lawsuits, actions, proceedings, claims and other matters asserted under laws and regulations in the normal course of business. We believe the liabilities accrued for legal contingencies in our Consolidated Financial Statements, as prescribed by GAAP, are adequate in light of the probable and estimable contingencies. However, there can be no assurances that the actual amounts required to satisfy alleged liabilities from various legal proceedings, claims, tax examinations, and other matters, and to comply with applicable laws and regulations, will not exceed the amounts reflected in our Consolidated Financial Statements. As such, costs, if any, that may be incurred in excess of those amounts provided as of December 31, 2012, cannot be reasonably determined.

In 2011, the Company and certain directors and officers were named as defendants in a federal court and a state court shareholder derivative action. Plaintiffs' allegations, which defendants denied, in both the federal and state court actions, were that the director defendants breached their duty of loyalty in connection with 2010 executive compensation decisions and the officer defendants were unjustly enriched. On March 1, 2012, the parties to the case captioned: NECA-IBEW Pension Fund (The Decatur Plan) v. Cox, et al., Case No. 11-cv-00451, United States District Court, Southern District of Ohio, Western Division ("the Federal Action"), reached an agreement concerning the Federal Action. Pursuant to the agreement, the parties agreed to stipulate to the filing of an Amended Complaint, which was docketed with the court, and thereafter, the parties jointly moved the court to stay the Federal Action pending the entry of a judgment in the state court action, captioned:In re Cincinnati Bell Inc. Derivative Litigation, Case No. A1105305, Court of Common Pleas, Hamilton County, Ohio ("the State Action"). The Federal Action was stayed by the court. The parties to the State Action previously reached a settlement of that action which includes certain changes to the Company's corporate governance policies. On April 16, 2012, in the State Action, the court held a hearing to consider final approval of the settlement and fee and expense request by plaintiffs' counsel. The court on April 16, 2012 approved the settlement and the fees and expenses requested by plaintiffs' counsel, including counsel for plaintiff in the Federal Action, and entered an Order and Final Judgment, dismissing the State Action with prejudice. Subsequently, the Federal Action was dismissed with prejudice. The settlement and counsel fees and expenses were fully paid as of December 31, 2012.

The resolution of the above claims did not individually, or in the aggregate, have a material effect on our financial position, results of operations or cash flows during the period ended December 31, 2012. Based on information currently available, consultation with counsel, available insurance coverage and established reserves, management believes the eventual outcome of all outstanding claims will not individually, or in the aggregate, have a material effect on the Company's financial position, results of operations or cash flows.

Contingent Compensation Plan

In 2010, the Company's Board of Directors approved new long-term incentive programs for certain members of management. Payment is contingent upon the completion of a qualifying transaction and attainment of an increase in the equity value of the data center business, as defined in the plans. As of December 31, 2012, the Compensation Committee of the Company's Board of Directors had approved grants that could result in a maximum payout of up to approximately $100 million if the equity value created by a qualifying transaction is $1.0 billion. For the years ended December 31, 2012, 2011 and 2010, no compensation expense was recognized for these awards as a qualifying transaction had not been completed.

On January 24, 2013, CyrusOne, which owns and operates our former data center colocation business, closed its IPO of 18,975,000 shares of common stock. Further details of the IPO are provided in Note 20. As a result, a qualifying transaction has been completed which will trigger payment under this contingent compensation plan. For the three months ended March 31, 2013, the Company expects total compensation to be paid of approximately $40 to $50 million, based upon a preliminary estimate of the equity value created.

9. Financial Instruments and Fair Value Measurements

Fair Value of Financial Instruments

The carrying values of our financial instruments do not materially differ from the estimated fair values as of December 31, 2012 and 2011, except for our long-term debt and other financing arrangements.

The carrying value and fair value of the Company's financial instruments are as follows:

	December 31, 2012		December 31, 2011	
(dollars in millions)	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt, including current portion	$2,689.4	$2,834.6	$2,533.6	$2,460.5
Other financing arrangements	60.8	69.5	47.9	47.2

The fair value of debt instruments was based on closing or estimated market prices of the Company's debt at December 31, 2012 and 2011, which is considered level 2 of the fair value hierarchy. The fair value of other financing arrangements was calculated using a discounted cash flow model that incorporates current borrowing rates for obligations of similar duration, which is considered level 3 of the fair value hierarchy. As of December 31, 2012, the current borrowing rate was estimated by applying CyrusOne's credit spread to the risk-free rate for a similar duration borrowing. As of December 31, 2011, CyrusOne did not have any outstanding borrowings, so the current borrowing rate was estimated by applying Cincinnati Bell's credit spread to the risk-free rate for a similar duration borrowing.

Non-Recurring Fair Value Measurements

Certain long-lived assets, intangibles, and goodwill are required to be measured at fair value on a non-recurring basis subsequent to their initial measurement. These non-recurring fair value measurements generally occur when evidence of impairment has occurred.

During 2012, the following assets were remeasured at fair value in connection with impairment tests:

(dollars in millions)	Year Ended December 31, 2012	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Impairment Losses
Customer relationship intangible	$2.8	$ —	$ —	$2.8	$ (1.5)
Property:					
Leasehold improvements	2.4	—	—	2.4	(11.8)
Network equipment	0.4	—	—	0.4	(0.5)
Other	—	—	—	—	(0.4)
Impairment of assets					$(14.2)

In 2012, the customer relationship intangible obtained in the GramTel acquisition was deemed impaired. The fair value of this asset was estimated at $2.8 million, resulting in an impairment loss of $1.5 million. The fair value of this asset was estimated by management with the assistance of a third-party valuation specialist. Management estimated the fair value using the income approach, which discounted the expected future earnings attributable to the acquired customer contracts, and included estimates of future expenses, capital expenditures and a discount rate of 12%. This fair value measurement is considered a Level 3 measurement due to the significance of its unobservable inputs.

In addition, certain leasehold improvements at data centers acquired in the GramTel acquisition were deemed impaired. Prior to recognizing the impairment, these assets had a net book value of $14.2 million as of June, 30, 2012. The fair value of the assets was written down to the estimated fair value of $2.4 million, resulting in an impairment loss of $11.8 million. The fair value of these assets was estimated by management with the assistance of a third-party valuation specialist. Management estimated the fair value using an income approach. Projected discounted cash flows utilized under the income approach included estimates regarding future revenues and expenses, projected capital expenditures and a discount rate of 12%. This fair value measurement is considered a Level 3 measurement due to the significance of its unobservable inputs.

In 2012, property associated with an out-of-territory fiber network was deemed impaired. The fair value of this asset was estimated at $0.4 million, resulting in an impairment loss of $0.5 million. Management estimated the fair value using an income approach. Projected discounted cash flows utilized under the income approach included estimates regarding future revenues and expenses, projected capital expenditures and a discount rate of 12%. This fair value measurement is considered a Level 3 measurement due to the significance of its unobservable inputs. In addition, properties associated with abandoned assets having no resale market were deemed impaired, resulting in an impairment loss of $0.4 million.

During 2011, the following assets were remeasured at fair value in connection with impairment tests:

(dollars in millions)	Year Ended December 31, 2011	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Impairment Losses
Property	$ —	$ —	$ —	$ —	$ (2.1)
Goodwill	—	—	—	—	(50.3)
Impairment of goodwill and other assets					$(52.4)

In 2011, certain property with a carrying amount of $2.1 million was written down to its estimated fair value of zero. Fair value was determined to be zero due to the absence of a market to sell these assets. This fair value measurement is considered a Level 3 measurement due to the significance of its unobservable inputs.

In 2011, Wireless goodwill with a carrying value of $50.3 million was written down to its implied fair value of zero. The implied fair value of the Wireless reporting unit was estimated using both income and market methods, which were weighted 75% and 25%, respectively. The income approach utilized projected future cash flows, discounted at the weighted average cost of capital for a comparable peer group of 11.5%. The market approach utilized market multiples for selected guideline public companies. This fair value measurement is considered a Level 3 measurement due to the significance of its unobservable inputs.

10. Restructuring Charges

Restructuring liabilities have been established for employee separations, lease abandonment and contract terminations. A summary of activity in the restructuring liability is shown below:

(dollars in millions)	Employee Separation	Lease Abandonment	Contract Terminations	Total
Balance as of December 31, 2009	$ 14.4	$ 4.4	$ —	$ 18.8
Reclassification	—	0.9	—	0.9
Charges	8.7	3.5	1.5	13.7
Utilizations	(11.4)	(1.6)	(0.1)	(13.1)
Balance as of December 31, 2010	$ 11.7	$ 7.2	$ 1.4	$ 20.3
Charges	8.0	2.5	1.7	12.2
Utilizations	(5.5)	(1.6)	(1.4)	(8.5)
Balance as of December 31, 2011	$ 14.2	$ 8.1	$ 1.7	$ 24.0
Charges	2.5	0.9	—	3.4
Utilizations	(8.9)	(3.5)	(1.5)	(13.9)
Balance as of December 31, 2012	$ 7.8	$ 5.5	$ 0.2	$ 13.5

Employee separation costs consist of severance to be paid pursuant to the Company's written severance plan, certain management contracts and a voluntary termination program offered to certain Wireline call center employees. Severance payments are expected to be paid through 2014. Lease abandonment costs represent future minimum lease obligations, net of expected sublease income, for abandoned facilities. Lease payments on abandoned facilities will continue through 2018. In 2011, contract terminations consist of amounts due distributors to terminate their contractual agreements and to telecommunication carriers to cancel circuits. Contract terminations are expected to be paid in 2013. In 2010, contract terminations included charges to terminate a sales commission plan to conform sales commission programs between our data center operations.

A summary of restructuring activity by business segment is presented below:

(dollars in millions)	Wireline	Wireless	Data Center Colocation	IT Services and Hardware	Corporate	Total
Balance as of December 31, 2009	$ 14.4	$ —	$ —	$ —	$ 4.4	$ 18.8
Reclassifications	0.9	—	—	—	—	0.9
Charges	8.2	1.0	1.4	2.8	0.3	13.7
Utilizations	(10.7)	—	—	(1.5)	(0.9)	(13.1)
Balance as of December 31, 2010	$ 12.8	$ 1.0	$ 1.4	$ 1.3	$ 3.8	$ 20.3
Charges	7.7	—	—	1.9	2.6	12.2
Utilizations	(5.4)	(0.3)	(1.4)	(0.7)	(0.7)	(8.5)
Balance as of December 31, 2011	$ 15.1	$ 0.7	$ —	$ 2.5	$ 5.7	$ 24.0
Charges / (Reversals)	3.5	1.6	0.5	(1.2)	(1.0)	3.4
Utilizations	(10.0)	(0.7)	(0.5)	(0.8)	(1.9)	(13.9)
Balance as of December 31, 2012	$ 8.6	$ 1.6	$ —	$ 0.5	$ 2.8	$ 13.5

At December 31, 2012 and 2011, $5.8 million and $12.6 million, respectively, of the restructuring liabilities were included in "Other current liabilities," and $7.7 million and $11.4 million, respectively, were included in "Other noncurrent liabilities," in the Consolidated Balance Sheets.

11. Pension and Postretirement Plans

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. Both employer and employee contributions are invested in various investment funds at the direction of the employee. Employer contributions to the defined contribution plans were $6.9 million, $6.4 million, and $4.8 million in 2012, 2011, and 2010, respectively.

Pension and Postretirement 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 former 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. We fund both the management and non-management plans in an irrevocable trust through contributions, which are determined using the traditional unit credit cost method. We also use the traditional unit credit cost method for determining pension cost for financial reporting purposes. Effective January 1, 2012, future pension service credits were eliminated for certain non-management employees which resulted in a remeasurement of the projected benefit obligations for this plan. In 2011, a curtailment loss of $4.2 million was recognized upon remeasurement.

The Company also provides healthcare and group life insurance benefits for eligible retirees. We fund healthcare benefits and other group life insurance benefits using Voluntary Employee Benefit Association ("VEBA") trusts. It is our practice to fund amounts as deemed appropriate from time to time. Contributions are subject to Internal Revenue Service ("IRS") limitations developed using the traditional unit credit cost method. The actuarial expense calculation for our postretirement health plan is based on numerous assumptions, estimates, and judgments including healthcare cost trend rates and cost sharing with retirees. Retiree healthcare benefits are being phased out for both management and certain retirees.

Components of Net Periodic Cost

The following information relates to noncontributory defined benefit pension plans, postretirement healthcare plans, and life insurance benefit plans. Approximately 11% in 2012, 7% in 2011, and 8% in 2010 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)	**2012**	**2011**	**2010**	**2012**	**2011**	**2010**
Service cost	$ 2.6	$ 5.1	$ 5.2	$ 0.5	$ 0.3	$ 0.2
Interest cost on projected benefit obligation	21.3	24.8	26.8	5.6	7.1	8.0
Expected return on plan assets	(26.1)	(29.3)	(30.3)	—	—	—
Amortization of:						
Prior service cost (benefit)	0.1	0.3	0.5	(13.2)	(13.2)	(13.1)
Actuarial loss	19.4	14.3	9.3	6.8	6.5	5.2
Curtailment loss	—	4.2	—	—	—	—
Pension/postretirement costs	$ 17.3	$ 19.4	$ 11.5	$ (0.3)	$ 0.7	$ 0.3

The following are the weighted-average assumptions used in measuring the net periodic cost of the pension and postretirement benefits:

	Pension Benefits			Postretirement and Other Benefits		
	2012	2011	2010	2012	2011	2010
Discount rate	3.90%	4.90%	5.50%	3.60%	4.50%	5.10%
Expected long-term rate of return	7.75%	8.25%	8.25%	0%	0%	0%
Future compensation growth rate	3.00%	3.00%	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.

Benefit Obligation and Funded Status

Changes in the plans' benefit obligations and funded status are as follows:

	Pension Benefits		Postretirement and Other Benefits	
(dollars in millions)	2012	2011	2012	2011
Change in benefit obligation:				
Benefit obligation at January 1,	$ 569.2	$ 526.1	$ 164.9	$ 163.5
Service cost	2.6	5.1	0.5	0.3
Interest cost	21.3	24.8	5.6	7.1
Actuarial loss	30.6	60.2	2.2	13.8
Benefits paid	(38.8)	(47.0)	(26.0)	(27.2)
Retiree drug subsidy received	—	—	0.6	0.7
Early retiree subsidy received (refunded)	—	—	(0.1)	1.9
Other	—	—	4.7	4.8
Benefit obligation at December 31,	$ 584.9	$ 569.2	$ 152.4	$ 164.9
Change in plan assets:				
Fair value of plan assets at January 1,	$ 312.5	$ 324.0	$ 12.1	$ 12.3
Actual return on plan assets	44.2	15.4	0.4	0.3
Employer contributions	25.9	20.1	24.7	24.1
Retiree drug subsidy received	—	—	0.6	0.7
Early retiree subsidy received (refunded)	—	—	(0.1)	1.9
Benefits paid	(38.8)	(47.0)	(26.0)	(27.2)
Fair value of plan assets at December 31,	343.8	312.5	11.7	12.1
Unfunded status	$(241.1)	$(256.7)	$(140.7)	$(152.8)

The following are the weighted-average assumptions used in accounting for and measuring the projected benefit obligations:

	Pension Benefits		Postretirement and Other Benefits	
	December 31,		December 31,	
	2012	2011	2012	2011
Discount rate	3.30%	3.90%	3.10%	3.60%
Expected long-term rate of return	7.75%	7.75%	0%	0%
Future compensation growth rate	3.00%	3.00%	—	—

The assumed healthcare cost trend rate used to measure the postretirement health benefit obligation is shown below:

	December 31, 2012	December 31, 2011
Healthcare cost trend	6.5%	8.0%
Rate to which the cost trend is assumed to decline (ultimate trend rate)	4.5%	4.5%
Year the rates reach the ultimate trend rate	2016	2019

A one-percentage point change in assumed healthcare cost trend rates would have the following effect on the postretirement benefit costs and obligation:

(dollars in millions)	1% Increase	1% Decrease
Service and interest costs for 2012	$0.2	$(0.2)
Postretirement benefit obligation at December 31, 2012	5.4	(4.8)

The projected benefit obligation is recognized in the Consolidated Balance Sheets as follows:

	Pension Benefits		Postretirement and Other Benefits	
	December 31,		December 31,	
(dollars in millions)	2012	2011	2012	2011
Accrued payroll and benefits (current liability)	$ 1.7	$ 1.7	$ 21.4	$ 21.5
Pension and postretirement benefit obligations (noncurrent liability)	239.4	255.0	119.3	131.3
Total	$241.1	$256.7	$140.7	$152.8

Amounts recognized in "Accumulated other comprehensive loss" in the Consolidated Balance Sheets which have not yet been recognized in net pension costs consisted of the following:

	Pension Benefits		Postretirement and Other Benefits	
	December 31,		December 31,	
(dollars in millions)	2012	2011	2012	2011
Prior service (cost) benefit, net of tax of $0.2, $0.2, $(26.0), $(30.8)	$ (0.3)	$ (0.4)	$ 45.9	$ 54.3
Actuarial loss, net of tax of $109.0, $111.6, $35.6, $37.3	(192.5)	(196.8)	(62.7)	(65.9)
Total	$(192.8)	$(197.2)	$(16.8)	$(11.6)

Amounts recognized in "Accumulated other comprehensive loss" on the Consolidated Statements of Shareowners' Deficit and the Consolidated Statements of Comprehensive Income/(Loss) are shown below:

	Pension Benefits		Postretirement and Other Benefits	
(dollars in millions)	2012	2011	2012	2011
Prior service cost recognized:				
Reclassification adjustments	$ 0.1	$ 4.5	$(13.2)	$(13.2)
Actuarial loss recognized:				
Reclassification adjustments	19.4	14.3	6.8	6.5
Actuarial loss arising during the period	(12.5)	(74.2)	(1.8)	(13.2)

The following amounts currently included in "Accumulated other comprehensive loss" are expected to be recognized in 2013 as a component of net periodic pension and postretirement cost:

(dollars in millions)	Pension Benefits	Postretirement and Other Benefits
Prior service cost (benefit)	$ 0.2	$(13.1)
Actuarial loss	22.1	6.6
Total	$22.3	$ (6.5)

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, 33% investment grade fixed income securities and 6% 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 75% of the equity securities held by the pension plans at December 31, 2012 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 a group insurance contract.

The fair values of the pension and postretirement plan assets at December 31, 2012 and 2011 by asset category are as follows:

(dollars in millions)	December 31, 2012	Quoted Prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
Mutual funds				
U.S. equity index funds	$163.3	$163.3	$ —	$ —
International equity index funds	49.8	49.8	—	—
Fixed income long-term bond funds	102.9	102.9	—	—
Real estate pooled funds	27.8	—	—	27.8
Group insurance contract	11.7	—	—	11.7
Total	$355.5	$316.0	$ —	$39.5

(dollars in millions)	December 31, 2011	Quoted Prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
Mutual funds				
U.S. equity index funds	$150.6	$150.6	$ —	$ —
International equity index funds	44.2	44.2	—	—
Fixed income long-term bond funds	91.9	91.9	—	—
Fixed income short-term money market funds	0.3	—	0.3	—
Real estate pooled funds	25.5	—	—	25.5
Group insurance contract	12.1	—	—	12.1
Total	$324.6	$286.7	$0.3	$37.6

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 consist of real estate pooled funds and a group insurance contract. The 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 group insurance contract is valued at contract value plus accrued interest, which approximates fair value.

The Level 3 investments had the following changes in 2012 and 2011:

	Pension		Postretirement and Other Benefits	
(dollars in millions)	2012	2011	2012	2011
Balance, beginning of year	$25.5	$21.1	$12.1	$12.3
Realized gains, net	1.0	1.7	0.4	0.3
Unrealized gains, net	1.8	3.1	—	—
Purchases, sales, issuances and settlements, net	(0.5)	(0.4)	(0.8)	(0.5)
Balance, end of year	$27.8	$25.5	$11.7	$12.1

Contributions to our qualified pension plans were $23.9 million in 2012, $18.1 million in 2011, and $5.6 million in 2010. Contributions to our non-qualified pension plan were $2.0 million, $2.0 million, and $2.1 million for 2012, 2011, and 2010, respectively.

Based on current assumptions, management believes it will make contributions of $41.6 million to the qualified pension plan in 2013. Contributions to non-qualified pension plans in 2013 are expected to be approximately $2.0 million. Management expects to make cash payments of approximately $20.5 million related to its postretirement health plans in 2013.

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:

(dollars in millions)	Pension Benefits	Postretirement and Other Benefits	Medicare Subsidy Receipts
2013	$ 40.0	$21.2	$0.7
2014	41.7	17.5	0.7
2015	40.8	16.3	0.7
2016	41.6	14.9	0.6
2017	41.6	13.6	0.6
Years 2018 — 2022	195.2	45.6	2.2

12. Shareowners' Deficit

Common Shares

The par value of the Company's common shares is $0.01 per share. At December 31, 2012 and 2011, common shares outstanding were 202,468,710 and 195,721,796, respectively.

In 2010, the Board of Directors approved a plan for repurchase of up to $150 million of the Company's common shares. In 2012, no shares were repurchased under this plan and the Company retired 0.1 million shares of common stock. In 2011, we purchased 3.4 million shares at a cost of $10.8 million and retired 3.3 million shares. In 2010, we purchased and retired 4.0 million shares at a cost of $10.0 million. As of December 31, 2012, the Company has the authority to repurchase $129.2 million of its common stock.

At December 31, 2012 and 2011, treasury shares of common stock held under certain management deferred compensation arrangements were 0.5 million, with a total cost of $2.0 million.

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 6¾% 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 6¾% convertible preferred stock. Annual dividends of $67.50 per share (or $3.3752 per depositary share) on the outstanding 6¾% 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 6¾% preferred stock is $1,000 per share (or $50 per depositary share). The Company paid $10.4 million in preferred stock dividends in 2012, 2011, and 2010.

Warrants

In March 2003, the Company entered into a series of recapitalization transactions which included the issuance of 17.5 million warrants that expire on March 26, 2013. Each warrant allows the holder to purchase one share of Cincinnati Bell common stock at an exercise price of $3.00 each. During 2012, warrant holders elected to exercise a total of 3.2 million warrants, primarily on a cashless basis, and received a total of 1.5 million shares of common stock. Cash proceeds received upon exercise were $0.1 million. As of December 31, 2012, there were 14.3 million warrants still outstanding. There were no warrants exercised during 2011 or 2010.

Accumulated Other Comprehensive Loss

Shareowners' deficit includes an accumulated other comprehensive loss that is comprised of pension and postretirement unrecognized prior service cost and unrecognized actuarial losses, and foreign currency translation losses. At December 31, 2012 and 2011, pension and postretirement unrecognized prior service cost and unrecognized actuarial losses, net of taxes, were $209.6 million and $208.8 million, respectively. Accumulated foreign currency translation loss was $0.1 million at December 31, 2012 and December 31, 2011.

13. Income Taxes

Income tax expense consists of the following:

	Year Ended December 31,		
(dollars in millions)	**2012**	**2011**	**2010**
Current:			
Federal	$ 1.8	$ —	$ 0.3
State and local	1.6	0.4	0.7
Total current	3.4	0.4	1.0
Investment tax credits	(0.3)	(0.3)	(0.3)
Deferred:			
Federal	21.8	24.3	44.0
State and local	2.0	3.4	1.4
Foreign	(0.5)	0.1	—
Total deferred	23.3	27.8	45.4
Valuation allowance	(1.7)	(2.9)	(7.2)
Total	$24.7	$25.0	$38.9

The following is a reconciliation of the statutory federal income tax rate with the effective tax rate for each year:

	Year Ended December 31,		
	2012	2011	2010
U.S. federal statutory rate	35.0%	35.0%	35.0%
State and local income taxes, net of federal income tax	3.9	2.9	2.6
Change in valuation allowance, net of federal income tax	(2.3)	(4.4)	(7.1)
State net operating loss adjustments	3.7	2.7	0.1
Nondeductible interest expense	18.1	15.0	13.3
Medicare drug subsidy law change	—	—	5.8
Unrecognized tax benefit changes	2.2	2.8	5.7
Nondeductible compensation	2.7	2.1	1.5
Foreign	3.5	0.1	0.8
Other differences, net	2.0	1.1	0.2
Effective tax rate	68.8%	57.3%	57.9%

The income tax provision (benefit) was charged to continuing operations, accumulated other comprehensive income/ (loss) or additional paid-in capital as follows:

	Year Ended December 31,		
(dollars in millions)	2012	2011	2010
Income tax provision (benefit) related to:			
Continuing operations	$24.7	$ 25.0	$ 38.9
Accumulated other comprehensive loss	(0.4)	(26.5)	(13.2)
Excess tax benefits on stock option exercises	(2.4)	—	—

The components of our deferred tax assets and liabilities are as follows:

	December 31,	
(dollars in millions)	2012	2011
Deferred tax assets:		
Net operating loss carryforwards	$410.8	$453.9
Pension and postretirement benefits	144.6	155.0
Other	69.9	70.8
Total deferred tax assets	625.3	679.7
Valuation allowance	(56.8)	(58.4)
Total deferred tax assets, net of valuation allowance	$568.5	$621.3
Deferred tax liabilities:		
Property, plant and equipment	$125.1	$159.8
Federal deferred liability on state deferred tax assets	7.2	7.8
Other	1.6	—
Total deferred tax liabilities	133.9	167.6
Net deferred tax assets	$434.6	$453.7

As of December 31, 2012, the Company had approximately $1.0 billion of federal tax operating loss carryforwards with a deferred tax asset value of $352.0 million, alternative minimum tax credit carryforwards of $16.5 million, state tax credits of $11.4 million, and $58.8 million in deferred tax assets related to foreign, 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, management believes it will utilize future federal deductions and available net operating loss carryforwards prior to their expiration. Management also concluded that it was more likely than not that certain state and foreign 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 $22.3 million at December 31, 2012 and $21.5 million at December 31, 2011. We do not currently anticipate that the amount of unrecognized tax benefits will change significantly over the next year. Accrued interest and penalties on income tax uncertainties were immaterial as of December 31, 2012 and 2011.

A reconciliation of the unrecognized tax benefits is as follows:

	Year Ended December 31,		
(dollars in millions)	**2012**	**2011**	**2010**
Balance, beginning of year	$21.8	$20.5	$16.7
Change in tax positions for the current year	1.4	1.3	4.0
Change in tax positions for prior years	(0.4)	—	(0.2)
Balance, end of year	$22.8	$21.8	$20.5

During the year ended December 31, 2010, a change of $4.0 million was recorded due to tax matters associated with the refinancing of the 8⅜% Subordinated Notes.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various foreign, 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 2009.

14. Stock-Based and Deferred Compensation Plans

The Company may grant stock options, stock appreciation rights, performance-based awards, and time-based restricted shares to officers and key employees under the 2007 Long Term Incentive Plan and stock options and restricted shares to directors under the 2007 Stock Option Plan for Non-Employee Directors. The maximum number of shares authorized under these plans is 19.0 million. Shares available for award under the plans at December 31, 2012 were 4.8 million.

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. Beginning in 2012, some of the stock options and stock appreciation rights vested over a three year period based on the achievement of certain performance objectives. The Company generally issues new shares when options to purchase common shares or stock appreciation rights are exercised. The following table summarizes stock options and stock appreciation rights activity:

	2012		2011		2010	
(in thousands, except per share amounts)	**Shares**	**Weighted-Average Exercise Price Per Share**	**Shares**	**Weighted-Average Exercise Price Per Share**	**Shares**	**Weighted-Average Exercise Price Per Share**
Outstanding at January 1,	14,152	$3.70	17,816	$ 5.55	20,172	$ 7.15
Granted *	994	3.41	—	—	1,374	2.99
Exercised	(4,854)	2.80	(292)	1.74	(419)	1.58
Forfeited	(6)	2.91	(261)	3.22	(464)	2.05
Expired	(748)	4.87	(3,111)	14.48	(2,847)	16.83
Outstanding at December 31,	9,538	$4.04	14,152	$ 3.70	17,816	$ 5.55
Expected to vest at December 31,	9,538	$4.04	14,152	$ 3.70	17,766	$ 5.56
Exercisable at December 31,	8,486	$4.13	13,047	$ 3.73	14,348	$ 6.26
(dollars in millions)						
Compensation expense for the year	$ 1.1		$ 0.9		$ 1.5	
Tax benefit related to compensation expense	$ (0.4)		$ (0.3)		$ (0.6)	
Intrinsic value of awards exercised	$ 10.6		$ 0.4		$ 0.4	
Cash received from awards exercised	$ 5.5		$ 0.4		$ 0.5	
Grant date fair value of awards vested	$ 0.5		$ 2.1		$ 2.6	

* Assumes the maximum number of awards that can be earned if the performance conditions are achieved.

The following table summarizes our outstanding and exercisable awards at December 31, 2012:

	Outstanding		Exercisable	
(in thousands, except per share amounts)	**Shares**	**Weighted-Average Exercise Price Per Share**	**Shares**	**Weighted-Average Exercise Price Per Share**
$1.39 to $2.91	2,146	$2.05	2,116	$2.04
$3.28 to $4.00	3,100	3.66	2,083	3.79
$4.06 to $5.53	1,660	4.79	1,655	4.78
$5.65 to $6.75	2,632	5.66	2,632	5.66
Total	9,538	$4.04	8,486	$4.13

As of December 31, 2012, the aggregate intrinsic value for awards outstanding was approximately $12.0 million and for exercisable awards was $11.9 million. The weighted-average remaining contractual life for awards outstanding and exercisable are each approximately four years. As of December 31, 2012, there was $0.1 million of unrecognized stock compensation expense, which is expected to be recognized over a weighted-average period of approximately two years.

The fair values at the date of grant were estimated using the Black-Scholes pricing model with the following assumptions:

	2012	2011	2010
Expected volatility	43.5%	—	43.7%
Risk-free interest rate	0.8%	—	2.2%
Expected holding period (in years)	5	—	5
Expected dividends	0.0%	—	0.0%
Weighted-average grant date fair value	$1.32	$ —	$1.16

The Company did not grant any stock options or stock-settled appreciation rights in the year ended December 31, 2011. 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 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 our outstanding performance-based restricted award activity:

	2012		2011		2010	
(in thousands, except per share amounts)	Shares	Weighted-Average Exercise Price Per Share	Shares	Weighted-Average Exercise Price Per Share	Shares	Weighted-Average Exercise Price Per Share
Non-vested at January 1,	1,839	$2.90	2,641	$3.25	4,218	$3.39
Granted*	808	3.40	998	2.85	736	2.92
Vested	(552)	2.85	(479)	2.84	(1,146)	3.59
Forfeited	(408)	2.79	(1,321)	3.91	(1,167)	3.20
Non-vested at December 31,	1,687	$3.13	1,839	$2.90	2,641	$3.25
(dollars in millions)						
Compensation expense for the year	$ 2.7		$ 2.4		$ 0.5	
Tax benefit related to compensation expense	$ (1.0)		$ (0.9)		$ (0.2)	
Grant date fair value of awards vested	$ 1.6		$ 1.4		$ 4.1	

* Assumes the maximum number of awards that can be earned if the performance conditions are achieved.

As of December 31, 2012, unrecognized compensation expense related to performance-based awards was $2.0 million, which is expected to be recognized over a weighted-average period of approximately one year.

Time-Based Restricted Awards

Awards granted to employees generally vest in one-third increments over a period of three years. Awards granted to directors vest on the third anniversary of the grant date. The following table summarizes our time-based restricted award activity:

	2012		2011		2010	
(in thousands, except per share amounts)	**Shares**	**Weighted-Average Exercise Price Per Share**	**Shares**	**Weighted-Average Exercise Price Per Share**	**Shares**	**Weighted-Average Exercise Price Per Share**
Non-vested at January 1,	872	$2.89	229	$3.36	213	$3.85
Granted	725	3.26	711	2.85	84	3.35
Vested	(299)	2.83	(45)	4.69	(62)	4.91
Forfeited	—	—	(23)	3.03	(6)	4.91
Non-vested at December 31,	1,298	$3.11	872	$2.89	229	$3.36
(dollars in millions)						
Compensation expense for the year	$ 1.5		$ 0.8		$ 0.5	
Tax benefit related to compensation expense	$ (0.6)		$(0.3)		$(0.2)	
Grant date fair value of awards vested	$ 0.8		$ 0.2		$ 0.3	

As of December 31, 2012, there was $2.4 million of unrecognized compensation expense related to these shares, which is expected to be recognized over a weighted-average period of approximately two years.

Cash Settled and Other Awards

The Company granted 531,000, 789,000, and 959,000 cash-settled stock appreciation rights awards in 2012, 2011, and 2010, respectively, with grant date values of $0.8 million, $0.9 million, and $1.0 million, respectively. A Black-Scholes pricing model was utilized to determine the fair value of these awards at the date of grant. For awards granted in 2012, 2011, and 2010, the weighted-average fair value per share was $1.32, $1.18, and $1.13, respectively. The final payments of these awards will be indexed to the percentage change in the Company's stock price from the date of grant. The awards granted in 2012 are performance based and the maximum number of units that may be earned are 796,000. At December 31, 2012, there was $1.4 million of unrecognized compensation, which is expected to be recognized over one year. The aggregate intrinsic value of outstanding and exercisable awards at December 31, 2012 was $4.8 million and $3.3 million, respectively.

The Company also granted cash-payment performance awards in 2012, 2011 and 2010 with base awards of $2.3 million, $1.0 million, and $0.9 million, respectively, with the final award payment indexed to the percentage change in the Company's stock price from the date of grant. In 2012, 2011 and 2010, we recorded expense of $4.4 million, $1.8 million, and $0.1 million, respectively, related to these awards.

The Company granted an award of 300,000 common shares in 2010 to the newly-hired president of Cincinnati Bell Communications, whose responsibility encompassed the Cincinnati-based operations, primarily the Wireline and Wireless segments. This award vested immediately. We recognized expense of $0.8 million for this award, which was recorded in the Corporate segment, for the year ended December 31, 2010.

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. In years prior to 2012, the Company granted 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. No phantom shares were granted to non-employee directors in 2012. 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, 2012 and 2011, there were 0.7 million common shares deferred in these plans. As these awards can be settled in cash, we record compensation costs each period based on the change in the Company's stock price. We recognized compensation expense of $1.8 million in 2012, $0.3 million in 2011, and a benefit of $0.2 million in 2010.

15. Business Segment Information

During 2012, the Company operated in four business 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. On January 24, 2013, we completed the IPO of CyrusOne, which owns and operates our former data center colocation business. For further details of this transaction, see Note 20 of Notes to Consolidated Financial Statements.

The Wireline segment provides local voice, data, long distance, entertainment, voice over internet protocol ("VoIP"), 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 technology and over fiber using its gigabit passive optical network. Data services also provide data transport for businesses, including local area network services, dedicated network access, and metro ethernet and dense wavelength division multiplexing ("DWDM")/optical wave data transport, which principally are used to transport large amounts of data over private networks. Long distance and VoIP services include long distance voice, audio conferencing, VoIP and other broadband services including private line and multi-protocol label switching, a technology that enables a business customer to privately interconnect voice and data services at its locations. Entertainment services are comprised of television media through our Fioptics product suite and DirecTV®. Other services primarily include inside wire installation for business enterprises and rental revenue. These services are primarily provided to customers in southwestern Ohio, northern Kentucky, and southeastern Indiana. In 2011, the Company sold substantially all of the assets associated with its home security monitoring business and recognized a pretax gain of $8.4 million. Wireline recognized restructuring charges of $3.5 million, $7.7 million, and $8.2 million in 2012, 2011 and 2010, respectively, for costs associated with employee separation, lease abandonments and contract termination costs.

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. In 2011, the Wireless segment recognized a goodwill impairment loss of $50.3 million. In 2012 and 2011, other asset impairments were $0.4 million and $1.1 million, respectively, related to the write-off of canceled or abandoned capital projects. Wireless incurred restructuring charges of $1.6 million in 2012 and $1.0 million in 2010, with no such charges in 2011.

The Data Center Colocation segment provided data center colocation services to primarily large businesses. As of December 31, 2012, we owned or maintained 24 data centers in Texas, Ohio, Kentucky, Indiana, Illinois, Arizona, England, and Singapore. In 2012, the Data Center Colocation segment recognized impairment losses of $13.3 million on long-lived assets and a customer relationship intangible primarily related to our GramTel acquisition. In 2012, the Data Center Colocation segment recognized restructuring charges of $0.5 million for severance associated with management contracts. In 2010, a restructuring charge of $1.4 million was incurred to conform the Cincinnati-based operation's commission incentive program to the Cyrus Networks program. No restructuring charges were incurred in 2011. On June 11, 2010, the Company purchased Cyrus Networks, a data center operator based in Texas, for approximately $526 million, net of cash acquired.

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 2011 and 2010, the IT Services and Hardware segment incurred employee separation charges of $1.9 million and $2.8 million, respectively, associated with the elimination of certain functions due to product consolidation and integration within the Wireline segment. In 2012, the IT Services and Hardware segment reversed restructuring costs of $1.2 million due to changes in estimates of liabilities that had been accrued for in the prior year.

Corporate operating results include transaction costs of $6.3 million in 2012, $2.6 million in 2011, and $9.1 million in 2010. Corporate reversed restructuring costs of $1.0 million in 2012 and recognized restructuring charges of $2.6 million and $0.3 million in 2011 and 2010, respectively.

Our business segment information is as follows:

(dollars in millions)	Year Ended December 31, 2012	2011	2010
Revenue			
Wireline	$ 730.5	$ 732.1	$ 742.5
Wireless	241.8	277.6	289.2
Data Center Colocation	221.3	184.7	125.3
IT Services and Hardware	315.7	300.5	254.7
Intersegment	(35.4)	(32.5)	(34.7)
Total revenue	$1,473.9	$1,462.4	$1,377.0
Intersegment revenue			
Wireline	$ 19.1	$ 23.0	$ 24.4
Wireless	2.3	2.3	2.6
Data Center Colocation	6.4	2.1	1.8
IT Services and Hardware	7.6	5.1	5.9
Total intersegment revenue	$ 35.4	$ 32.5	$ 34.7
Operating income (loss)			
Wireline	$ 212.9	$ 228.5	$ 233.5
Wireless	51.2	3.3	56.3
Data Center Colocation	30.4	46.4	34.2
IT Services and Hardware	10.3	9.8	4.3
Corporate	(34.7)	(28.5)	(29.0)
Total operating income	$ 270.1	$ 259.5	$ 299.3
Expenditures for long-lived assets			
Wireline	$ 114.2	$ 112.6	$ 98.7
Wireless	15.8	17.6	11.7
Data Center Colocation	228.2	118.5	557.4
IT Services and Hardware	9.0	6.8	8.6
Total expenditures for long-lived assets	$ 367.2	$ 255.5	$ 676.4
Depreciation and amortization			
Wireline	$ 106.0	$ 102.4	$ 103.9
Wireless	31.9	33.5	33.4
Data Center Colocation	70.6	54.8	34.6
IT Services and Hardware	8.6	8.4	7.3
Corporate	0.3	0.4	0.3
Total depreciation and amortization	$ 217.4	$ 199.5	$ 179.5

(dollars in millions)	As of December 31, 2012	2011	2010
Assets			
Wireline	$ 723.7	$ 713.6	$ 694.1
Wireless	275.6	295.2	359.3
Data Center Colocation	1,208.5	964.0	857.2
IT Services and Hardware	43.3	36.6	34.7
Corporate and eliminations	621.3	705.3	708.3
Total assets	$2,872.4	$2,714.7	$2,653.6

Details of our service and product revenues including eliminations are as follows:

(dollars in millions)	Year Ended December 31, 2012	2011	2010
Service revenue			
Wireline	$ 705.0	$ 703.3	$ 710.9
Wireless	222.7	250.8	267.1
Data Center Colocation	214.9	182.6	123.5
IT Services and Hardware	130.2	114.1	97.8
Total service revenue	$1,272.8	$1,250.8	$1,199.3
Product revenue			
Handsets and accessories	$ 23.2	$ 30.3	$ 19.5
IT, telephony and other equipment	177.9	181.3	158.2
Total product revenue	$ 201.1	$ 211.6	$ 177.7

The reconciliation of the Consolidated Statements of Cash Flows to expenditures for long-lived assets is as follows:

(dollars in millions)	Year Ended December 31, 2012	2011	2010
Per Consolidated Statements of Cash Flows:			
Capital expenditures	$367.2	$255.5	$149.7
Acquisitions of businesses, net of cash acquired	—	—	526.7
Total expenditures for long-lived assets	$367.2	$255.5	$676.4

16. Supplemental Cash Flow Information

(dollars in millions)	Year Ended December 31, 2012	2011	2010
Capitalized interest expense	$ 2.7	$ 3.5	$ 0.9
Cash paid /(received) for:			
Interest	217.9	211.8	172.4
Income taxes, net of refunds	0.1	(1.2)	3.5
Noncash investing and financing activities:			
Acquisition of property by assuming debt and other financing arrangements	19.9	49.7	21.0
Acquisition of property on account	30.7	22.8	9.6
Accrued CyrusOne stock issuance costs	2.2	—	—

17. Supplemental Guarantor Information—Cincinnati Bell Telephone Notes

CBT, a wholly-owned subsidiary of Cincinnati Bell Inc. (the "Parent Company"), had $134.5 million in notes outstanding at December 31, 2012 that are guaranteed by the Parent Company and no other subsidiaries of the Parent Company. The guarantee is full and unconditional. The Parent Company's subsidiaries generate substantially all of its income and cash flow and generally distribute or advance the funds necessary to meet the Parent Company's debt service obligations.

The following information sets forth the Condensed Consolidating Balance Sheets of the Company as of December 31, 2012 and 2011 and the Condensed Consolidating Statements of Operations and Comprehensive Income and Cash Flows for the years ended December 31, 2012, 2011, and 2010 of (1) 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 and Comprehensive Income

(dollars in millions)	Year Ended December 31, 2012 Parent (Guarantor)	CBT (Issuer)	Other Non-guarantors	Eliminations	Total
Revenue	$ —	$642.8	$893.3	$ (62.2)	$1,473.9
Operating costs and expenses	33.9	436.3	795.8	(62.2)	1,203.8
Operating income (loss)	(33.9)	206.5	97.5	—	270.1
Interest expense, net	164.8	(1.5)	55.6	—	218.9
Other expense (income), net	11.5	5.9	(2.1)	—	15.3
Income (loss) before equity in earnings of subsidiaries and income taxes	(210.2)	202.1	44.0	—	35.9
Income tax expense (benefit)	(68.3)	73.8	19.2	—	24.7
Equity in earnings of subsidiaries, net of tax	153.1	—	—	(153.1)	—
Net income	11.2	128.3	24.8	(153.1)	11.2
Other comprehensive loss	(0.8)	—	—	—	(0.8)
Total comprehensive income	$ 10.4	$128.3	$ 24.8	$(153.1)	$ 10.4
Net income	$ 11.2	$128.3	$ 24.8	$(153.1)	$ 11.2
Preferred stock dividends	10.4	—	—	—	10.4
Net income applicable to common shareowners	$ 0.8	$128.3	$ 24.8	$(153.1)	$ 0.8

(dollars in millions)	Year Ended December 31, 2011 Parent (Guarantor)	CBT (Issuer)	Other Non-guarantors	Eliminations	Total
Revenue	$ 3.4	$655.8	$860.6	$ (57.4)	$1,462.4
Operating costs and expenses	23.6	435.6	801.1	(57.4)	1,202.9
Operating income (loss)	(20.2)	220.2	59.5	—	259.5
Interest expense, net	161.8	3.4	49.8	—	215.0
Other expense (income), net	(0.9)	7.5	(5.7)	—	0.9
Income (loss) before equity in earnings of subsidiaries and income taxes	(181.1)	209.3	15.4	—	43.6
Income tax expense (benefit)	(56.4)	76.0	5.4	—	25.0
Equity in earnings of subsidiaries, net of tax	143.3	—	—	(143.3)	—
Net income	18.6	133.3	10.0	(143.3)	18.6
Other comprehensive loss	(48.8)	—	(0.1)	—	(48.9)
Total comprehensive (loss)/income	$ (30.2)	$133.3	$ 9.9	$(143.3)	$ (30.3)
Net income	$ 18.6	$133.3	$ 10.0	$(143.3)	$ 18.6
Preferred stock dividends	10.4	—	—	—	10.4
Net income applicable to common shareowners	$ 8.2	$133.3	$ 10.0	$(143.3)	$ 8.2

Condensed Consolidating Statements of Operations and Comprehensive Income

	Year Ended December 31, 2010				
(dollars in millions)	Parent (Guarantor)	CBT (Issuer)	Other Non-guarantors	Eliminations	Total
Revenue	$ 5.5	$668.1	$761.2	$ (57.8)	$1,377.0
Operating costs and expenses	34.5	435.0	666.0	(57.8)	1,077.7
Operating income (loss)	(29.0)	233.1	95.2	—	299.3
Interest expense, net	137.9	9.8	37.5	—	185.2
Other expense (income), net	45.2	7.6	(5.9)	—	46.9
Income (loss) before equity in earnings of subsidiaries and income taxes	(212.1)	215.7	63.6	—	67.2
Income tax expense (benefit)	(61.3)	82.2	18.0	—	38.9
Equity in earnings of subsidiaries, net of tax	179.1	—	—	(179.1)	—
Net income	28.3	133.5	45.6	(179.1)	28.3
Other comprehensive loss	(23.9)	—	—	—	(23.9)
Total comprehensive income	$ 4.4	$133.5	$ 45.6	$(179.1)	$ 4.4
Net income	$ 28.3	$133.5	$ 45.6	$(179.1)	$ 28.3
Preferred stock dividends	10.4	—	—	—	10.4
Net income applicable to common shareowners	$ 17.9	$133.5	$ 45.6	$(179.1)	$ 17.9

Condensed Consolidating Balance Sheets

	As of December 31, 2012				
(dollars in millions)	Parent (Guarantor)	CBT (Issuer)	Other Non-guarantors	Eliminations	Total
Cash and cash equivalents	$ 3.8	$ 1.9	$ 17.9	$ —	$ 23.6
Receivables, net	1.0	—	198.0	—	199.0
Other current assets	3.1	34.4	43.8	(0.4)	80.9
Total current assets	7.9	36.3	259.7	(0.4)	303.5
Property, plant and equipment, net	0.1	646.7	940.6	—	1,587.4
Goodwill and intangibles, net	—	2.3	485.1	—	487.4
Investments in and advances to subsidiaries	1,449.9	228.2	—	(1,678.1)	—
Other noncurrent assets	384.6	6.3	266.3	(163.1)	494.1
Total assets	$1,842.5	$ 919.8	$1,951.7	$(1,841.6)	$2,872.4
Current portion of long-term debt	$ —	$ 3.0	$ 10.4	$ —	$ 13.4
Accounts payable	1.2	61.7	72.7	—	135.6
Other current liabilities	85.6	50.2	69.7	0.9	206.4
Total current liabilities	86.8	114.9	152.8	0.9	355.4
Long-term debt, less current portion	1,841.7	141.3	693.0	—	2,676.0
Other noncurrent liabilities	383.3	138.6	181.7	(164.4)	539.2
Intercompany payables	228.9	—	276.4	(505.3)	—
Total liabilities	2,540.7	394.8	1,303.9	(668.8)	3,570.6
Shareowners' equity (deficit)	(698.2)	525.0	647.8	(1,172.8)	(698.2)
Total liabilities and shareowners' equity (deficit)	$1,842.5	$ 919.8	$1,951.7	$(1,841.6)	$2,872.4

(dollars in millions)	As of December 31, 2011 Parent (Guarantor)	CBT (Issuer)	Other Non-guarantors	Eliminations	Total
Cash and cash equivalents	$ 69.6	$ 1.4	$ 2.7	$ —	$ 73.7
Receivables, net	2.0	—	177.4	—	179.4
Other current assets	5.8	31.8	31.7	(1.4)	67.9
Total current assets	77.4	33.2	211.8	(1.4)	321.0
Property, plant and equipment, net	0.1	642.5	757.9	—	1,400.5
Goodwill and intangibles, net	—	2.4	505.1	—	507.5
Investments in and advances to subsidiaries	1,731.4	237.3	—	(1,968.7)	—
Other noncurrent assets	387.9	7.6	234.0	(143.8)	485.7
Total assets	$2,196.8	$923.0	$1,708.8	$(2,113.9)	$2,714.7
Current portion of long-term debt	$ —	$ 3.1	$ 9.9	$ —	$ 13.0
Accounts payable	1.0	53.7	78.7	—	133.4
Other current liabilities	93.2	55.3	61.5	—	210.0
Total current liabilities	94.2	112.1	150.1	—	356.4
Long-term debt, less current portion	2,182.0	216.3	122.3	—	2,520.6
Other noncurrent liabilities	404.3	122.8	171.0	(145.2)	552.9
Intercompany payables	231.5	—	595.8	(827.3)	—
Total liabilities	2,912.0	451.2	1,039.2	(972.5)	3,429.9
Shareowners' equity (deficit)	(715.2)	471.8	669.6	(1,141.4)	(715.2)
Total liabilities and shareowners' equity (deficit)	$2,196.8	$923.0	$1,708.8	$(2,113.9)	$2,714.7

Condensed Consolidating Statements of Cash Flows

(dollars in millions)	Year Ended December 31, 2012 Parent (Guarantor)	CBT (Issuer)	Other Non-guarantors	Eliminations	Total
Cash flows provided by (used in) operating activities	$(144.8)	$ 250.4	$ 107.1	$ —	$ 212.7
Capital expenditures	—	(108.8)	(258.4)	—	(367.2)
Proceeds from sale of assets	—	1.4	0.2	—	1.6
Other investing activities	—	—	(6.2)	—	(6.2)
Cash flows used in investing activities	—	(107.4)	(264.4)	—	(371.8)
Issuance of long-term debt	—	—	525.0	—	525.0
Funding between Parent and subsidiaries, net	433.6	(66.0)	(367.6)	—	—
Increase in receivables facility, net	—	—	52.0	—	52.0
Repayment of debt	(352.0)	(76.5)	(13.9)	—	(442.4)
Debt issuance costs	(3.6)	—	(17.3)	—	(20.9)
Common stock issuance costs	—	—	(5.7)	—	(5.7)
Common stock repurchase	(0.3)	—	—	—	(0.3)
Proceeds from exercise of options and warrants	12.1	—	—	—	12.1
Other financing activities	(10.8)	—	—	—	(10.8)
Cash flows provided by (used in) financing activities	79.0	(142.5)	172.5	—	109.0
Increase (decrease) in cash and cash equivalents	(65.8)	0.5	15.2	—	(50.1)
Beginning cash and cash equivalents	69.6	1.4	2.7	—	73.7
Ending cash and cash equivalents	$ 3.8	$ 1.9	$ 17.9	$ —	$ 23.6

(dollars in millions)	Year Ended December 31, 2011 Parent (Guarantor)	CBT (Issuer)	Other Non-guarantors	Eliminations	Total
Cash flows provided by (used in) operating activities	$(139.6)	$ 264.7	$ 164.8	$ —	$ 289.9
Capital expenditures	—	(106.3)	(149.2)	—	(255.5)
Proceeds from sale of assets	11.5	—	—	—	11.5
Other investing activities	(0.7)	—	—	—	(0.7)
Cash flows provided by (used in) investing activities	10.8	(106.3)	(149.2)	—	(244.7)
Funding between Parent and subsidiaries, net	150.3	(156.5)	6.2	—	—
Increase in receivables facility, net	—	—	0.4	—	0.4
Repayment of debt	—	(2.3)	(9.2)	—	(11.5)
Common stock repurchase	(10.4)	—	—	—	(10.4)
Other financing activities	(11.3)	—	(16.0)	—	(27.3)
Cash flows provided by (used in) financing activities	128.6	(158.8)	(18.6)	—	(48.8)
Decrease in cash and cash equivalents	(0.2)	(0.4)	(3.0)	—	(3.6)
Beginning cash and cash equivalents	69.8	1.8	5.7	—	77.3
Ending cash and cash equivalents	$ 69.6	$ 1.4	$ 2.7	$ —	$ 73.7

(dollars in millions)	Year Ended December 31, 2010 Parent (Guarantor)	CBT (Issuer)	Other Non-guarantors	Eliminations	Total
Cash flows provided by (used in) operating activities	$ (54.6)	$ 224.9	$ 129.7	$ —	$ 300.0
Capital expenditures	—	(88.7)	(61.0)	—	(149.7)
Acquisition of businesses	—	—	(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	(423.8)	(137.0)	560.8	—	—
Proceeds from issuance of long-term debt, net of financing costs	2,090.1	1.6	—	—	2,091.7
Decrease in receivables facility, net	—	—	(85.9)	—	(85.9)
Repayment of debt	(1,540.5)	(1.4)	(12.6)	—	(1,554.5)
Common stock repurchase	(10.0)	—	—	—	(10.0)
Other financing activities	(11.5)	—	—	—	(11.5)
Cash flows provided by (used in) financing activities	104.3	(136.8)	462.3	—	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

18. Supplemental Guarantor Information—8 3/8% Senior Notes due 2020, 8 3/4% Senior Subordinated Notes due 2018, and 8 1/4% Senior Notes due 2017

As of December 31, 2012, the Parent Company's 8 3/8% Senior Notes due 2020, 8 3/4% Senior Subordinated Notes due 2018, and 8 1/4% Senior Notes due 2017 are guaranteed by the following subsidiaries: Cincinnati Bell Entertainment Inc., Cincinnati Bell Any Distance Inc., Cincinnati Bell Telecommunications Services LLC, Cincinnati Bell Wireless LLC, CBTS Software LLC, Cincinnati Bell Technology Solutions Inc., Cincinnati Bell Any Distance of Virginia LLC, eVolve Business Solutions LLC, Data Center Investments Inc., Data Center Investments Holdco LLC, Data Centers South Inc. and Data Centers South Holdings LLC.

The Parent Company owns directly or indirectly 100% of each guarantor and each guarantee is full and unconditional, and joint and several. In certain customary circumstances, a subsidiary may be released from its guarantee obligation. These circumstances are defined as follows:

- upon the sale of all of the capital stock of a subsidiary,
- if the Company designates the subsidiary as an unrestricted subsidiary under the terms of the indentures, or
- if the subsidiary is released as a guarantor from the Company's credit facility.

As of November 20, 2012, the following subsidiaries were released from their guarantee obligation on these notes: Cincinnati Bell Shared Service LLC, CyrusOne and CyrusOne Foreign Holdings LLC. The condensed consolidated financial statements shown below have been retroactively restated to reflect these subsidiaries as non-guarantors. In addition, CyrusOne and CyrusOne Foreign Holdings LLC were designated as unrestricted subsidiaries.

The Parent Company's subsidiaries generate substantially all of its income and cash flow and generally distribute or advance the funds necessary to meet the Parent Company's debt service obligations. The following information sets forth the Condensed Consolidating Balance Sheets of the Company as of December 31, 2012 and 2011 and the Condensed Consolidating Statements of Operations and Comprehensive Income and Cash Flows for the years ended December 31, 2012, 2011, and 2010 of (1) 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 and Comprehensive Income

	Year Ended December 31, 2012				
(dollars in millions)	Parent (Issuer)	Guarantors	Non-guarantors	Eliminations	Total
Revenue	$ —	$713.4	$822.7	$ (62.2)	$1,473.9
Operating costs and expenses	33.9	646.5	585.6	(62.2)	1,203.8
Operating income (loss)	(33.9)	66.9	237.1	—	270.1
Interest expense, net	164.8	7.8	46.3	—	218.9
Other expense (income), net	11.5	9.1	(5.3)	—	15.3
Income (loss) before equity in earnings of subsidiaries and income taxes	(210.2)	50.0	196.1	—	35.9
Income tax expense (benefit)	(68.3)	19.2	73.8	—	24.7
Equity in earnings of subsidiaries, net of tax	153.1	(11.8)	—	(141.3)	—
Net income	11.2	19.0	122.3	(141.3)	11.2
Other comprehensive loss	(0.8)	—	—	—	(0.8)
Total comprehensive income	$ 10.4	$ 19.0	$122.3	$(141.3)	$ 10.4
Net income	$ 11.2	$ 19.0	$122.3	$(141.3)	$ 11.2
Preferred stock dividends	10.4	—	—	—	10.4
Net income applicable to common shareowners	$ 0.8	$ 19.0	$122.3	$(141.3)	$ 0.8

	Year Ended December 31, 2011				
(dollars in millions)	Parent (Issuer)	Guarantors	Non-guarantors	Eliminations	Total
Revenue	$ 3.4	$741.6	$774.8	$ (57.4)	$1,462.4
Operating costs and expenses	23.6	714.0	522.7	(57.4)	1,202.9
Operating income (loss)	(20.2)	27.6	252.1	—	259.5
Interest expense, net	161.8	9.7	43.5	—	215.0
Other expense (income), net	(0.9)	9.7	(7.9)	—	0.9
Income (loss) before equity in earnings of subsidiaries and income taxes	(181.1)	8.2	216.5	—	43.6
Income tax expense (benefit)	(56.4)	2.6	78.8	—	25.0
Equity in earnings of subsidiaries, net of tax	143.3	11.1	—	(154.4)	—
Net income	18.6	16.7	137.7	(154.4)	18.6
Other comprehensive loss	(48.8)	—	(0.1)	—	(48.9)
Total comprehensive (loss)/income	$ (30.2)	$ 16.7	$137.6	$(154.4)	$ (30.3)
Net income	$ 18.6	$ 16.7	$137.7	$(154.4)	$ 18.6
Preferred stock dividends	10.4	—	—	—	10.4
Net income applicable to common shareowners	$ 8.2	$ 16.7	$137.7	$(154.4)	$ 8.2

(dollars in millions)	Parent (Issuer)	Guarantors	Non-guarantors	Eliminations	Total
	Year Ended December 31, 2010				
Revenue	$ 5.5	$707.2	$722.1	$ (57.8)	$1,377.0
Operating costs and expenses	34.5	634.0	467.0	(57.8)	1,077.7
Operating income (loss)	(29.0)	73.2	255.1	—	299.3
Interest expense, net	137.9	16.6	30.7	—	185.2
Other expense (income), net	45.2	8.7	(7.0)	—	46.9
Income (loss) before equity in earnings of subsidiaries and income taxes	(212.1)	47.9	231.4	—	67.2
Income tax expense (benefit)	(61.3)	11.7	88.5	—	38.9
Equity in earnings of subsidiaries, net of tax	179.1	15.3	—	(194.4)	—
Net income	28.3	51.5	142.9	(194.4)	28.3
Other comprehensive loss	(23.9)	—	—	—	(23.9)
Total comprehensive income	$ 4.4	$ 51.5	$142.9	$(194.4)	$ 4.4
Net income	$ 28.3	$ 51.5	$142.9	$(194.4)	$ 28.3
Preferred stock dividends	10.4	—	—	—	10.4
Net income applicable to common shareowners	$ 17.9	$ 51.5	$142.9	$(194.4)	$ 17.9

Condensed Consolidating Balance Sheets

(dollars in millions)	Parent (Issuer)	Guarantors	Non-guarantors	Eliminations	Total
	As of December 31, 2012				
Cash and cash equivalents	$ 3.8	$ 0.3	$ 19.5	$ —	$ 23.6
Receivables, net	1.0	1.2	196.8	—	199.0
Other current assets	3.1	27.7	50.5	(0.4)	80.9
Total current assets	7.9	29.2	266.8	(0.4)	303.5
Property, plant and equipment, net	0.1	220.9	1,366.4	—	1,587.4
Goodwill and intangibles, net	—	106.4	381.0	—	487.4
Investments in and advances to subsidiaries	1,449.9	506.4	192.5	(2,148.8)	—
Other noncurrent assets	384.6	218.5	54.1	(163.1)	494.1
Total assets	$1,842.5	$1,081.4	$2,260.8	$(2,312.3)	$2,872.4
Current portion of long-term debt	$ —	$ 3.9	$ 9.5	$ —	$ 13.4
Accounts payable	1.2	90.2	44.2	—	135.6
Other current liabilities	85.6	33.6	86.3	0.9	206.4
Total current liabilities	86.8	127.7	140.0	0.9	355.4
Long-term debt, less current portion	1,841.7	88.4	745.9	—	2,676.0
Other noncurrent liabilities	383.3	90.6	229.7	(164.4)	539.2
Intercompany payables	228.9	160.0	102.6	(491.5)	—
Total liabilities	2,540.7	466.7	1,218.2	(655.0)	3,570.6
Shareowners' equity (deficit)	(698.2)	614.7	1,042.6	(1,657.3)	(698.2)
Total liabilities and shareowners' equity (deficit)	$1,842.5	$1,081.4	$2,260.8	$(2,312.3)	$2,872.4

(dollars in millions)	As of December 31, 2011 Parent (Issuer)	Guarantors	Non-guarantors	Eliminations	Total
Cash and cash equivalents	$ 69.6	$ 0.7	$ 3.4	$ —	$ 73.7
Receivables, net	2.0	1.2	176.2	—	179.4
Other current assets	5.8	22.7	40.8	(1.4)	67.9
Total current assets	77.4	24.6	220.4	(1.4)	321.0
Property, plant and equipment, net	0.1	226.6	1,173.8	—	1,400.5
Goodwill and intangibles, net	—	108.8	398.7	—	507.5
Investments in and advances to subsidiaries	1,731.4	348.2	202.5	(2,282.1)	—
Other noncurrent assets	387.9	218.7	22.9	(143.8)	485.7
Total assets	$2,196.8	$926.9	$2,018.3	$(2,427.3)	$2,714.7
Current portion of long-term debt	$ —	$ 2.4	$ 10.6	$ —	$ 13.0
Accounts payable	1.0	93.2	39.2	—	133.4
Other current liabilities	93.2	45.5	71.3	—	210.0
Total current liabilities	94.2	141.1	121.1	—	356.4
Long-term debt, less current portion	2,182.0	86.9	251.7	—	2,520.6
Other noncurrent liabilities	404.3	66.7	227.1	(145.2)	552.9
Intercompany payables	231.5	38.8	580.5	(850.8)	—
Total liabilities	2,912.0	333.5	1,180.4	(996.0)	3,429.9
Shareowners' equity (deficit)	(715.2)	593.4	837.9	(1,431.3)	(715.2)
Total liabilities and shareowners' equity (deficit)	$2,196.8	$926.9	$2,018.3	$(2,427.3)	$2,714.7

Condensed Consolidating Statements of Cash Flows

(dollars in millions)	Year Ended December 31, 2012 Parent (Issuer)	Guarantors	Non-guarantors	Eliminations	Total
Cash flows provided by (used in) operating activities	$(144.8)	$ 51.3	$ 306.2	$ —	$ 212.7
Capital expenditures	—	(30.2)	(337.0)	—	(367.2)
Proceeds from sale of assets	—	—	1.6	—	1.6
Other investing activities	—	—	(6.2)	—	(6.2)
Cash flows used in investing activities	—	(30.2)	(341.6)	—	(371.8)
Issuance of long-term debt	—	—	525.0	—	525.0
Funding between Parent and subsidiaries, net	433.6	(16.9)	(416.7)	—	—
Increase in receivables facility, net	—	—	52.0	—	52.0
Repayment of debt	(352.0)	(4.6)	(85.8)	—	(442.4)
Debt issuance costs	(3.6)	—	(17.3)	—	(20.9)
Common stock issuance costs	—	—	(5.7)	—	(5.7)
Common stock repurchase	(0.3)	—	—	—	(0.3)
Proceeds from exercise of options and warrants	12.1	—	—	—	12.1
Other financing activities	(10.8)	—	—	—	(10.8)
Cash flows provided by (used in) financing activities	79.0	(21.5)	51.5	—	109.0
Increase (decrease) in cash and cash equivalents	(65.8)	(0.4)	16.1	—	(50.1)
Beginning cash and cash equivalents	69.6	0.7	3.4	—	73.7
Ending cash and cash equivalents	$ 3.8	$ 0.3	$ 19.5	$ —	$ 23.6

(dollars in millions)	Year Ended December 31, 2011 Parent (Issuer)	Guarantors	Non-guarantors	Eliminations	Total
Cash flows provided by (used in) operating activities	$(139.6)	$120.0	$ 309.5	$ —	$ 289.9
Capital expenditures	—	(31.2)	(224.3)	—	(255.5)
Proceeds from sale of assets	11.5	—	—	—	11.5
Other investing activities	(0.7)	—	—	—	(0.7)
Cash flows provided by (used in) investing activities	10.8	(31.2)	(224.3)	—	(244.7)
Funding between Parent and subsidiaries, net	150.3	(86.6)	(63.7)	—	—
Increase in receivables facility, net	—	—	0.4	—	0.4
Repayment of debt	—	(2.3)	(9.2)	—	(11.5)
Common stock repurchase	(10.4)	—	—	—	(10.4)
Other financing activities	(11.3)	—	(16.0)	—	(27.3)
Cash flows provided by (used in) financing activities	128.6	(88.9)	(88.5)	—	(48.8)
Decrease in cash and cash equivalents	(0.2)	(0.1)	(3.3)	—	(3.6)
Beginning cash and cash equivalents	69.8	0.8	6.7	—	77.3
Ending cash and cash equivalents	$ 69.6	$ 0.7	$ 3.4	$ —	$ 73.7

(dollars in millions)	Year Ended December 31, 2010 Parent (Issuer)	Guarantors	Non-guarantors	Eliminations	Total
Cash flows provided by (used in) operating activities	$ (54.6)	$ 186.9	$ 167.7	$ —	$ 300.0
Capital expenditures	—	(31.9)	(117.8)	—	(149.7)
Acquisitions of businesses	—	(0.3)	(526.4)	—	(526.7)
Other investing activities	—	0.6	0.3	—	0.9
Cash flows used in investing activities	—	(31.6)	(643.9)	—	(675.5)
Funding between Parent and subsidiaries, net	(423.8)	(154.2)	578.0	—	—
Proceeds from issuance of long-term debt, net of financing costs	2,090.1	1.6	—	—	2,091.7
Decrease in receivables facility, net	—	—	(85.9)	—	(85.9)
Repayment of debt	(1,540.5)	(2.7)	(11.3)	—	(1,554.5)
Common stock repurchase	(10.0)	—	—	—	(10.0)
Other financing activities	(11.5)	—	—	—	(11.5)
Cash flows provided by (used in) financing activities	104.3	(155.3)	480.8	—	429.8
Increase in cash and cash equivalents	49.7	—	4.6	—	54.3
Beginning cash and cash equivalents	20.1	0.8	2.1	—	23.0
Ending cash and cash equivalents	$ 69.8	$ 0.8	$ 6.7	$ —	$ 77.3

19. Quarterly Financial Information (Unaudited)

	2012				
(dollars in millions, except per common share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenue	$362.8	$368.2	$368.2	$374.7	$1,473.9
Operating income	81.0	65.2	66.0	57.9	270.1
Net income (loss)	12.6	4.5	3.9	(9.8)	11.2
Basic earnings (loss) per common share	$ 0.05	$ 0.01	$ 0.01	$ (0.06)	$ 0.00
Diluted earnings (loss) per common share	$ 0.05	$ 0.01	$ 0.01	$ (0.06)	$ 0.00

	2011				
(dollars in millions, except per common share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenue	$360.8	$367.5	$368.8	$365.3	$1,462.4
Operating income	86.4	77.6	86.3	9.2	259.5
Net income (loss)	17.9	13.5	17.6	(30.4)	18.6
Basic earnings (loss) per common share	$ 0.08	$ 0.06	$ 0.08	$ (0.17)	$ 0.04
Diluted earnings (loss) per common share	$ 0.08	$ 0.05	$ 0.07	$ (0.17)	$ 0.04

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.

During the fourth quarter of 2012, the Company incurred a loss on extinguishment of debt of $13.6 million from the redemption of its 7% Senior Notes due 2015, a portion of its 8⅜% Senior Notes due 2020, and various CBT notes.

During the fourth quarter of 2011, the Company recognized a goodwill impairment loss of $50.3 million in the Wireless business segment. The impairment loss arose from declines in revenues and wireless subscribers.

20. Subsequent Events

On January 24, 2013, CyrusOne, our data center colocation business, closed its initial public offering of 18,975,000 shares of common stock at a price of $19.00 per share, which included a 2,475,000 share over-allotment option that was exercised by the underwriters. Following the closing of the IPO, we own a 69% economic interest in CyrusOne through our interests in the outstanding shares of common stock of CyrusOne and our limited partnership interests in the common units of CyrusOne's operating partnership, CyrusOne LP. CyrusOne LP units are exchangeable into common stock of CyrusOne on a one-to-one basis, or cash at the fair value of a share of CyrusOne common stock, at the option of CyrusOne, commencing on January 17, 2014. We are a limited partner in CyrusOne LP, which is controlled by CyrusOne GP, and we own less than 10% of the common stock of CyrusOne. Although we effectively own 69% of the economic interests of CyrusOne through our ownership of its common stock and partnership units of CyrusOne LP, we no longer control its operations.

Pursuant to a contribution agreement ("Contribution Agreement") by and between certain Cincinnati Bell subsidiaries, CyrusOne, and CyrusOne LP, we contributed our interests in certain properties which included approximately 932,000 square feet of data center colocation space spread across 24 data center facilities in the Midwest, Texas, Arizona, England, and Singapore, in exchange for limited partnership interests in CyrusOne LP which are exchangeable into shares of common stock of CyrusOne. The operations of CyrusOne, a qualified real estate investment trust (REIT) entity, will primarily be conducted by CyrusOne LP.

The Contribution Agreements provide that CyrusOne LP assumed or succeeded to all of the Contributors' rights, liabilities and obligations with respect to the property entity, properties interests and assets contributed. The Contribution Agreements contain customary representations and warranties by the Contributors with respect to the property entity, property interests and assets contributed to CyrusOne LP, such as title to any owned property, compliance with laws (including environmental laws), enforceability of certain material contracts and leases and certain other matters. In the event of a breach of such representations and warranties, the Contributors will indemnify CyrusOne LP for any resulting losses, subject to certain limitations.

The representations and warranties made by the contributors will survive for a period of one year after the closing of the contribution transactions which occurred on November 20, 2012. In the event the CyrusOne LP does not become aware of a breach until after such period, or if CyrusOne LP otherwise fails to assert a claim prior to the end of such period, CyrusOne LP will have no further recourse against the Contributors.

With effect from January 24, 2013, we will no longer consolidate the results of operations, financial positions or cash flows of CyrusOne, CyrusOne LP or any of their subsidiaries. Our investment in CyrusOne will be accounted for as an available-for-sale security on our balance sheet and any changes in CyrusOne's stock price will be recognized in our other comprehensive income. Our investment in CyrusOne LP will be accounted for as an equity method investment, and we will recognize our share of CyrusOne LP's net income as income from equity method investments.

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.

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 defined in SEC Rule 13a-15(e)) as of the end of the period covered by this report. Based on this evaluation, Cincinnati Bell Inc.'s Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, such controls and procedures were effective.

(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.

There were no changes to Cincinnati Bell Inc.'s internal control over financial reporting during the fourth quarter of 2012 that materially affect, or are 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 2012 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 as of February 28, 2013 are as follows:

Name	Age	Title
Theodore H. Torbeck (a)	56	President and Chief Executive Officer
Kurt A. Freyberger	46	Chief Financial Officer
Christopher J. Wilson	47	Vice President, General Counsel and Secretary
Brian G. Keating	59	Vice President, Human Resources and Administration
Susan M. Kinsey	48	Vice President and Controller

(a) Member of the Board of Directors

Officers are elected annually but are removable at the discretion of the Board of Directors.

The business experiences of our executive officers during the past five years are as follows:

THEODORE H. TORBECK, President and Chief Executive Office since February 1, 2013; President and General Manager of Cincinnati Bell Communications Group from September 2010 to January 2013; Chief Executive Officer of The Freedom Group, Inc. from 2008 to August 2010.

KURT A. FREYBERGER, Chief Financial Officer of the Company since August 2011; Chief Financial Officer of Cincinnati Bell Communications Group from March 2011 to July 2011; Vice President, Investor Relations and Controller of the Company from May 2009 to February 2011; Vice President and Controller of the Company from March 2005 to May 2009.

CHRISTOPHER J. WILSON, Vice President, General Counsel and Secretary of the Company since August 2003.

BRIAN G. KEATING, Vice President, Human Resources and Administration of the Company since August 2003.

SUSAN M. KINSEY, Vice President and Controller of the Company since March 2011; Associate Vice President—Accounting Services for Luxottica Retail North America from June 2009 to February 2011; Senior Vice President—Director of Financial Reporting for PNC Financial Services Group, Inc. from January 2009 to June 2009; Senior Vice President—Assistant Treasurer for National City Corporation from December 2003 to December 2008.

Items 11. Executive Compensation

The information required by this item can be found in the Proxy Statement for the 2013 Annual Meeting of Shareholders and is incorporated herein by reference.

Items 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item can be found in the Proxy Statement for the 2013 Annual Meeting of Shareholders and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item can be found in the Proxy Statement for the 2013 Annual Meeting of Shareholders and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information required by this item can be found in the Proxy Statement for the 2013 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 61.

Financial Statement Schedules

Financial Statement Schedule II — Valuation and Qualifying Accounts is included on page 124. All other schedules are not required under the related instructions or are not applicable.

Exhibits 2

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 7¼% 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 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 ¼% Senior Notes due 2017 (Exhibit 4.1 to Current Report on Form 8-K, date of Report September 30, 2009, File No. 1-8519).
(4.3)	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 8¾% 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).
(4.4)	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 8⅜% Senior Notes due 2020 (Exhibit 4.1 to Current Report on Form 8-K, date of Report October 13, 2010, File No. 1-8519).
(4.5)	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).
(4.6)	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).
(4.7)	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
(4.8)	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).
(4.9)	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).
(4.10)	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 to 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).
(4.11)	Indenture, dated as of November 20, 2012, by and among CyrusOne LP and CyrusOne Finance Corp., guarantors party thereto and Wells Fargo Bank, N.A., as trustee, relating to CyrusOne Inc.'s 6.375% Senior Notes due 2022. (Exhibit 4.1 to Current Report on Form 8-K, date of report November 20, 2012, File No. 1-8519).
(4.12)	Registration Rights Agreement dated November 20, 2012, between CyrusOne LP, CyrusOne Finance Corp., the guarantors party thereto and Barclays Capital Inc., as representatives of the initial purchasers. (Exhibit 4.2 to Current Report on Form 8-K, date of report November 20, 2012, File No. 1-8519).
(4.13)	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).
(4.14)	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).
(4.15)	Purchase Agreement, dated as of December 9, 2002 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).
(4.16)	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).
(4.17)	Second Amendment to Purchase Agreement, dated as of 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)(x)(3) to Quarterly Report on Form 10-Q for the quarter ended March 31, 2004, File No. 1-8519).
(4.18)	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).

Exhibit Number	Description
(4.19)	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).
(4.20)	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)	Third Amendment to Amended and Restated Receivables Purchase Agreement dated as of October 1, 2012, among Cincinnati Bell Funding LLC, as Seller, Cincinnati Bell Inc., as Servicer, the Various Purchaser Groups identified therein, and PNC Bank, National Association, as Administrator and LC Bank. (Exhibit 99.1 to Current Report on Form 8-K, date of Report October 5, 2012, File No. 1-8519).
(10.2)	Second Amendment to Amended and Restated Purchase and Sale Agreement dated as of October 1, 2012, among the Originators identified therein, Cincinnati Bell Funding LLC and Cincinnati Bell Inc. as Servicer and sole member of Cincinnati Bell Funding LLC. (Exhibit 99.2 to Current Report on Form 8-K, date of Report October 5, 2012, File No. 1-8519).
(10.3)	Amended and Restated Purchase and Sale Agreement dated as of June 6, 2011, among the Originators identified therein, Cincinnati Bell Funding LLC, and Cincinnati Bell Inc., as Servicer and sole member of Cincinnati Bell Funding LLC (Exhibit 99.2 to Current Report on Form 8-K, date of Report June 10, 2011, File No. 1-8519).
(10.4)	First Amendment to Purchase and Sale Agreement dated as of August 1, 2011 among the Originators identified therein, Cincinnati Bell Funding LLC and Cincinnati Bell Inc. as Servicer and sole member of Cincinnati Bell Funding LLC (Exhibit 99.2 to Current Report on Form 8-K, date of Report August 3, 2011, File No. 1-8519).
(10.5)	Credit Agreement dated as of November 20, 2012, among Cincinnati Bell Inc., an Ohio corporation, the Lenders party thereto and Bank of America, N.A. (Exhibit 10.1 to Current Report on Form 8-K, date of report November 20, 2012, File No. 1-8519).
(10.6)	Credit Agreement dated as of November 20, 2012, among CyrusOne Inc., a Maryland corporation, CyrusOne LP, a Maryland limited partnership, the Lenders party thereto and Deutsche Bank Trust Company Americas. (Exhibit 10.2 to Current Report on Form 8-K, date of report November 20, 2012, File No. 1-8519).
(10.7)	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).
(10.8)	Contribution Agreement dated as of November 20, 2012, by and among CyrusOne LP, a Maryland limited partnership and Data Center Investments Inc., a Delaware corporation. (Exhibit 10.3 to Current Report on Form 8-K, date of report November 20, 2012, File No. 1-8519).
(10.9)	Contribution Agreement dated as of November 20, 2012, by and among CyrusOne LP, a Maryland limited partnership and Data Centers South, Inc., a Delaware corporation. (Exhibit 10.4 to Current Report on Form 8-K, date of report November 20, 2012, File No. 1-8519).
(10.10)*	Cincinnati Bell Inc. 2011 Short Term Incentive Plan (Appendix A to the Company's 2010 Proxy Statement on Schedule 14A filed March 21, 2011, File No. 1-8519).
(10.11)*	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).

Exhibit Number	Description
(10.12)*	Amendment to Cincinnati Bell Inc. Short Term Incentive Plan 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).
(10.13)*	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).
(10.14)*	Amendment to Cincinnati Bell Inc. Pension Program, effective December 31, 2011.
(10.15)*	Restatement of the Cincinnati Bell Management Pension Plan executed January 17, 2011.
(10.16)*	Restatement of the Cincinnati Bell Pension Plan executed January 25, 2011.
(10.17)*	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).
(10.18)*	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).
(10.19)*	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).
(10.20)*	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).
(10.21)*	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).
(10.22)*	Cincinnati Bell Inc. Form of 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).
(10.23)*	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).
(10.24)*	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).
(10.25)*	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).
(10.26)*	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).
(10.27)*	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).
(10.28)*	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).

Exhibit Number	Description
(10.29)*	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).
(10.30)*	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).
(10.31)*	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).
(10.32)*	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).
(10.33)*	Amended and Restated Employment Agreement between Cincinnati Bell Inc. and Kurt A. Freyberger dated as of August 5, 2011 (Exhibit 99.1 to Current Report on Form 8-K, date of Report August 5, 2011, File No. 1-8519).
(10.34)*	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).
(10.35)*	Amended and Restated Receivables Purchase Agreement dated as of June 6, 2011, among Cincinnati Bell Funding LLC, as Seller, Cincinnati Bell Inc., as Servicer, the Various Purchaser Groups identified therein, and PNC Bank, National Association, as Administrator and LC Bank (Exhibit 99.1 to Current Report on Form 8-K, date of Report June 10, 2011, File No. 1-8519).
(10.36)*	First Amendment to Amended and Restated Receivables Purchase Agreement dated as of August 1, 2011, among Cincinnati Bell Funding LLC, as Seller, Cincinnati Bell Inc., as Servicer, the Various Purchasers and Purchaser Agents identified therein, and PNC Bank, National Association, as Administrator and LC Bank (Exhibit 99.1 to Current Report on Form 8-K, date of Report August 3, 2011, File No. 1-8519).
(10.37)*	Second Amendment to Amended and Restated Receivables Purchase Agreement dated as of June 4, 2012, among Cincinnati Bell Funding LLC, as Seller, Cincinnati Bell Inc., as Servicer, the Various Purchaser Groups identified therein, and PNC Bank, National Association, as Administrator and LC Bank (Exhibit 99.1 to Current Report on Form 8-K, date of Report June 4, 2012, 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.

Exhibit Number	Description
(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.DEF)**	XBRL Taxonomy Extension Definition 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 Instruction to Form 10-K.

** Submitted electronically with this report.

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.

VALUATION AND QUALIFYING ACCOUNTS

(dollars in millions)	Beginning of Period	Additions: Charge (Benefit) to Expenses	Additions: To (from) Other Accounts	Deductions	End of Period
Allowance for Doubtful Accounts					
Year 2012	$11.6	$13.9	$ —	$12.2	$13.3
Year 2011	$14.0	$13.9	$ —	$16.3	$11.6
Year 2010	$17.2	$15.2	$ —	$18.4	$14.0
Deferred Tax Valuation Allowance					
Year 2012	$58.4	$ (1.7)	$0.1	$ —	$56.8
Year 2011	$60.0	$ (2.9)	$1.3	$ —	$58.4
Year 2010	$67.2	$ (7.8)	$0.6	$ —	$60.0

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: February 28, 2013

/s/ Kurt A. Freyberger
Kurt A. Freyberger
Chief Financial Officer

Date: February 28, 2013

/s/ Susan M. Kinsey
Susan M. Kinsey
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/ Theodore H. Torbeck Theodore H. Torbeck	President, Chief Executive Officer and Director	February 28, 2013
Phillip R. Cox* Phillip R. Cox	Chairman of the Board and Director	February 28, 2013
John F. Cassidy* John F. Cassidy	Vice Chairman of the Board and Director	February 28, 2013
Bruce L. Byrnes* Bruce L. Byrnes	Director	February 28, 2013
Jakki L. Haussler* Jakki L. Haussler	Director	February 28, 2013
Craig F. Maier* Craig F. Maier	Director	February 28, 2013
Alan R. Schriber* Alan R. Schriber	Director	February 28, 2013
Lynn A. Wentworth* Lynn A. Wentworth	Director	February 28, 2013
John M. Zrno* John M. Zrno	Director	February 28, 2013

*By: /s/ Theodore H. Torbeck February 28, 2013
Theodore H. Torbeck
as attorney-in-fact and on his behalf
as Principal Executive Officer, President, Chief Executive Officer and Director

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Annual Meeting
The annual meeting of shareholders will be held at the METS Center, 3861 Olympic Boulevard, Erlanger, Kentucky 41018, at 11:00 a.m. (Eastern Time) on Friday, May 3, 2013.

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
Josh Duckworth
Director of Investor Relations
(513) 397-2292

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 305
Cleveland, Ohio 44130-6557
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[SM]

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