Cincinnati Bell℠

2013 Annual Report

Letter to Shareholders	Notice of 2014 Annual Meeting and Proxy Statement	Report on Form 10-K

Contents

Letter to Shareholders from the 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

Our 2013 financial results provide strong evidence that the transformation of Cincinnati Bell is well underway.

At the heart of our transformation is our investment in strategic products like Fioptics, metro-ethernet, as well as managed and professional services. These investments are driving strong revenue growth offsetting the declines from our legacy copper-based products.

This transformation will create a healthy, fiber-based entertainment, communications and IT solutions company with growing revenue, growing profits and significant cash flows. Our strategic investments will ultimately produce increased opportunities for future shareholder value creation that could take a variety of forms: debt reduction, share buybacks, dividends or investment in businesses that grow the Company.

Our 2013 results are powerful and confirm that we have started to change the trajectory of our business.

Performance Highlights

Strategic investments drove growth across many key areas as we focused on meeting consumer and business customers' demand for high-speed products and services.

- Strategic revenues were up 17% for the year, totaling $359 million and offsetting legacy revenue decline by more than 10%.
- Adjusted EBITDA[1] of $407 million was strong compared to our original guidance of $390 million.
- Fioptics net activations set new records with the addition of 19,100 entertainment and 23,100 high-speed internet subscribers.
- Fioptics revenue exceeded $100 million, up 48% over the prior year.
- Following the successful initial public offering (IPO) of CyrusOne in January, Cincinnati Bell retains 69% ownership with a current market value of approximately $1 billion.

Strategic Investments Drive Growth

The benefits from our strategic product investments are increasingly evident as we continue to experience higher-than-anticipated demand for these products. In 2013, we generated more than $100 million of Fioptics revenue and achieved record-high net activations for both our entertainment and high-speed internet products.

We have reached the inflection point where the growth in our strategic products is more than offsetting legacy declines and we are confident that we will generate year over year Wireline revenue growth in 2014.

In 2013, we invested $46 million in Fioptics construction, $25 million in Fioptics installations and $8 million in Fioptics value-added services like TV Anywhere, which enables mobile viewing from different devices. We invested $44 million in our other strategic product lines, including fiber-based service order builds, fiber to the tower, metro fiber, cloud service and managed service projects.

Today, our fiber network spans approximately 5,700 route miles – reaching more than 276,000 customer locations, including 7,000 businesses.

We clearly offer a compelling alternative to cable and satellite TV and internet services. Customer demand for our Fioptics products is strong, and penetration in single-family neighborhoods is remarkable. Six months after construction to a neighborhood, we achieve average penetration rates of more than 15%, and this increases to more than 30% when we have been in a neighborhood longer than two years.

We also see significant improvements in average revenue per unit (ARPU) once neighborhoods are mature and promotional rates have expired. Neighborhoods in which we have been providing service for less than a year have ARPU of approximately $120 compared to non-promotional rates of approximately $140 in mature neighborhoods.

Our churn results reinforce our belief that consumers prefer our product. In 2013, our churn in single-family neighborhoods was 2.2 percent, while churn for apartments was 5.4 percent.

Our increased fiber investment has also proven critical to delivering higher customer data speeds for our legacy copper-based products in areas around the Fioptics deployment. At the end of 2013, we were able to deliver at least 10 Mbps of speed to more than 430,000 addresses and had approximately 39% of our consumer customers choosing this speed or higher.

Strong demand for enterprise services resulted in an 8% increase in our strategic fiber and IT-based business products. Our consolidated business and carrier markets generated $255 million of strategic revenue for the year, up $18 million from last year. Revenue from our metro-ethernet and MPLS products was up $11 million, or 8%, due to increase demand for cell site backhaul and VoIP applications. Strategic managed and professional services revenue was up 7% based on growth in our virtual data center products, monitoring and management services, and staff augmentation.

CyrusOne – A Sound Investment

2013 got off to a fast start with the IPO of CyrusOne. We effectively own 69% of the economic interest of that business, and our investment is currently valued at approximately $1 billion. We remain bullish on CyrusOne and are confident that demand for data center colocation services will continue to be robust.

The lockup period for monetizing any portion of our CyrusOne investment expired in January 2014. We remain a patient investor and have the operational flexibility and appropriate capital structure to ensure that we execute on a well-timed and thoughtfully coordinated monetization plan that balances our longer-term upside in CyrusOne with the capital needs of our growing fiber business.

This investment in a growing data center business will ultimately enable us to repay debt to appropriate levels and create shareholder value.

Wireless Business Generates Cash

As we noted last year, our Wireless business faces intense competition from national companies. Even so, our Wireless team continues to do a fantastic job managing this business for cash flow.

In 2013, our Wireless business generated operating income of $18 million for the year. Wireless revenue was $202, down 17%, compared to 2012 and consistent with the decrease in our subscriber base. As we forecasted, our Wireless Adjusted EBITDA totaled $63 million, down $22 million compared to 2012.

We continue to explore all of our strategic alternatives for this business.

Efficiencies Identified, Implemented

During the first quarter of 2013, we took the initial steps toward the integration of CBTS and our Cincinnati Bell Business Markets operations by combining the sales forces of these companies. This resulted in more than $3 million of savings in 2013.

We continue taking steps to consolidate product offerings, systems and back office support and believe total cost savings from integrating these two businesses will be $5 million annually. More importantly, we believe combining these two operations will improve our go-to-market approach. We can offer business customers an integrated IT and telecommunications solution with one trusted partner whose breadth and scale of fiber and IT assets far exceed our closest competitor in the market.

This integration of our business teams, combined with our efforts to "right size" corporate functions based on the post-IPO size of our company, is expected to generate more than $10 million in annual operating cost reductions starting in 2014.

In the third quarter of 2013, we successfully refinanced one of our higher coupon senior notes with a more economical term-loan. We expect this refinancing will reduce interest payments by approximately $20 million in 2014 and provide increased flexibility for achieving our goal of generating positive free cash flow in 2014.

Community

While we take bold steps to transform our company, we hold firm in our commitment to the communities we serve.

Through employee and company giving, we once again ranked as a top contributor to the Greater Cincinnati United Way as well as to the ArtsWave campaign that provides funding for local music, dance, theater and arts programs.

Our ongoing partnership with Taft Information Technology High School and a new agreement with the University of Cincinnati are both focused on strengthening education and keeping top IT talent in our region. We have also developed strategic partnerships with local business incubators to help develop new businesses in Greater Cincinnati.

We donate millions of dollars each year to local charitable organizations in support of youth development, education and technology, and the military.

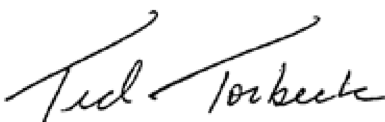
We're proud to call Cincinnati our home, and we work tirelessly to make it a great place for business and families alike.

Conclusion

Cincinnati Bell has a long history of innovation. Throughout our 140 years of service, we have consistently adapted our products to meet the changing demands of our customers. As demand for increased speed accelerates, we have the opportunity invest in our strategic products to drive future revenue growth and increased profitability. These efforts, combined with the future monetization of CyrusOne, will be the catalysts for us achieving our goals of creating a company with growing revenue, growing profits and significant, sustainable cash flow.

Cincinnati Bell made significant strides in 2013 and our team is motivated to carry that success into the future. We are optimistic about the future and confident in our ability to execute on our 2014 initiatives and complete our transformation goals.

Phillip R. Cox
Chairman of the Board



Theodore H. Torbeck
President and Chief Executive Officer

Leigh R. Fox
Chief Financial Officer

Use of Non-GAAP Financial Measures

This report contains information about adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA). This non-GAAP financial measure is used by Cincinnati Bell management when evaluating results of operations. Management believes this measure also provides 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 2013 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, transaction-related compensation, restructuring charges, (gain) loss on sale or disposal of assets, transaction costs, curtailment gain, 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.

Financial Highlights

(dollars in millions)	Year Ended December 31, 2013(a)	2012	2011
Operating Data			
Revenue	**$1,256.9**	$1,473.9	$1,462.4
Cost of services and products, selling, general and administrative, depreciation and amortization expense	**1,033.4**	1,181.5	1,139.9
Restructuring charges, transaction-related compensation, curtailment (gain) loss, loss (gain) on sale or disposal of assets, goodwill impairment, asset impairments, and transaction costs	**59.7**	22.3	63.0
Operating income	**163.8**	270.1	259.5
Interest expense	**182.0**	218.9	215.0
Loss on extinguishment of debt	**29.6**	13.6	—
Loss from CyrusOne equity method investment	**10.7**	—	—
Net (loss) income	**$ (54.7)**	$ 11.2	$ 18.6
Financial Position			
Property, plant and equipment, net	**$ 902.8**	$1,587.4	$1,400.5
Total assets	**2,107.3**	2,872.4	2,714.7
Total long-term obligations	**2,529.7**	3,215.2	3,073.5

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.

(a) Results for 2013 include revenues and expenses for CyrusOne, our former data center business, for the period January 1, 2013 through January 23, 2013. Effective January 24, 2013, the date of the CyrusOne IPO, we no longer include CyrusOne's operating results in our consolidated financial statements.

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

Jakki L. Haussler (1, 2)
Chairman and Chief Executive Officer
Opus Capital Group

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

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

Russel P. Mayer (4)
Retired Executive Vice President, Chief Information Officer and Quality Leader
GE Healthcare

Theodore H. Schell (1, 3, 4*)
Managing Director
Associated Partners LP

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 (2*, 3, 4)
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

David L. Heimbach
Chief Operating Officer

Leigh R. Fox
Chief Financial Officer

Christopher J. Wilson
Vice President, General Counsel
and Secretary

Joshua T. Duckworth
Vice President, Investor
Relations and Controller

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

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD MAY 6, 2014

To Our Shareholders:

The 2014 Annual Meeting of Shareholders of Cincinnati Bell Inc. (the "Company") will be held on Tuesday, May 6, 2014, at 11:00 a.m., Eastern Time, at the Queen City Club, 331 East Fourth Street, Cincinnati, Ohio 45202, for the following purposes:

1 To elect nine directors to serve a one-year term ending in 2015;

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 2014; 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 7, 2014 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 24, 2014

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON MAY 6, 2014: 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	16
Code of Business Conduct and Codes of Ethics	16
Certain Relationships and Related Party Transactions	16
Election of Directors — Item 1 on Proxy Card	18
Advisory Approval of the Company's Executive Compensation — Item 2 on Proxy Card	22
Ratification of Appointment of Independent Registered Public Accounting Firm — Item 3 on Proxy Card	23
Audit and Finance Committee Report	24
Independent Accountants	25
Stock Ownership of Certain Beneficial Owners and Management	26
Compensation Committee Report	28
Compensation Discussion and Analysis	29
Executive Compensation	49
Other Matters	63
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 Tuesday, May 6, 2014

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 2014 Annual Meeting of Shareholders. The Annual Meeting will be held on Tuesday, May 6, 2014, at 11:00 a.m., Eastern Time, at the Queen City Club, 331 East Fourth Street, Cincinnati, Ohio 45202. 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, 2013, and the Company's Summary 2013 Annual Report are being furnished to the shareholders beginning on or about March 27, 2014.

The Company's Board of Directors has established the close of business on March 7, 2014 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 2015;

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 2014; 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. and its consolidated subsidiaries ("Cincinnati Bell", "we", "our", "us" or the "Company") is a full-service regional provider of entertainment, 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. In addition, enterprise customers across the United States rely on Cincinnati Bell Technology Solutions Inc. ("CBTS"), a wholly-owned subsidiary, for efficient, scalable communications systems and end-to-end IT solutions.

On January 24, 2013, we completed the initial public offering ("IPO") of CyrusOne Inc. ("CyrusOne"), a former subsidiary which owns and operates our former data center colocation business. CyrusOne, which conducts its data center business through CyrusOne LP, an operating partnership, is a full service provider of data center colocation services to enterprise customers through its facilities with fully redundant power and cooling solutions that are currently located in the Midwest, Texas, Arizona, London and Singapore. Cincinnati Bell is the majority owner of CyrusOne (NASDAQ: CONE), a real estate investment trust ("REIT"), effectively owning approximately 69% of the economic interests of CyrusOne through the ownership of its common stock and partnership units of CyrusOne LP. However, effective January 24, 2013, we no longer have control over CyrusOne's operations and no longer consolidate CyrusOne in our consolidated financial statements. Our ownership in CyrusOne is now accounted for as an equity method investment.

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 6, 2014. 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 2013 Annual Report and Annual Report on Form 10-K for the year ended December 31, 2013, which includes our 2013 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?

A1: The election of nine directors to serve a one-year term ending in 2015;

A2: The advisory approval of the Company's executive compensation; and

A3: 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 2014.

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 2014.

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 12, 2014.

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 6 3/4% 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 6 3/4% 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 6 3/4% 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 208,740,635 outstanding common shares and 155,250 6 3/4% Cumulative Convertible Preferred Shares 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 3% 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., The Vanguard Group, and Wells Fargo & Company. See page 26 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 64.

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.

During 2013, the composition of our board changed significantly due primarily to the IPO of CyrusOne. Effective January 23, 2013, in connection with the IPO of CyrusOne, Mr. Alex Shumate resigned from the Board and joined CyrusOne's Board of Directors representing Cincinnati Bell. In addition, Mr. Gary J. Wojtaszek resigned from his positions with the Company, including as a member of the Board, effective January 23, 2013 to assume the role of Chief Executive Officer of CyrusOne and become a member of the CyrusOne Board of Directors. Also effective with the IPO of CyrusOne, the Company appointed Mr. John F. Cassidy as CyrusOne's Chairman of the Board of Directors, and he continues to serve in such capacity currently.

Subsequent to the successful completion of the IPO, Mr. Cassidy retired from his position as President and Chief Executive Officer of Cincinnati Bell effective January 31, 2013 and assumed the role of Vice Chairman of the Board to facilitate an appropriate transition of the President and Chief Executive Officer responsibilities to Mr. Theodore H. Torbeck, who assumed such capacity effective January 31, 2013. Following the successful transition of responsibility to Mr. Torbeck, Mr. Cassidy retired from the Board effective December 31, 2013.

On April 29, 2013, Mr. Bruce L. Byrnes, an incumbent director and nominee for re-election to the Board of Directors, informed the Board and the Company that he was retiring as a director effective April 30, 2013. Mr. Byrnes stated in his retirement letter that there were no disagreements between the Company and himself or the Board and himself relative to his retirement. Effective October 10, 2013, Messrs. Russel P. Mayer and Theodore H. Schell were appointed to the Board to fill the vacancies resulting from the IPO of CyrusOne and the retirement of Mr. Byrnes.

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 until January 31, 2013 and currently held by Mr. Torbeck) should be held by separate persons, as discussed in its Corporate Governance Guidelines. 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 2013, the Board held nine meetings, and all directors 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 2013 Annual Meeting of Shareholders.

For information on how to obtain a copy of the Company's Corporate Governance Guidelines, please see page 64.

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 2013 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
- Russel P. Mayer ***
- Theodore H. Schell ***
- Alan R. Schriber
- Alex Shumate*
- Lynn A. Wentworth
- John M. Zrno

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

** Mr. Byrnes retired from the Board effective April 30, 2013

*** Messrs. Mayer and Schell were appointed to the Board effective October 10, 2013.

In addition, based on these standards, the Board determined that (a) Mr. Torbeck was not independent because he served as the President and Chief Executive Officer of the Company in 2013, (b) Mr. Cassidy was not independent because he served as the President and Chief Executive Officer of the Company until January 31, 2013 and (c) Mr. Wojtaszek was not independent because he served as the President of CyrusOne, 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 at the end of 2013:

Name of Director	Audit and Finance	Compensation	Governance and Nominating	Executive
Non-Employee Directors (a)				
Phillip R. Cox	*	*	*	* (Chair)
Jakki L. Haussler	*	*		
Craig F. Maier	*	*		
Russel P. Mayer (b)			*	
Theodore H. Schell (b)	*		*(Chair)	*
Alan R. Schriber			*	
Lynn A. Wentworth	* (Chair)	*		*
John M. Zrno		* (Chair)	*	*
Employee Directors				
Theodore H. Torbeck (c)				*
John F. Cassidy (d)				

(a) All non-employee directors were determined by the Board to be independent directors.

(b) Effective October 10, 2013, Messrs. Mayer and Schell were appointed to fill vacancies on the Board.

(c) Effective January 31, 2013, Mr. Torbeck was named President and Chief Executive Officer of the Company.
(d) Effective January 31, 2013, Mr. Cassidy retired from his position as President and Chief Executive Officer and was appointed Vice Chairman of the Board. Mr. Cassidy retired from the Board effective December 31, 2013, following the successful transition of Mr. Torbeck to President and Chief Executive Officer.

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 2013. 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 64.

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 Company's Internal Audit department. 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 19 — 21.

Compensation Committee: The Compensation Committee currently consists of five persons, none of whom is an executive officer. The Compensation Committee held six meetings during 2013. 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 64.

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 2013, 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 2013. 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 64.

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 2013. 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 2014 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 63. 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 during the period of their employment. If such directors continue on the Board after their employment ends, such directors may receive additional compensation in connection with such continual service.

General Compensation Policy for Non-Employee Directors

Directors who are not employees of the Company or any subsidiary of the Company ("non-employee directors") while serving as directors of the Company receive compensation from the Company for their service on the Board. The table below sets forth the annual compensation for non-employee directors in 2013 (including a director who was a former employee of the Company with respect to his Board service after retirement from the Company).

Compensation Element	2013
Chairman of the Board Annual Retainer (a)	$320,000
Vice Chairman of the Board Annual Retainer (b)	$300,000
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.

(b) After his retirement as an employee of the Company effective January 31, 2013, Mr. Cassidy was elected Vice Chairman of the Board. He received cash compensation in the amount of $275,000 for his service as Vice Chairman of the Board. Mr. Cassidy retired from the Board effective December 31, 2013, following Mr. Torbeck's successful transition as the Company's President and Chief Executive Officer.

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 2013, 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. The restricted shares issued in 2012 and prior vest on the third anniversary of the grant date. The restricted shares issued in May 2013 vest on the second 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 2013 Fiscal Year

The following table shows the compensation paid to our non-employee directors and Mr. Cassidy, for his service as Vice Chairman of the Board after his retirement from the Company, for the 2013 fiscal year:

Director Compensation for Fiscal 2013

Name	Fees Earned or Paid in Cash ($) (a)	Stock Awards ($) (b) (c)	Option Awards ($) (c)	Total ($)
Bruce L. Byrnes (d)	166,675	—	—	166,675
John F. Cassidy (e)	275,000	—	—	275,000
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
Russel P. Mayer (f)	20,000	—	—	20,000
Theodore H. Schell (f)	25,250	—	—	25,250
Alan R. Schriber	80,000	70,000	—	150,000
Alex Shumate (d)	200,609	—	—	200,609
Lynn A. Wentworth	107,000	70,000	—	177,000
John M. Zrno	99,690	70,000	—	169,690

(a) No Board member elected to defer fees or annual retainers in fiscal 2013.

(b) The values reflect the aggregate grant-date fair value of the 117,978 time-based restricted share awards granted on May 3, 2013 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, 2013.

(c) As of December 31, 2013, the non-employee directors and former directors held an aggregate of 642,157 unvested stock awards and an aggregate of 3,780,453 option awards (granted in years prior to 2008), as set forth in the table below.

(d) Mr. Byrnes retired from the Board effective April 30, 2013 and Mr. Shumate resigned from the Board effective January 23, 2013. The total amounts for Messrs. Byrnes and Shumate include payments in lieu of restricted stock that was forfeited upon their retirement/resignation.

(e) In lieu of any Board or committee retainers, Mr. Cassidy received cash compensation in the amount of $275,000, prorated for his service as Vice Chairman of the Board after he retired as the Company's President and Chief Executive Officer effective January 31, 2013. Mr. Cassidy retired from the Board effective December 31, 2013, following Mr. Torbeck's successful transition as the Company's President and Chief Executive Officer.

(f) Messrs. Mayer and Schell were appointed to the Board on October 10, 2013.

Name	Number of Unvested Stock Awards Outstanding as of December 31, 2013	Number of Option Awards Outstanding as of December 31, 2013
Bruce L. Byrnes	—	36,000
John F. Cassidy (1)	351,625	3,624,053
Phillip R. Cox	48,422	36,000
Jakki L. Haussler	48,422	—
Craig F. Maier	48,422	—
Russel P. Mayer	—	—
Theodore H. Schell	—	—
Alan R. Schriber	48,422	—
Lynn A. Wentworth	48,422	—
John M. Zrno	48,422	84,400

(1) All of Mr. Cassidy's awards and options were earned while he served as an officer of the Company. No such awards were granted to Mr. Cassidy in connection solely with his service on the Board after his retirement.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During 2013, the members of the Compensation Committee included Ms. Wentworth, Ms. Haussler and Messrs. Cox, Maier, 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 64.

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 2013, there were no related party transactions requiring disclosure, except as follows: Prior to his appointment to the Board, Mr. Mayer served as an executive officer of General Electric Co. ("GE"), a significant client of the Company. In evaluating the transaction, the Governance and Nominating Committee considered the fact that (a) Mr. Mayer had retired from GE prior to his appointment to the Board and (b) no longer served in any capacity with GE and thus received no direct or indirect material

benefit because of the Company's business relationship with GE. Further, the Board affirmatively determined that the transaction is an immaterial relationship that does not affect the independence of Mr. Mayer under the standards set forth in the NYSE Rules and SEC rules. The Company believed that the transactions entered into between the Company and GE were on terms that are reasonable and in the best interests of the Company. The Board has determined that Mr. Mayer received no material benefit as a result of such transactions.

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, Jakki L. Haussler, Craig F. Maier, Russel P. Mayer, Theodore H. Schell, Alan R. Schriber, Lynn A. Wentworth, John M. Zrno and Theodore H. Torbeck, all of whom are incumbent directors, to serve until the 2015 Annual Meeting of Shareholders. Messrs. Mayer and Schell were appointed to the Board on October 10, 2013 to fill vacancies resulting from the resignation of Alex Shumate in connection with the IPO of CyrusOne and the retirement of Mr. Byrnes. Upon Mr. Cassidy's retirement from the Board, the size of the Board was reduced to nine members. The Board has determined all director nominees, other than Mr. Torbeck, are independent and have 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 19 — 21.

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 will 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 2015)

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 and Duke Energy Corporation. Director since 1993. Age 66.

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.

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 former director of Capvest Venture Fund, LP and a former director of Adena Ventures, LP (a venture capital fund). She is a former director of The Victory Funds. Director since 2008. Age 56.

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), an attorney in the State of Ohio (inactive), 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 Compensation 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 64.

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.

Russel P. Mayer

Mr. Mayer is retired. Prior to joining the Board, Mr. Mayer held several, executive-level information technology and business process improvement positions at General Electric. Most recently, he was Executive Vice President, CIO, and Quality Leader at GE Healthcare from 2009 to 2012. Prior to that, he was Executive Vice President and CIO at GE Healthcare from 2005 to 2008; Vice President and CIO at GE Aircraft Engines and GE Transportation from 2000 to 2005; and CIO and Chief Quality Officer at NBC from 1998 to 2000. He held various other information technology and business process improvement positions at GE from 1986 to 1998. Prior to that he held multiple positions at Chiquita Brands, Republic Steel and Enduro Stainless. He is a director and a member of the Governance & Nominating Committee. Director since 2013. Age 60.

With over 35 years of information technology and business process improvement experience at large, global organizations, Mr. Mayer brings relevant industry experience from the customer's perspective. This experience makes him a very valuable asset to the Board as well as the Governance and Nominating Committee. He also serves as a valuable resource to the Company's management team.

Theodore H. Schell

Mr. Schell is currently a managing director at Associated Partners LP, a private equity firm investing primarily in telecommunications infrastructure. He is also a Senior Advisor to Siris Capital, a private equity firm focusing on telecommunications technologies and services companies. Mr. Schell is also an active investor in early stage internet, technology and related telecommunications ventures. Prior to these current positions, Mr. Schell was a general partner at Apex Partners from 2000 to 2003 where he oversaw U.S. investments in telecommunications, wireless and related technologies and applications. Prior to joining Apax Partners, Mr. Schell was Senior Vice President for Strategy and Corporate Development at Sprint Corporation and served on its Management Committee from 1989 to 2000. Before joining Sprint Corporation, Mr. Schell was the founder, president and chief executive officer at Realcom Communications Corporation, an integrated provider of voice and data technology and services to corporate clients, from 1983 until its acquisition by IBM in 1987. Prior to Realcom, Mr. Schell served as Counselor and Chief of Staff to the U.S. Secretary of Commerce. He is a director, Chairman of the Governance and Nominating Committee and a member of the Audit and Finance Committee. Director since 2013. Age 69.

With over 30 years of experience in the telecommunication industry, both as a business executive and as an investor, Mr. Schell brings valuable insight and demonstrated leadership to the Board. He not only understands what it takes to grow a telecommunications business, he also knows how such business enterprises are evaluated and analyzed by investors. This experience makes Mr. Schell a very valuable resource to the Board, the Governance and Nominating Committee and the Audit and Finance Committee.

Alan R. Schriber, Ph.D.

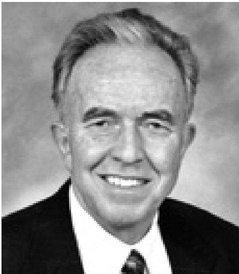
Dr. Schriber is a consultant. He was Chairman of the Public Utilities Commission of Ohio from 1999 to 2010. He also served as Chairman of the Ohio Power Siting Board from 1999 to 2010. Prior to his public service, Dr. Schriber was President of ARS Broadcasting Corp., an owner and operator of radio stations in Indiana, from 1983 to 1997. He also was an 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 68.

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. She chairs the Audit and Finance Committee and serves as a member of the Compensation and Executive Committees. Age 55.

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 75.

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 Governance and Nominating 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 57.

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 and Analysis section ("CD&A") beginning on page 29 and the Executive Compensation section beginning on page 49.

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 January 28, 2014, 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, 2014.

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, 2014. 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, 2014.

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 2014.

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, 2013, the matters required to be discussed by the Statement on Auditing Standard No. 16, Communications with Audit Committees, and Related and Transitional Amendments to PCAOB Standards and as adopted by the Public Company Accounting Oversight Board ("PCAOB"). 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 PCAOB, 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, 2013 be included in the Company's Annual Report on Form 10-K for the Company's fiscal year ended December 31, 2013.

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
Theodore H. Schell

INDEPENDENT ACCOUNTANTS

Audit Fees

Deloitte & Touche LLP was the Company's Independent Registered Public Accounting Firm for the 2013 and 2012 fiscal years. Aggregate fees for professional services rendered by Deloitte & Touche LLP for the years ended December 31, 2013 and 2012 were as follows:

	2013	2012
Audit fees	$1,456,500	$1,998,688
Audit related fees	51,000	1,065,000
Tax fees	43,500	260,568
All other fees	—	—
Total	$1,551,000	$3,324,256

Audit fees

The audit fees for the years ended December 31, 2013 and 2012 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, 2013 were for various accounting consultations. 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 leading to the initial public offering of CyrusOne.

Tax fees

Tax fees for the years ended December 31, 2013 and 2012 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, 2013 and 2012.

STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the beneficial ownership of common shares as of December 31, 2013 (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	23,705,258(a)	11.37%
BlackRock, Inc. 40 East 52nd Street New York, NY 10022	21,239,408(b)	10.20%
The Vanguard Group 100 Vanguard Blvd. Malvern, PA 19355	15,441,815(c)	7.42%
Wells Fargo & Company 420 Montgomery Street San Francisco, CA 94104	14,796,587(d)	7.11%

(a) As reported on Schedule 13D/A filed on June 4, 2013 by GAMCO Investors, Inc., Gabelli Funds, LLC has sole voting and dispositive power for 9,575,588 common shares, GAMCO Asset Management Inc. has sole voting power for 12,786,939 common shares and sole dispositive power for 13,391,089 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 22,000 common shares, Teton Advisors has sole voting and dispositive power for 440,005 common shares, Gabelli Securities, Inc. has sole voting and dispositive power for 238,176 common shares and GAMCO Investors Inc. has sole voting and dispositive power for 8,400 common shares. The amounts reported on Schedule 13D/A include a number of shares with respect to which Gabelli Funds, LLC and GAMCO Asset Management Inc. have the right to beneficial ownership upon the conversion of the Company's 6¾% Cumulative Convertible Preferred Shares.

(b) As reported on Schedule 13G/A filed on January 10, 2014 by BlackRock, Inc., as of December 31, 2013, BlackRock, Inc. has sole voting for 20,498,738 common shares and sole dispositive power for 21,239,408 common shares.

(c) As reported on Schedule 13G filed on February 12, 2014 by The Vanguard Group, as of December 31, 2013, The Vanguard Group has sole voting power for 333,406 common shares and sole dispositive power for 15,131,638 common shares. The Vanguard Group has shared dispositive power for 310,177 common shares with Vanguard Fiduciary Trust Company.

(d) As reported on Schedule 13G filed on February 13, 2014 by Wells Fargo & Company, as of December 31, 2013, Wells Fargo & Company beneficially owns 14,796,587 common shares and has shared voting power for 14,795,469 common shares, shared dispositive power for 14,753,127 common shares, and sole voting and dispositive power for 11 common shares.

The following table sets forth the beneficial ownership of common shares and 6¾% Cumulative Convertible Preferred Shares as of March 7, 2014 (except as otherwise noted) by (i) each director identified on page 15 and each executive officer named in the Summary Compensation Table on page 49, and (ii) all directors and executive officers of the Company as a group.

Unless otherwise indicated, the address of each named 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 7, 2014 (a)	Percent of Common Shares (b)	Convertible Preferred Shares Beneficially Owned as of March 7, 2014 (c)	6¾% Cumulative Convertible Preferred Shares (c)
Bruce L. Byrnes	97,427	*	—	*
John F. Cassidy	4,256,248	2.0%	—	*
Phillip R. Cox	87,443	*	—	*
Joshua T. Duckworth	6,005	*	—	*
Leigh R. Fox	28,883	*	—	*
Kurt A. Freyberger	119,042	*	—	*
Jakki L. Haussler	77,101	*	—	*
David L. Heimbach	96,114	*	—	*
Craig F. Maier	75,526	*	—	*
Russel P. Mayer (d)	—	*	—	*
Theodore H. Schell (d)	—	*	—	*
Alan R. Schriber	48,422	*	—	*
Theodore H. Torbeck	1,141,028	*	—	*
Lynn A. Wentworth	73,942	*	—	*
Christopher J. Wilson	283,921	*	—	*
John M. Zrno (e)	193,667	*	—	*
All directors and executive officers as a group (consisting of the 17 persons named above)	6,584,769	3.2%	—	*

* 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 7, 2014. The following options and SARs are included in the totals: 36,000 common shares for Mr. Byrnes; 3,461,043 common shares for Mr. Cassidy; 36,000 common shares for Mr. Cox; 1,800 common shares for Mr. Duckworth; 1,500 common shares for Mr. Fox; 6,150 common shares for Mr. Heimbach; 57,725 common shares for Mr. Torbeck; 77,087 common shares for Mr. Wilson; and 84,400 common shares for Mr. Zrno. 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 208,740,635 common shares issued and outstanding as of March 7, 2014, 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. Mayer and Mr. Schell joined the Board on October 10, 2013 and do not currently own any common shares of Cincinnati Bell stock.

(e) 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, 2013.

COMPENSATION COMMITTEE

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

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

The material on the following pages sets forth an overview and discussion of the Company's executive compensation philosophy and how it functions to create alignment between shareholders and our executives.

2013 was a unique year in the Company's history due to the successful completion of the initial public offering ("IPO") of CyrusOne, the retirement of John F. Cassidy as President and Chief Executive Officer, and the appointment of Theodore H. Torbeck as his successor.

The IPO of CyrusOne was successfully completed on January 24, 2013. This was a major milestone because the IPO allowed the Company to monetize a minority stake in CyrusOne while retaining a majority equity position. More specifically, the Company effectively reduced its indebtedness by approximately $450 million as a result of the IPO. The Company remains the majority owner of CyrusOne (NASDAQ: CONE), a publicly-traded real estate investment trust (REIT"), with an ownership stake of approximately 69% in the form of common stock and partnership units that are convertible into common stock. As of December 31, 2013, the Company's remaining equity stake in CyrusOne was valued at $993.2 million. The Company's ability to monetize this remaining equity stake over time is expected to significantly improve its leverage ratios and overall financial health.

On January 31, 2013, Mr. Cassidy retired as President and Chief Executive Officer and Theodore H. Torbeck was named as his successor. Simultaneous with his retirement, Mr. Cassidy was elected Vice Chairman of the Board to ensure an orderly and smooth transition of management.

Mr. Cassidy's retirement concluded a 17-year career with the Company. In July 2003, he was appointed President and Chief Executive Officer following the Board's decision to divest the Company's nationwide broadband business and complete a significant restructuring of the Company's debt. While the actions taken in 2003 avoided the need to seek bankruptcy protection, the Company faced a very uncertain future when Mr. Cassidy assumed leadership in 2003. Upon assuming leadership, Mr. Cassidy took immediate action to stabilize the Company's capital structure and to focus his management team on executing a long-term stabilization plan. Within 18 months, the Company's balance sheet and liquidity position were significantly improved.

In 2009, the Company, under Mr. Cassidy's leadership, launched a new strategy to accelerate the growth of its data center colocation business. This new strategy came about as the Company recognized an opportunity to create shareholder value by scaling the data center business. At the time this new strategy was adopted, data center companies traded at a much higher multiple than did the Company. Thus, as the data center business grew in scale, the Company believed its new strategy would lead to one of two outcomes; either i) the value being created in the data center business would be reflected in the Company's stock price, or ii) the Company would be in a position to monetize its investment in the form of an initial public offering or similar transaction to unlock shareholder value.

To accomplish this new strategy, the Company decided to use the positive cash flow generated by the Cincinnati-based communications businesses to significantly increase its investment in the data center business while also maintaining a steady investment in in the Company's growing local fiber network to support future products for both residential and business customers. In June 2010, the Company significantly enhanced its data center colocation portfolio with the acquisition of Cyrus Networks LLC for $526 million.

In December 2010, to better align management with this new strategy, the Compensation Committee approved a new long-term incentive program (hereinafter referred to as the "Data Center Performance Plan"). The Data Center Performance Plan operated within the parameters of the Company's shareholder-approved 2007 Long Term Incentive Plan and was designed to (i) encourage rapid and profitable growth of revenue and Adjusted EBITDA of the Company's data center colocation business, (ii) create significant enterprise value through the growth of data center operations, (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. Payouts under the Data Center Performance Plan were based on the net value created in the Company's data

center business as measured against a baseline value on December 31, 2009. In the event of a qualifying transaction, the value of the data center business on the date of the transaction would be compared to the baseline value to determine the amount of value created. A more complete description of the Data Center Performance Plan has been included in the Compensation Discussion and Analysis section of the Company's 2011, 2012 and 2013 annual proxy statements. In 2013, more than 84% of the shares voted with respect to the Company's say-on-pay proposal voted "for" approval of the Company's executive compensation.

Mr. Cassidy was excluded from participation in the above-referenced Data Center Performance Plan to ensure that any recommendation he might make to the Board with respect to a potential transaction involving the data center business would be objective and not motivated by personal interest. However, the Compensation Committee and the Board reserved the discretion to reward Mr. Cassidy after any qualifying transaction was consummated based on the value realized by the Company and the health of the Company's remaining businesses.

To recognize Mr. Cassidy for the success of the Company's data center strategy, the Board awarded him a $2 million cash bonus on January 31, 2013 and, after further deliberation and discussion, the Board awarded him an additional $7 million cash bonus on May 3, 2013. These special bonus payments were intended to recognize Mr. Cassidy for his leadership in developing and executing the Company's data center growth strategy, which culminated in the successful IPO of CyrusOne. As the Board deliberated these special bonus payments, it considered several factors. First and foremost, the Board considered the total value creation resulting from the data center strategy. The Board determined that the total equity value created in the data center business from December 31, 2009 to its closing value on the date of the IPO was approximately $450 million based on an independent third party appraisal. Second, the Board took into consideration the fact that Mr. Cassidy was elected Chairman of CyrusOne's board of directors upon completion of the IPO and that his continued involvement on the board of CyrusOne as one of the Company's representatives was highly desirable given the Company's significant remaining investment in CyrusOne. Third, to help calibrate Mr. Cassidy's total bonus, the Board considered the value of the bonuses paid to the Company's other senior executives who participated in the Data Center Performance Plan. Fourth, the Board took into consideration Mr. Cassidy's direct involvement in identifying and developing Mr. Torbeck as his successor and otherwise facilitating the Board's CEO succession plan. Fifth, the Board considered the strong leadership and numerous contributions made by Mr. Cassidy during his 17-year career at the Company. Finally, the Board considered the post-IPO health of the Company's remaining businesses and concluded that Mr. Cassidy left the Company well-positioned to continue generating significant shareholder value well into the future.

As the Company has continued to execute its emerging business strategy, its incentive plans have also evolved. In 2012, the Company's long term incentive performance plan's metric was changed from free cash flow to unlevered cash return on average assets ("UCR"). This change was made to increase the focus on how well the Company's capital investments are generating appropriate returns. The Compensation Committee selected this metric because of the importance of ensuring that capital is efficiently deployed as the Company continues to make substantial investments in its fiber network. Also, beginning in 2014, the Company's long-term incentive plan will be further modified to add two additional performance metrics that focus on the need to drive revenue growth attributable to new products and services ("strategic revenue") and overall profitability ("adjusted EBITDA") over sustained periods. These new metrics will be combined with unlevered cash return on average assets on an equally weighted basis to ensure a balanced focus on the key drivers of long-term sustainable shareholder value. In addition, the calculated payout based on these metrics will be further adjusted by a total shareholder return ("TSR") modifier at the end of the three-year performance cycle based on the Company's TSR performance compared to the Russell 2000. Finally, the Compensation Committee decided to eliminate interim payments after the first and second years that our prior long-term incentive plan provided such that the entire payout is based on the full three-year performance period, thereby increasing the focus on long-term results and creating stronger talent retention impact.

In addition to the above changes, commencing in 2014, the Compensation Committee also made several other changes to the Company's compensation policies and practices that demonstrate the Company's continued commitment to best practices and a pay-for-performance culture. These changes are detailed below and include

(i) adoption of a prohibition on cash buyouts of underwater options in the absence of shareholder approval; (ii) implementation of double-trigger equity vesting in the event of the change in control of the Company; and (iii) substantial changes to the peer groups used to benchmark executive compensation to eliminate companies that are substantially larger than the Company.

The events of 2013 confirm that the Company's executive compensation program has been effective in attracting and retaining key executive talent, driving attainment of annual revenue and adjusted EBITDA goals, delivering sustained cash flow performance over multiple years, and aligning executive long-term incentive rewards with the interests of shareholders. The mix of base pay (the "fixed cost" of the program) and both annual and long-term incentive plans promote achievement of current-year goals and longer-term business strategies and drive appropriate business behavior without inducing executives to take undue business risks.

Named Executive Officers

The Company's 2013 named executive officers ("NEOs") were:

John F. Cassidy (a)	Retired President and Chief Executive Officer
Kurt A. Freyberger (b)	Former Chief Financial Officer
Theodore H. Torbeck (c)	Current Chief Executive Officer, Former President and General Manager, Cincinnati Bell Communications Group
David L. Heimbach (d)	Chief Operating Officer
Leigh R. Fox (b)	Chief Financial Officer
Christopher J. Wilson	Vice President, General Counsel and Secretary
Joshua T. Duckworth (e)	Vice President, Investor Relations and Controller

(a) Effective January 31, 2013, John F. Cassidy retired from the position of President and Chief Executive Officer and became the Vice Chairman of the Company's Board. He retired as Vice Chairman on December 31, 2013.

(b) Effective September 30, 2013, Kurt A. Freyberger resigned. Effective October 1, 2013, Leigh R. Fox was named Chief Financial Officer.

(c) Effective January 31, 2013, Theodore H. Torbeck was appointed President and Chief Executive Officer.

(d) Effective November 20, 2013, David L. Heimbach was named Chief Operating Officer.

(e) Effective July 9, 2013, Joshua T. Duckworth was named Vice President, Investor Relations and Controller.

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 metrics and 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

On January 24, 2013, we completed the successful IPO of CyrusOne as discussed above in the Introduction. Cincinnati Bell continues to effectively own a 69% economic interest, which is valued at $993.2 million as of December 31, 2013. When adjusting our debt for the value we hold in CyrusOne, our adjusted debt leverage ratio is 3.1, well within the range of our peers. This is important as high leverage is directly correlated to the amount of cash interest paid on an annual basis, and it increases the restrictions placed on a company surrounding the use of cash.

In addition to the successful IPO, we took important steps in 2013 to offset the decline in revenue attributable to legacy access lines, our lower speed DSL subscriber base and lower-bandwidth data transport services provided to business customers. Specifically, we continued to execute on our multi-year plan to expand our strategic growth products, which include our Fioptics, strategic enterprise data and VoIP, and managed service offerings. During the year, we invested approximately $123 million in these strategic products and generated strategic revenue of $358.6 million, up 17% compared to the prior year. Excluding CyrusOne, total revenue for the year was $1.2 billion, down only 1% even though revenue attributable to the legacy businesses was down 9%. In addition to legacy revenue declines, our Wireless segment continues to face fierce competition from national providers that are able to offer nation-wide family talk and data plans using premium handsets on LTE networks. Our goal with the Wireless segment is to continue to manage the business for cash flow and profitability as we consider strategic alternatives.

Operating income excluding CyrusOne was $181.0 million in 2013, down from $239.7 million in the prior year, primarily as a result of the costs associated with expanding our fiber network, the loss of higher margin access lines, Wireless postpaid revenue declines, and IPO success payments. Excluding CyrusOne, adjusted EBITDA was $407.2 million in 2013, down 3% from a year ago.

The Company took measures in 2013 to reduce its future interest costs. In September, the Company amended and restated its Corporate Credit Agreement to include a $540 million Tranche B Term Loan and used the net proceeds to redeem all of the Company's $500 million of 8 ¼% Senior Notes due 2017. Refinancing the higher coupon senior notes with the more economical Tranche B Term Loan is expected to save approximately $20 million of interest payments in 2014.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K for further details on the Company's 2013 financial results.

Executive Compensation Program

The Company's executive compensation program ties a significant portion of an executive's realized annual compensation to the Company's achievement of critically important financial goals. The key financial measures utilized to assess annual performance are revenue and Adjusted EBITDA. The key financial measures utilized to assess long-term performance are free cash flow and, beginning in 2012, unlevered cash return on assets. The table below highlights the year-over-year comparison of performance under these measures:

Performance Measure	Fiscal Year 2013	Fiscal Year 2012	% Change	2013 Adjusted Guidance
Revenue (a)	$ 1.24 B	$1.26 B	(1)%	$1.20 B
Adjusted EBITDA (a) (b) (c)	$ 407 M	$420 M	(3)%	$400 - $410M
Free Cash Flow (a) (b)	$(52) M	$ 8 M	n/m	—
Unlevered Cash Return on Assets (d)	16.2%	15.9%	2%	—

(a) Effective January 24, 2013, the completion date of the CyrusOne IPO, the Company owns 69% of CyrusOne as an equity-method investment, and therefore no longer consolidates the CyrusOne results of operations in the total company or segment results. As such, the pro-forma results above exclude CyrusOne for both periods presented.

(b) See Annex A for a reconciliation of adjusted EBITDA and free cash flow to the nearest GAAP based financial measures.
(c) On November 7, 2013, the Company announced it was increasing its Adjusted EBITDA guidance from $390 million (plus or minus 2%) to between $400 million and $410 million.
(d) For the 2013 fiscal year, unlevered cash return on assets is measured on a cumulative basis. For 2012, unlevered cash return on assets is the same for the fiscal year and on a cumulative basis, as 2012 was the first year in which the Company used this metric to assess long-term performance.

The following chart summarizes the key elements of our compensation program, which are discussed in more detail later in the CD&A.

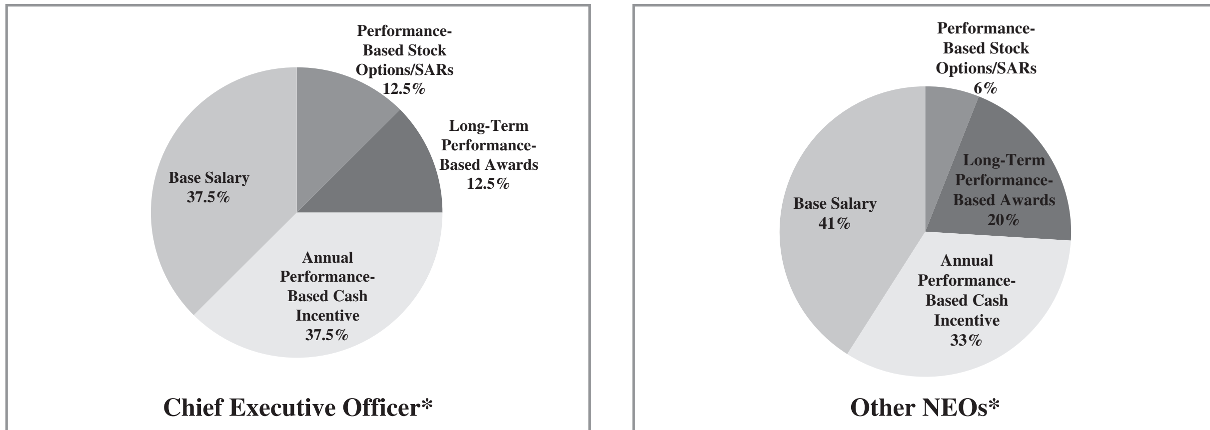
Component	Purpose	Key Characteristics	2013 Key Actions
Base Salary	• Allow Company to attract and retain executives • Recognize individual performance through merit increases • Recognize individual work experience and level of responsibility	• Fixed annual cash compensation • Increases primarily driven by individual performance and by market positioning • Used to calculate other components of compensation	• Except in connection with promotions, NEO salary levels were not increased as adjustments were made mid-2012
Annual Incentives	• Motivate achievement of Company annual financial goals and strategic objectives • Motivate achievement of individual annual performance goals	• Performance-based annual cash incentive compensation • Bonus target set as a percentage of base salary	• The revenue and adjusted EBITDA performance metrics, which affect 80% of incentive payout, were attained at 103% of target. Together with the individual performance portion, NEO total annual incentive payouts ranged from 117% to 127% of target
Non-qualified Stock Options and Stock Appreciation Rights ("SARs")	• Align executive interests with shareholder interests • Motivate achievement of Company long-term financial goals and strategic objectives • Facilitate executive equity ownership thereby further aligning executive and shareholder interests	• Performance-based long-term equity incentive compensation • Vest over three-year period based on continued service and the achievement of performance goals • Does not have value unless stock price increases following date of grant	• One-half of the 2013 long-term incentive grants to certain NEO's in 2013 were in the form of performance-based options
Performance Share and Unit Awards	• Motivate achievement of Company long-term financial goals and strategic objectives • Facilitate executive equity ownership thereby further aligning executive and shareholder interests	• Performance-based long-term equity incentive compensation • Granted annually with cumulative one-year, two-year, and three-year performance cycles	• One-half of 2013 long-term incentive grants to NEO's in 2013 were in the form of performance-based units

The Company also provides certain retirement benefits and post-termination compensation to the NEOs, as described in more detail later in this CD&A.

Compensation Practices

The Company reviews and modifies its executive compensation program 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 compensation practices that the Company has adopted in support of its pay-for-performance philosophy:

- Performance-based Compensation. The Company believes that a significant percentage of each NEO's total compensation should be performance-based or "at-risk." Base salary was 37.5% of the Chief Executive Officer's 2013 target compensation and 41% of the other NEOs' 2013 target compensation.



* In 2013, the Company granted Mr. Torbeck restricted shares with a grant date value of $900,000 that vest over a three-year period. This was the final installment of awards made in consideration of the compensation he forfeited when he left his previous employer to accept employment with the Company and is not included in the above chart. Consequently, Mr. Torbeck did not receive any additional long term incentive grants during 2012 or 2011. The percentages for the other NEOs reflect the fact that Messrs. Heimbach, Fox and Duckworth were not executive officers at the beginning of the year.

- Stock Ownership Guidelines. The Company believes that equity ownership creates alignment between executive and shareholder interests. In support of this objective, we maintain stock ownership guidelines under which our NEOs are expected to accumulate specified ownership stakes over time.

- Compensation Risk Assessment. The Company conducts annual compensation risk assessments to ensure that our policies and programs do not unintentionally encourage inappropriate behaviors or lead to excessive risk taking. We have concluded that our compensation plans, 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.

- Repricing Prohibition. We maintain prohibitions against the repricing of underwater stock options. Effective January 28, 2014, the Company amended its existing policy to expand the definition of a repricing to include cash buyouts of underwater stock options and stock appreciation rights. This change applies to all grants, including existing grants.

- Double-Trigger Equity Vesting. Existing employment agreements with executives incorporate a "double-trigger" requirement for vesting equity grants in the event of a change in control ("CIC"). Effective January 28, 2014, the Company amended the 2007 Long Term Incentive Plan and revised award agreements for all future grants, beginning with the 2014 equity grants, to provide that in the event of a CIC, an employee must be involuntarily terminated without cause by the Company during the 24-month period following a CIC for equity grants to vest.

- Executive Compensation Benchmarking. The Company currently uses a selective peer group of telecommunication companies and a larger peer group of general industry companies to evaluate competitive market pay for its executive officers. We target each pay component and total pay at the 50th percentile. Effective January 28, 2014, the Compensation Committee approved the Company's recommendations to i) use the general industry peer group as the primary source of market data for competitive assessments of executive pay, ii) use the telecommunication peer group as a secondary reference for assessing market pay and industry compensation practices, and iii) modify the telecommunication peer group to eliminate the four largest companies and add two new companies with annual revenue below that of Cincinnati Bell.
- Hedging and Pledging Policy. Effective January 31, 2013, the Company updated its Insider Trading Policy to expressly prohibit ownership of derivative 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 it to recover incentive payments to or realized by 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.
- Independent Compensation Consultant. 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.
- Elimination of Gross-Ups. The Compensation Committee has a policy in place since April 27, 2010 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 CIC. In addition, current employment agreements were amended to remove excise tax gross-up provisions.

2013 Say-on-Pay Vote

In 2013, more than 84% of the shares voted with respect to the Company's say-on-pay proposal voted "for" approval of the Company's executive compensation. Continuing a practice that started after the 2012 annual shareholders meeting, the Company meets directly with many of our major shareholders to obtain feedback on our compensation program. In addition, the Compensation Committee considered concerns expressed by the proxy advisory firms in their 2013 reports on the Company's say-on-pay proposal and took action, as noted above, to address their concerns.

In early 2014, the Company again met with major shareholders and also solicited feedback from the proxy advisory firms. The intent of the outreach was to listen to and obtain feedback on 2014 compensation practices, the Company's strategic direction, the impact of past compensation practices, and to listen to and address their concerns. Overall, changes made to 2014 awards made under the 2007 Long Term Incentive Plan were well received and seen as a balanced approach to aligning management with shareholder return, and the Company continues to make changes based on the recommendations received in these discussions.

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 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 performance goals set by the Compensation Committee.

Elements of Compensation

Base Salary

Base salaries are provided to the Company's NEOs for performing their day-to-day responsibilities. The base salaries of our NEOs are based on a review of the competitive market median for comparable executive positions, assessment by the Chief Executive Officer (or in the case of the Chief Executive Officer'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 Chief Executive Officer 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, while the Company looks at 50th percentile total compensation, it also considers the executive's individual performance as well in determining salary adjustments.

Because executive pay was adjusted in mid-2012, there were no adjustments in base salary for 2013 for our NEOs other than in connection with promotions during the year. Mr. Torbeck received a 3% increase upon his appointment as President and Chief Executive Officer effective January 31, 2013. Effective September 30, 2013, Mr. Freyberger resigned and, effective October 1, 2013, Mr. Fox was named Chief Financial Officer and was given a 27% increase in base salary. Effective November 20, 2013, Mr. Heimbach was named Chief Operating Officer but did not receive an increase in base salary. Mr. Duckworth was given 33% increase in base salary effective with his promotion to Vice President, Investor Relations and Controller, effective July 9, 2013.

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. For the NEOs, financial performance goals represent 80% of the annual incentive determination and individual performance evaluation represents 20%. Payouts, if any, can range from 0% to 150% of the total target incentive, depending on the level of achievement of financial goals between threshold and superior levels of performance and evaluations of individual performance and contributions for the year. 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 having the indicated weights in 2013:

- 60% on Adjusted EBITDA;
- 20% on revenue; and
- 20% on individual performance.

The Company has selected Adjusted EBITDA and revenue as its performance measures. Investors have identified these metrics as key indicators of current financial performance and the Company's ability to execute on its strategy of creating a fiber-based entertainment, communications and IT solutions company with growing revenue, growing profits and significant cash flows. Adjusted EBITDA is given a significantly higher weighting than revenue and individual performance because it is a key measure of profitability of the Company that eliminates the effects of accounting and financing decisions. In addition, investors view it as an effective barometer of how well a company can service its debt.

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.

The Adjusted EBITDA and revenue goals are assessed independently of each other and are scaled above and below their respective targets. In 2013, significant changes were made to the scale used for exceeding annual targets. Prior to this period, incentive awards could be earned up to a maximum amount of 200% of the bonus pool for achieving at least 120% of the desired financial goal. This was adjusted for 2013 as follows:

	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%	30%	50%	10%
100%	100%	60%	100%	20%
110%	125%	75%	125%	25%
120% or greater	150%	90%	150%	30%

The 2013 target annual incentives for each of the NEOs at year-end are set forth below:

Named Executive Officer	Target Annual Incentive as a % of Base Salary
Theodore H. Torbeck	100%
David L. Heimbach (a)	100%
Leigh R. Fox (a)	100%
Christopher J. Wilson	65%
Joshua T. Duckworth (a)	50%

(a) Messrs. Heimbach, Fox and Duckworth were all promoted to their current positions during 2013. The Company has a well-established practice of pro-rating bonuses when an individual is promoted and there is an increase in the executive's base salary and/or target bonus. The percents shown in the above table represent the new annual bonus targets. However, for 2013, the actual bonuses for each of these three executives were based on a blend of each of their salaries and bonus targets prior to their promotion and their salaries and target bonuses following their promotion.

In 2013, for annual incentive purposes, the chart below sets out the adjusted EBITDA and revenue target goals and actual results, which produced a weighted-average payout for the financial portion of 108.3% of target:

Financial Objective	2013 Threshold Performance Level	2013 Target	2013 Superior Performance Level	2013 Actual Results
Adjusted EBITDA	95%	$390 M	120%	$402 M*
Revenue	95%	$1.19 B	120%	$1.24 B

* Excludes a $5.6M favorable gain in EBITDA resulting from the decline in stock price during 2013.

The Chief Executive Officer provides the Compensation Committee with his assessment of each executive officer's individual performance. 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 can range 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.

The table below shows the percentage of target annual incentive earned by each NEO for 2013 for each performance measure and in total:

Named Executive Officer	Total Company Revenue	Total Company Adjusted EBITDA	Individual Performance	Total Annual Incentive Award
Theodore H. Torbeck	104%	103%	200%	$949,950
David L. Heimbach	104%	103%	200%	$404,484
Leigh R. Fox	104%	103%	200%	$306,623
Christopher J. Wilson	104%	103%	150%	$268,131
Joshua T. Duckworth	104%	103%	200%	$ 86,023

Long-term Incentives

The long-term incentives granted to NEOs in 2013 consist of stock options or SARs and performance shares or units, equally weighted in terms of grant-date fair value. 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. The total annual long-term incentive opportunity for each NEO is established by the Compensation Committee in terms of dollars. In administering the long-term incentive program, the Compensation Committee considers competitive market data (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, the number of options/SARs and performance shares/units to grant is determined by dividing the approved award amount by the binomial value of one option/SAR for the half of the award being made in options or SARs and the price of a share of common stock for the other half being awarded in performance shares/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.

Stock Options/SARs

Stock options/SARs granted to NEOs for 2013 are subject to the same performance vesting conditions as performance share unit awards. Stock options/SARs directly align the executive's interest with the shareholders' interest because any actual realized value derived from stock options/SARs requires achievement of a specific financial metric to vest and appreciation in the Company's stock price to have value.

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. Beginning with 2014 awards, the vesting period is being changed to vest at the end of the third year, with no interim vesting.

The threshold, target and superior performance levels are the same for each of the NEOs. For each performance cycle, actual adjusted free cash flow and, commencing in 2012, actual unlevered cash return on assets 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. Adjusted free cash flow and unlevered cash return one-year, two-year

cumulative, and three-year cumulative financial target goals and actual results for the performance periods beginning in 2011, 2012 and 2013 are shown in the table below.

Performance Cycle	Threshold Performance Level	Cumulative Target	Superior Performance Level	Actual Results*	Percentage of Target (a)
(dollars in millions)					
2011-2013					
2011	90%	$ 7.0	110%	$ 36.9	527.1%
2012	90%	$32.0	110%	$ 50.6	158.2%
2013	90%	$66.0	110%	$103.4	156.6%
2012-2014					
2012	14.5%	16.0%	17.5%	16.0%	100.0%
2013	14.5%	16.0%	17.5%	16.2%	106.7%
2013-2015					
2013	15.5%	17.0%	18.5%	16.7%	95.0%

(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. Similarly, unlevered 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

The Data Center Performance Plan was designed to drive accelerated growth in the data center business segment. Payments to participants were conditioned on the achievement of cumulative adjusted EBITDA targets over a three-year performance period and a qualifying transaction, unless a qualifying transaction occurred in the first five years, in which case the Adjusted EBITDA targets would not apply. On January 24, 2013, just over two years after the commencement of the three-year performance period, a successful IPO of CyrusOne was completed, which was a qualifying transaction under the terms of the Data Center Performance Plan.

There were a total of 57 participants across the Company and CyrusOne. The Compensation Committee approved the following grants upon commencement of the three-year performance period and the resulting awards to the named executive officers, following the completion of the CyrusOne IPO, as shown in the following table.

	Target Grant	Actual Award
Mr. Torbeck	$5.0 M	$2.2 M
Mr. Heimbach	$600 K	$268 K
Mr. Fox	$1.6 M	$714 K
Mr. Wilson	$3.5 M	$1.6 M
Mr. Duckworth	$240 K	$107 K

* Note that Messrs. Fox, Heimbach and Duckworth were not NEOs at the time grants were made.

The equity value of CyrusOne at the Transaction Date was $1.4 billion based on the share price of CyrusOne on the transaction date. The Company engaged third-party appraisers to determine the equity value, and they confirmed that valuation. The beginning equity value as of December 31, 2009, was based on forecasted cash flows discounted to present value, based on comparisons to the value of other market participants and competitors, and other appraisal valuation techniques performed by the third-party appraiser. As determined by the third party appraiser, the beginning equity value of the data center business was $200 million at December 31, 2009. This beginning equity value was increased by $750 million in accordance with the provisions of the Data Center Performance Plan (thereby reducing the ultimate incentive payment to participants) for net equity contributions made by the Company to the data center business from January 1, 2010 to the Transaction Date. The ending equity value of $1.4 billion minus the December 31, 2009 beginning equity value

of $950 million resulted in data center business equity growth of $450 million, which equaled 44.6% of the $1 billion target for equity growth and corresponding award payments equal to 44.6% of the participant's target grant.

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. However, as described on pages 52-54, the pension plan is now frozen and no further credits, other than interest, are made to the plan. 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 program 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.

Each executive participates in a broad set of other benefit plans and programs, including medical, dental, vision, life insurance, 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. The Company terminated its executive perquisite program in early 2011, thus eliminating any plans or programs specific to executives of the Company.

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 Officer 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

In determining pay levels, the Company established a philosophy to target each component—base salary, target bonus and target long-term incentive—at the market 50th percentile appropriate to the revenue size of the Company. 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 discussed below. Executive compensation correlates with a company's annual revenue (i.e., the higher a company's revenue, generally the higher the executive's market compensation). To take this effect into consideration, the Company, in consultation with Towers Watson, uses a statistical technique called "regression analysis." Linear regression analysis is a statistical tool for determining the relationship between a dependent variable (in this case target compensation levels) and an independent variable (in this case revenue). This technique correlates median predicted pay for companies by taking into consideration their revenues (i.e., smaller revenue companies would have pay predicted based on their revenues rather than by a simple median of pay for all companies in the peer group). Then, 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 for each pay component at the 50th percentile of companies based on Cincinnati Bell's revenue. This allows the Committee to compare each executive's pay, both by pay component and in total, to the market 50th percentile of similar revenue-sized companies. 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.

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 (See "Role of Compensation Consultants" discussion on pages 46), 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.

As discussed in the Introduction, the telecommunications peer group used for the executive compensation study to be conducted in 2014 for setting 2015 target compensation will be revised to eliminate the four largest telecommunications companies — AT&T, Verizon, Comcast and Sprint — and add two new companies — Atlantic Tele-Network and General Communications, Inc. Both of the new companies have lower revenue than the Company's revenue.

The second peer group consists of 120 companies across various industries with annual revenue between $1 billion and $3 billion. These companies are chosen because they have annual revenue that is closely aligned with the Company's revenue size, and they provide the Company and the Compensation Committee with insight into general industry executive compensation practices.

- 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:

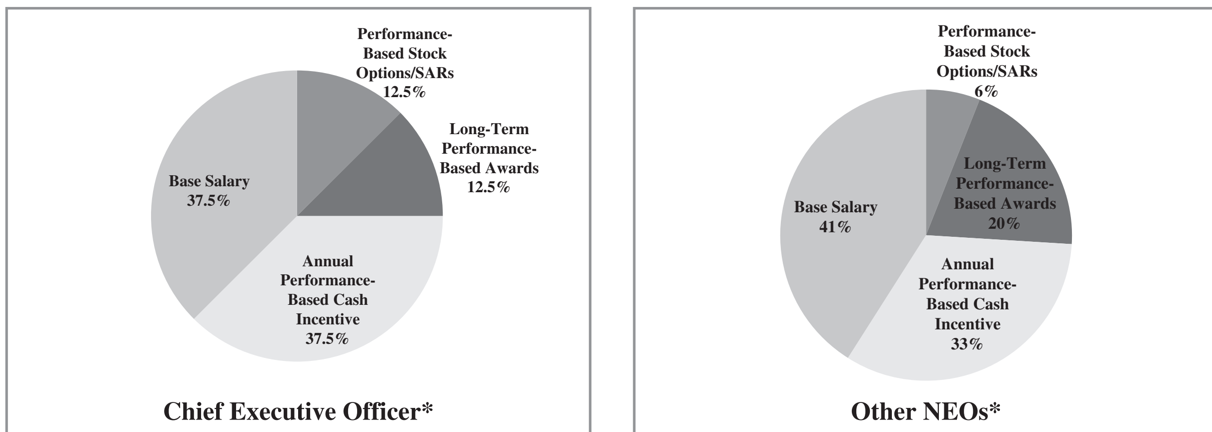
- Base salary;
- Total target cash compensation — the sum of base salary plus target annual bonus opportunity; and
- Total target direct compensation — the sum of base salary plus target annual bonus opportunity plus target long-term incentive opportunity.

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

- Benchmarking target compensation at the 50th percentile is consistent with the practice followed by a majority of companies and is considered "best practice," and
- Above-median compensation should be on a delivered actual basis, rather than a target basis, for overachievement of target performance goals consistent with the Company's "pay-for-performance" philosophy.

Other factors considered by the Company and the Compensation Committee in determining executive compensation levels are past and current target pay levels, internal equity considerations and individual performance.

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 Chief Financial Officer), the Compensation Committee allocates total target direct compensation among base salary, annual bonus and long-term incentive compensation. For 2013, the charts below reflect this allocation:



* In 2013, the Company granted Mr. Torbeck restricted shares with a grant date value of $900,000 that vest over a three-year period. This was the final installment of awards made in consideration of the compensation he forfeited when he left his previous employer to accept employment with the Company and is not included in the above chart. Consequently, Mr. Torbeck did not receive any additional long term incentive grants during 2012 or 2011. The percentages for the other NEOs reflect the fact that Messrs. Heimbach, Fox and Duckworth were not executive officers at the beginning of the year.

Based on market practices, combined with the Compensation Committee members' collective experience, the Compensation Committee believes that this allocation of pay among base salary and short- and long-term incentive compensation provides appropriate motivation 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.

Role of Compensation Consultants

Both of the Compensation Committee and the Company have engaged a consultant to advise on compensation-related matters. Neither the Compensation Committee nor the Company has 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 the 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. In addition, the Committee also retained the services of Frederic W. Cook & Co. to assist with the development of the 2014 shareholder outreach program and 2014 proxy statement and to provide an additional independent review of the proposed new long-term incentive plan that commenced in 2014.

The Company retains Towers Watson to assist 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.

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 or beneficially 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 a performance or vesting 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 7, 2014, Mr. Torbeck, who became President and Chief Executive Officer effective January 31, 2013, owned shares valued at approximately 177% of his ownership target; Mr. Heimbach, who became Chief Operating Officer on November 20, 2013, has achieved approximately 63% of his ownership goal; Mr. Fox, who became Chief Financial Officer on October 1, 2013 has achieved approximately 19% of his ownership goal; Mr. Wilson, Vice President, General Counsel and Secretary, has achieved approximately 144% of his ownership goal; and Mr. Duckworth, who became Vice President, Investor Relations and Controller on July 9, 2013 has achieved approximately 5% of his ownership goal.

Prohibition on Hedging and Pledging

Effective January 31, 2013, the Company updated its Insider Trading Policy to expressly prohibit ownership of derivative 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.

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 59 are important to ensure the retention of the NEOs.

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 certain 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 59. 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 NEOs providing for excise tax gross-up provisions with respect to payments contingent upon a change in control, and no NEO has an excise tax gross-up.

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, excluding the Chief Financial Officer, except for performance-based compensation that meets certain 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 and Theodore H. Torbeck) or principal financial officer (Kurt A. Freyberger and Leigh R. Fox) during the year ended December 31, 2013, and the three most highly compensated persons who served as executive officers (Christopher J. Wilson, David L. Heimbach and Joshua T. Duckworth) during the year ended December 31, 2013 (collectively, the "NEOs").

Summary Compensation Table — Fiscal 2013

Name, Principal Position	Year	Salary ($)	Bonus ($) (a)	Stock Awards ($) (b)	Option Awards ($) (c)	Non-Equity Incentive Plan Compensation ($) (d)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings ($) (e)	All Other Compensation ($) (f)	Total ($)
John F. Cassidy (g)	2013	184,615	9,000,000	—	—	682,402	(342,998)	9,200	9,533,219
Former President and Chief	2012	708,769	—	1,015,000	1,015,000	2,877,200	1,121,703	9,000	6,746,672
Executive Officer	2011	681,250	—	—	1,015,000	2,507,759	1,851,404	8,800	6,064,213
Kurt A. Freyberger (h)	2013	302,955	—	250,000	250,000	1,593,534	(39,217)	940,000	3,297,272
Former Chief Financial	2012	347,885	—	250,000	250,000	441,238	40,111	9,800	1,339,034
Officer	2011	293,460	—	77,500	—	324,190	33,800	9,800	738,750
Theodore H. Torbeck (i)	2013	746,954	—	1,150,000	250,000	3,181,790	—	10,000	5,338,744
Current President and Chief	2012	726,000	—	1,800,000	—	970,045	—	9,800	3,505,845
Executive Officer, Former President and General Manager, Cincinnati Bell Communications Group	2011	724,850	—	1,800,000	—	1,025,838	—	863	3,551,551
David L. Heimbach (j) Chief Operating Officer	2013	342,665	—	300,000	—	730,006	(16,884)	7,644	1,363,431
Leigh R. Fox (k) Chief Financial Officer	2013	303,846	—	286,500	—	1,056,876	(22,420)	3,566	1,628,368
Christopher J. Wilson	2013	353,600	—	200,000	200,000	1,848,275	(68,863)	10,000	2,543,012
Vice President, General	2012	345,662	—	200,000	200,000	284,111	103,242	9,800	1,142,815
Counsel and Secretary	2011	339,685	—	200,002	—	301,223	89,877	8,298	939,085
Joshua T. Duckworth (l) Vice President, Investor Relations and Controller	2013	169,231	—	50,000	—	193,151	—	8,530	420,912

(a) See the Introduction Section of the Compensation Discussion and Analysis on page 29 for a discussion of the 2013 bonus payments made to Mr. Cassidy.

(b) The 2013 amounts, excluding Mr. Torbeck's grant, reflect the grant-date fair value of the performance share-based awards issued in 2013 to Messrs. Freyberger, Fox, Wilson, Heimbach and Duckworth for the 2013-2015 performance cycle. Mr. Torbeck's amount is the combination of a restricted stock grant and the grant-date fair value of performance share-based awards issued in 2013. 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 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 and Wilson for the 2011-2013 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, 2013. The table below shows the amounts if the maximum payout is earned based on the stock price at date of grant.

Name	Stock Awards ($) 2013	2012	2011
John F. Cassidy	—	1,522,500	—
Kurt A. Freyberger	375,000	375,000	116,250
Theodore H. Torbeck (1)	1,275,000	1,800,000	1,800,000
David L. Heimbach	450,000	—	—
Leigh R. Fox	429,750	—	—
Christopher J. Wilson	300,000	300,000	300,002
Joshua T. Duckworth	75,000	—	—

(1) The 2013 amount for Mr. Torbeck's grant reflects the grant-date fair value of the performance share-based awards issued in 2013 for the 2013-2015 performance cycle and a restricted common share grant. The 2012 and 2011 amounts for Mr. Torbeck represent a restricted common share grant. The 2013, 2012 and 2011 restricted common share grants were all made in accordance with Mr. Torbeck's employment agreement and each restricted common share grant vests one-third per year at the end of each one-year period.

(c) The 2013 amounts shown reflect the aggregate grant date fair value of performance-based options granted to Messrs. Freyberger, Torbeck, and Wilson. 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 and Wilson in 2012. The 2011 amount reflects the grant date fair value of cash-settled stock appreciation rights granted to Mr. Cassidy in January 2011. 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, 2013. The amounts shown in the Summary Compensation Table above reflect payout at target. The table below shows these amounts if the maximum payout is earned:

Name	Stock Options/Stock Appreciation Rights ($) 2013	2012	2011
John F. Cassidy	—	1,522,500	1,522,500
Kurt A. Freyberger	375,000	375,000	—
Theodore H. Torbeck	375,000	—	—
Christopher J. Wilson	300,000	300,000	—

(d) Non-equity incentive plan compensation represents amounts earned for annual performance-based cash incentives, long-term performance plan cash-settled awards and Data Center Performance Plan awards. The table below shows the amounts earned for each of these awards:

Name	Year	Annual Performance-Based Cash Incentive ($)	Long-Term Cash-Settled Performance Units ($) (1)	Data Center Performance Plan Cash Incentive ($)(2)	Total ($)
John F. Cassidy	2013	—	682,402	—	682,402
	2012	1,354,722	1,522,478	—	2,877,200
	2011	1,242,718	1,265,041	—	2,507,759
Kurt A. Freyberger	2013	—	—	1,593,534	1,593,534
	2012	441,238	—	—	441,238
	2011	324,190	—	—	324,190
Theodore H. Torbeck	2013	949,950	—	2,231,840	3,181,790
	2012	970,045	—	—	970,045
	2011	1,025,838	—	—	1,025,838
David L. Heimbach	2013	404,483	57,702	267,821	730,006
Leigh R. Fox	2013	306,623	36,064	714,189	1,056,876
Christopher J. Wilson	2013	268,132	—	1,580,143	1,848,275
	2012	284,111	—	—	284,111
	2011	301,223	—	—	301,223
Joshua T. Duckworth	2013	86,023	—	107,128	193,151

(1) The amounts shown above for long-term cash-settled performance units earned by Mr. Cassidy represent: (1) the amount earned in 2013 and paid in 2014 for the 2013 performance period related to cash-payment performance awards granted in January 2011 for the 2011-2013 performance cycle (2) 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, (3) 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. The amounts shown above for long-term cash-settled performance units earned by Messrs. Fox and Heimbach represent: (1) the amount earned in 2013 and paid in 2014 for the 2013 performance period related to cash-payment performance awards granted in January 2012 for the 2012-2013 performance cycle.

(2) The amounts shown above represent the amounts paid in 2013 for the long-term Data Center Performance Plan. Refer to pages 41-42 for additional details on the plan.

(e) The amounts shown in this column for Messrs. Cassidy, Freyberger, Fox, Heimbach and Wilson represent the one-year increase in the value of their qualified defined benefit plan and nonqualified excess plan for 2013, 2012 and 2011, 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 (4.2% for 2013, 3.3% for 2012 and 3.90% for 2011) required under ASC 960. The present value of the accrued pension benefits decreased in 2013 primarily due to an increase in the applicable discount rate and improved market performance of pension assets. The Company froze its qualified pension plan for management employees in 2009; therefore, Mr. Torbeck and Mr. Duckworth are not entitled to any benefits under this plan. None of the executives receive any preferential treatment or above-market interest under the Company's retirement plans.

(f) For each NEO except Mr. Freyberger, the amount represents the Company's 401(k) match. 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 $10,000. For Mr. Freyberger, this amount represents the Company's 401k match and $930,000 due to him for a consulting agreement entered into upon his resignation, effective September 30, 2013.

(g) Mr. Cassidy retired from his position as President and Chief Executive Officer effective January 31, 2013 and assumed the role of Vice Chairman of the Board. Mr. Cassidy retired from the Board effective December 31, 2013.

(h) Mr. Freyberger resigned as Chief Financial Officer on September 30, 2013.

(i) Mr. Torbeck was appointed Chief Executive Officer on January 31, 2013.

(j) Mr. Heimbach was appointed Chief Operating Officer on November 20, 2013.

(k) Mr. Fox was appointed Chief Financial Officer on October 1, 2013.

(l) Mr. Duckworth was appointed Vice President, Investor Relations and Controller on July 9, 2013.

Grants of Plan-Based Awards

The following table sets forth information concerning equity grants to the NEOs during the year ended December 31, 2013 as well as estimated future payouts under cash incentive plans:

Grants of Plan-Based Awards in 2013 Fiscal Year

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards (a)			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Closing Price of Company Shares on Grant Date	Grant Date Fair Value of Stock and Option Awards
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	(#) (b)	(#) (c)	($/Sh)	($/Sh)	($) (d)
John F. Cassidy (e)												
Performance-based shares		—	—	—	—	—	—	—	—	—	—	—
Performance-based options		—	—	—	—	—	—	—	—	—	—	—
Annual cash incentive		—	—	—	—	—	—	—	—	—	—	—
Kurt A. Freyberger (f)												
Performance-based shares	1/31/2013	—	—	—	39,474	52,632	78,948	—	—	—	4.75	250,000
Performance-based options	1/31/2013	—	—	—	—	—	—	—	119,389	4.75	4.75	219,473
Annual cash incentive		184,250	368,500	552,750	—	—	—	—	—	—	—	—
Theodore H. Torbeck												
Performance-based shares	1/31/2013	—	—	—	39,474	52,632	78,948	—	—	—	4.75	250,000
Performance-based options	1/31/2013	—	—	—	—	—	—	—	119,389	4.75	4.75	219,473
Restricted shares	1/2/2013	—	—	—	—	—	—	161,580	—	—	5.57	900,000
Annual cash incentive		375,000	750,000	1,125,000	—	—	—	—	—	—	—	—
David L. Heimbach												
Performance-based shares	1/31/2013	—	—	—	31,579	42,105	63,158	—	—	—	4.75	200,000
Performance-based shares	7/26/2013	—	—	—	21,995	29,326	43,989	—	—	—	3.41	100,000
Annual cash incentive		159,673	319,346	479,019	—	—	—	—	—	—	—	—
Leigh R. Fox												
Performance-based shares	1/31/2013	—	—	—	29,447	39,263	58,895	—	—	—	4.75	186,500
Performance-based shares	7/26/2013	—	—	—	21,995	29,326	43,989	—	—	—	3.41	100,000
Annual cash incentive		121,042	242,083	363,125	—	—	—	—	—	—	—	—
Christopher J. Wilson												
Performance-based shares	1/31/2013	—	—	—	31,579	42,105	63,158	—	—	—	4.75	200,000
Performance-based options	1/31/2013	—	—	—	—	—	—	—	95,511	4.75	4.75	175,578
Annual cash incentive		114,920	229,840	344,760	—	—	—	—	—	—	—	—
Joshua T. Duckworth												
Performance-based shares	7/26/2013	—	—	—	10,997	14,663	21,995	—	—	—	3.41	50,000
Annual cash incentive		33,959	67,917	101,876	—	—	—	—	—	—	—	—

(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 2013-2015. See pages 40 — 41 for further details.

(b) Amount represents restricted stock 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 assuming target is met. Performance will be measured based on the achievement of cumulative UCR targets over the three-year period 2013 — 2015. The material terms of the options 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 performance-based options 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 2013-2015 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 $5.57. 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, 2013.

(e) Mr. Cassidy retired effective January 31, 2013. He was not granted any plan based awards in fiscal year 2013.

(f) Mr. Freyberger resigned effective September 30, 2013. All plan based awards granted in fiscal year 2013 were forfeited.

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

Employment Agreements

During 2013, all of the NEOs, with the exception of Mr. Duckworth, 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. Mr. Cassidy's and Mr. Wilson's employment agreements 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. The Company also 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. Freyberger, effective as of August 5, 2011, Messrs. Fox and Wilson, effective as of July 26, 2013 and Mr. Heimbach, effective November 20, 2013.

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 ("SERP"). Mr. Cassidy retired effective January 31, 2013 and his employment agreement terminated. During 2013, Mr. Cassidy began receiving annuity payments under the SERP. Mr. Cassidy's nonqualified supplemental retirement plan benefit under his previous employment agreement vested and is equal to the portion of his accrued pension under the Cincinnati Bell Management Pension Plan (the "Management Pension Plan") that is attributable to his first 10 years of service.

Mr. Freyberger's employment agreement provided for the employment and retention of Mr. Freyberger for a one-year term subject to automatic one-year extensions. Mr. Freyberger's employment agreement provided for a minimum base salary of $335,000 per year and a minimum bonus target of $335,000 per year. Mr. Freyberger resigned effective September 30, 2013 and his employment agreement terminated. Effective with his resignation, the Company entered into a $930,000 consulting agreement with Mr. Freyberger to provide his assistance and expertise to management of the Company on various matters relating to the conduct of the Company's business.

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. Heimbach's employment agreement provides for the employment and retention of Mr. Heimbach for a one-year term subject to automatic one-year extensions. Mr. Heimbach's employment agreement provides for both a minimum base salary and a minimum bonus target of $350,000 per year.

Mr. Fox's employment agreement provides for the employment and retention of Mr. Fox for a one-year term subject to automatic one-year extensions. Mr. Fox's employment agreement provides for both a minimum base salary and a minimum bonus target of $350,000 per year.

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 $353,600 per year and a minimum bonus target of $229,840 per year.

Each of the NEOs, except for Mr. Torbeck and Mr. Duckworth, participate in 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. In addition, the Management Pension Plan was amended to stop accruals based on compensation paid after June 30, 2013 or services after the pay period ended June 29, 2013. The Management Pension Plan is described in further detail on pages 57-58.

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, 2013 are described beginning on page 59.

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 NEOs are described in the Compensation Discussion and Analysis that begins on page 29.

Salary and Cash Incentive Awards in Proportion to Total Compensation

In 2013, the percentage of total compensation for each NEO represented by the sum of their salary plus bonus and non-equity incentive plan compensation as shown in the summary compensation table on page 49 was as follows: Mr. Cassidy — 104%, Mr. Freyberger — 80%, Mr. Torbeck — 74%, Mr. Heimbach — 79%, Mr. Fox — 84%, Mr. Wilson — 87% and Mr. Duckworth — 86%.

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, 2013:

Name	Option Awards					Stock Awards			
	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 (#) (a)	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)	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				
	609,406	—		2.91	1/29/2020				
	764,996	23,660		2.85	1/28/2021				
	329,545	—	659,092	3.40	1/27/2022				
						—	—	298,530	1,062,767
Kurt A. Freyberger (g)	—	—		—	—	—	—	—	—
Theodore H. Torbeck	—	179,084		4.75	1/30/2023				
						—	—	78,948	281,055
						754,271	2,685,205	—	—
David L. Heimbach	2,150	—		4.40	3/4/2015				
	1,000	—		4.00	12/1/2015				
	3,000	—		2.91	1/29/2020				
						—	—	153,199	545,389
Leigh R. Fox	1,500	—		2.91	1/29/2020				
						—	—	102,884	366,267
Christopher J. Wilson	30,907	—		2.91	1/29/2020				
	84,516	—		2.54	12/7/2020				
	64,935	—	129,870	3.40	1/27/2022				
	—	—	143,267	4.75	1/30/2023				
						—	—	174,614	621,625
Joshua T. Duckworth	1,800	—		2.48	8/23/2020				
						—	—	21,995	78,302

(a) These awards, with the exception of awards expiring January 27, 2022 and January 30, 2023, 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 and January 30, 2023 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 and 2013 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 2, 2013, January 3, 2012, and January 4, 2011. The value is based on the closing price of the Company's common shares as of December 31, 2013 ($3.56).

(d) Amounts in the column include performance shares granted for the 2011 — 2013 performance cycle less performance units earned and vested for (i) the 2011 period on January 28, 2012 and (ii) the 2011-2012 cumulative period on January 28, 2013. Amounts also include performance units granted for the 2012 — 2014 performance cycle less performance units earned and vested for the 2012 period on January 29, 2013. The amount also includes the performance unit grant made to each of the executives for the 2013 — 2015 performance cycle on January 31, 2013. 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, 2013 ($3.56).

(f) Effective January 31, 2013, Mr. Cassidy retired from his position as Chief Executive Officer and was appointed Vice Chairman of the Board. Mr. Cassidy retired from the Board effective December 31, 2013, but will continue to vest in his options and stock awards.

(g) Effective September 30, 2013, Mr. Freyberger resigned and all remaining unexercised options and unvested stock awards expired 90 days after his resignation.

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, 2013:

Option Exercises and Stock Vested in 2013

	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	—	—	149,265	709,009
Kurt A. Freyberger	249,511	177,929	68,475	325,256
Theodore H. Torbeck	—	—	401,609	2,209,788
David L. Heimbach	—	—	35,399	168,145
Leigh R. Fox	—	—	3,750	17,813
Christopher J. Wilson	—	—	122,988	584,193
Joshua T. Duckworth	—	—	—	—

(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 4, 2011 and January 3, 2012. The amounts shown for Messrs. Cassidy, Freyberger, Heimbach, Fox and Wilson represent shares issued in January 2013 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 dates of his awards were 210,526 shares on January 3, 2013 ($5.45) and 191,083 shares on January 4, 2013 ($5.56). For Messrs. Cassidy, Freyberger, Heimbach, Fox and Wilson the vesting date of their awards was January 31, 2013 ($4.75).

Pension Benefits

In February 2009, the Company made significant changes to the Management Pension Plan. The Company froze pension benefits for plan participants who were not grandfathered participants (as previously described) and provided a 10-year transition period for grandfathered participants 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 and Mr. Duckworth are not eligible to participate in the Management Pension Plan.

Further, as has also been noted before, the Company later reduced the rate of accrual for grandfathered participants of benefits based on compensation and service after 2011 and in fact froze altogether the further accrual of pension benefits based on additional compensation and service for grandfathered participants in mid-2013. Thus, none of the NEOs currently accrue additional benefits under such plan based on current compensation or service.

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

Name	Plan Name	Number of Years Credited Service (#) (a)	Present Value of Accumulated Benefit ($) (b)(c)	Payments During Last Fiscal Year ($)
John F. Cassidy	Qualified Defined Benefit Plan (d)	17	329,397	306,262
	Non-Qualified Excess Plan (e)	17	2,444,833	173,416
	Non-Qualified Supplemental Plan	17	9,521,472	245,865
	Employment Agreement (f)	17	—	968,996
	Total		12,295,702	1,694,539
Kurt A. Freyberger	Qualified Defined Benefit Plan (d)	8	—	85,516
	Non-Qualified Excess Plan (e)	8	26,184	—
	Total		26,184	85,516
David L. Heimbach	Qualified Defined Benefit Plan (d)	12	51,874	—
	Non-Qualified Excess Plan (e)	—	—	—
	Total		51,874	—
Leigh R. Fox	Qualified Defined Benefit Plan (d)	12	76,938	—
	Non-Qualified Excess Plan (e)	—	—	—
	Total		76,938	—
Christopher J. Wilson	Qualified Defined Benefit Plan (d)	15	239,677	—
	Non-Qualified Excess Plan (e)	15	104,147	—
	Total		343,824	—

(a) 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.

(b) 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, 2013.

(c) If any of the executive officers had retired on December 31, 2013, 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.

(d) Management Pension Plan.

(e) Nonqualified ERISA Excess Provisions of the Cincinnati Bell Management Pension Plan.

(f) Additional pension benefit from employment agreement between the Company and Mr. Cassidy.

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 participated 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, prior to the freeze of his or her accounts, each grandfathered participant had 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 $255,000 for 2013). A participant's plan compensation for a year generally equaled the participant's base salary plus any commissions or bonuses received. To the extent that a participant's plan compensation exceeded the aforementioned annual compensation limitation, additional pension credits were given for such additional compensation under a non-tax-qualified retirement plan operated in conjunction with the Management Pension Plan (the "Excess Benefit Plan").

The following chart shows the annual pension credits provided for 2013 under the Management Pension Plan for grandfathered participants (who accrued benefits for part of 2013) 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 2013
55 or more years	4.00% of total plan compensation plus 4.00% of excess compensation for 2013

* For purposes of the above table, "excess compensation" means the portion of a plan participant's total plan compensation for 2013 that exceeds the Social Security old-age retirement taxable wage base for 2013.

As previously indicated such pension credits were stopped even for grandfathered participants with respect to compensation paid after June 30, 2013 and service for any pay period ended after June 29, 2013.

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 2013 was 4.0% per annum. Effective July 1, 2013 annual pension credits were eliminated.

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).

Until his retirement in January 2013, 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. During 2013, Mr. Cassidy began receiving annuity payments under the SERP.

Nonqualified Deferred Compensation

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

Nonqualified Deferred Compensation for 2013 Fiscal Year

Name	Executive Contributions in Last Fiscal Year ($)	Company Contributions in Last Fiscal Year ($)	Aggregate Earnings in Last Fiscal Year ($) (a)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at December 31, 2013 ($)
John F. Cassidy	—	—	(520,120)	—	964,390
Kurt A. Freyberger	—	—	5,096	—	49,403
Theodore H. Torbeck	—	—	—	—	—
David L. Heimbach	—	—	—	—	—
Leigh R. Fox	—	—	—	—	—
Christopher J. Wilson	—	—	(192,000)	—	356,000
Joshua T. Duckworth	—	—	—	—	—

(a) For Messrs. Cassidy, Freyberger and Wilson, the amount shown includes the difference between the closing price of the Company's stock ($5.48) on December 31, 2012 and the closing price of the Company's stock ($3.56) on December 31, 2013 with respect to deferrals made prior to 2013.

The 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 (for 2014 a key employee for purposes of the plan generally has annual pay of more than $260,000) 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 or the Short Term Incentive Plan.

For all key employees who participate in the Executive Deferred Compensation Plan, there is also a Company "match" on the amount of base salary and cash bonuses deferred under the plan for any calendar year. In general, the match is equal to the lesser of 66⅔% of the base salary and cash bonuses deferred or 4% of the base salary and cash bonuses for a year 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, 2013 termination or change in control date and, where applicable, using the closing price of our common shares on December 31, 2013 of $3.56. Mr. Cassidy retired effective January 31, 2013 and Mr. Freyberger resigned effective September 30, 2013; therefore they were not eligible for any payments upon termination or change in control as of December 31, 2013.

Potential Payments upon Termination of Employment or a Change in Control: 2013

Name	Executive Payment on Termination	Involuntary Not for Cause Termination ($)	Change in Control ($)	Death ($)	Disability ($)
Theodore H. Torbeck	Base Salary	1,500,000	2,242,500	—	—
	Annual Incentive Target Opportunity	—	2,242,500	949,950	949,950
	Long Term Incentives — Options	—	—	—	—
	Long Term Incentives — Performance Based (a)	140,526	187,368	187,368	187,368
	Long Term Incentives — Restricted Shares	2,493,466	2,685,207	2,685,207	2,685,207
	Basic Benefits (b)	27,080	27,080	—	101,550
	Total	4,161,072	7,384,655	3,822,525	3,924,075
David L. Heimbach	Base Salary	700,000	875,000	—	—
	Annual Incentive Target Opportunity	—	875,000	172,910	172,910
	Long Term Incentives — Options	—	—	—	—
	Long Term Incentives — Performance Based (a)	350,076	413,649	413,649	413,649
	Basic Benefits (b)	25,034	25,034	—	337,959
	Total	1,075,110	2,188,683	586,559	924,518
Leigh R. Fox	Base Salary	700,000	875,000	—	—
	Annual Incentive Target Opportunity	—	875,000	225,773	225,773
	Long Term Incentives — Options	—	—	—	—
	Long Term Incentives — Performance Based (a)	248,573	309,617	309,617	309,617
	Basic Benefits (b)	21,634	21,634	—	259,608
	Total	970,207	2,081,251	535,390	794,998
Christopher J. Wilson	Base Salary	707,200	884,000	—	—
	Annual Incentive Target Opportunity	—	574,600	268,131	268,131
	Long Term Incentives — Options	10,390	10,390	10,390	10,390
	Long Term Incentives — Performance Based (a)	279,584	317,058	317,058	317,058
	Basic Benefits (b)	24,922	24,922	—	205,606
	Total	1,022,096	1,810,970	595,579	801,185
Joshua T. Duckworth	Base Salary	—	—	—	—
	Annual Incentive Target Opportunity	—	—	63,973	63,973
	Long Term Incentives — Options	—	—	—	—
	Long Term Incentives — Performance Based (a)	39,150	52,199	52,199	52,199
	Basic Benefits (b)	—	—	—	—
	Total	39,150	52,199	116,172	116,172

(a) Performance based includes shares and cash awards that are based on the attainment of target performance metrics in the 2014 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 150% of the target amount.

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

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, pension and savings plans.

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, Messrs. Torbeck, Heimbach, Fox and Wilson will continue to be bound by the non-disclosure, non-compete and non-solicitation provisions of their employment agreements.

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

A payment equal to two times the sum of their base salary plus target bonus for Messrs. Torbeck, Heimbach, Fox and Wilson;

A payment equal to the present value of an additional two years 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 two-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 two-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 two-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 2.5 times their base salary in the case of Messrs. Heimbach, Fox, and Wilson and 2.99 times his base salary in the case of Mr. Torbeck;

If eligible to participate in the Management Pension Plan, a payment equal to the present value of an additional two years 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 two-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 two-year period following termination;

Full vesting and payout at target amounts of any awards granted under long-term incentive plans; and

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, 2013, Messrs. Torbeck, Heimbach, Fox, Wilson and Duckworth had certain "vested amounts" to which they were entitled as follows: Mr. Torbeck — $1,171,350, Mr. Heimbach — $362,381, Mr. Fox — $158,153, Mr. Wilson — $1,144,150 and Mr. Duckworth — $16,914. 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. Mr. Freyberger was not "retirement eligible" at the time of his resignation and his awards were not subject to such continued vesting.

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, 2013 and ending December 31, 2013, 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 27, 2014. 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 10, 2015 of a proposal from a shareholder who intends to propose any other matter to be acted upon at the 2015 Annual Meeting, the persons named in the Company's proxy for the 2015 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 27, 2014 for the 2015 Annual Meeting of Shareholders.

Other Matters to Come Before the Meeting

At the time this Proxy Statement was released to the shareholders on March 27, 2014, 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
Vice President, General Counsel and Secretary

March 24, 2014

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 20, 2014 and February 27, 2013. 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,	
	2013	2012
Net (Loss) Income (GAAP)	$ (54.7)	$ 11.2
Add:		
Income tax (benefit) expense	(2.5)	24.7
Interest expense	182.0	218.9
Loss on extinguishment of debt	29.6	13.6
Loss from CyrusOne equity method investment	10.7	—
Other (income) expense, net	(1.3)	1.7
Operating Income (GAAP)	$163.8	$270.1
Add:		
Depreciation and amortization	169.6	217.4
Transaction-related compensation	42.6	—
Restructuring charges	13.7	3.4
Loss (gain) on sale or disposal of assets	2.4	(1.6)
Transaction costs	1.6	6.3
Asset impairments	—	14.2
Legal claim costs	—	0.4
Curtailment gain	(0.6)	—
Pension and other retirement plan expenses	22.5	24.4
Adjusted EBITDA (Non-GAAP)	$415.6	$534.6
Less: CyrusOne Adjusted EBITDA (Non-GAAP)	8.4	115.0
Adjusted EBITDA, excluding CyrusOne (Non-GAAP)	$407.2	$419.6

(dollars in millions)	Twelve Months Ended December 31, 2013	2012
Reconciliation of Operating Cash Flow (GAAP) to Adjusted Unlevered Operating Cash Flows (Non-GAAP):		
Operating cash flow (GAAP)	$ 78.8	$212.7
Interest payments	179.5	217.9
Unlevered operating cash flows (Non-GAAP)	258.3	430.6
Add:		
CyrusOne operating cash flows	(4.0)	—
Transaction related compensation to CyrusOne employees	20.0	—
Transaction costs	1.6	6.3
Adjusted unlevered operating cash flows (Non-GAAP)	$275.9	$436.9

(dollars in millions)	Twelve Months Ended December 31, 2013	2012
Reconciliation of GAAP Cash Flow to Free Cash Flow (as defined by the Company)		
Net decrease in cash and cash equivalents	$ (19.0)	$ (50.1)
Less adjustments:		
Proceeds from issuance of long-term debt	(536.0)	(525.0)
Increase in corporate credit and receivables facilities, net	(94.2)	(52.0)
Cash divested from deconsolidation of CyrusOne	12.2	—
Repayment of debt	530.8	442.4
Debt issuance costs	6.7	20.9
Transaction-related compensation	42.6	—
Common stock repurchase	—	0.3
Proceeds from sale of assets, net of expenses	—	(1.6)
Transaction costs	1.6	11.0
Free cash flow (as defined by the Company)	$ (55.3)	$(154.1)
Less: CyrusOne's free cash flows	$ (3.3)	$(162.2)
Free cash flow excluding CyrusOne	$ (52.0)	$ 8.1

(dollars in millions)	Twelve Months Ended December 31, 2013	2012
Reconciliation of GAAP Revenue to Revenue excluding CyrusOne (Non-GAAP)		
Revenue (GAAP)	$1,256.9	$1,473.9
Adjustments:		
CyrusOne revenue	(15.6)	(221.3)
Intersegment revenue	0.4	6.4
Revenue excluding CyrusOne (Non-GAAP)	$1,241.7	$1,259.0

Adjusted EBITDA provides a useful measure of operational performance. The Company defines Adjusted EBITDA as GAAP operating income plus depreciation, amortization, transaction-related compensation, restructuring charges, (gain) loss on sale or disposal of assets, transaction costs, curtailment gain, asset impairments, components of pension and other retirement plan costs (including 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.

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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

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, 2013

☐ **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 $0.6 billion, computed by reference to the closing sale price of the common stock on the New York Stock Exchange on June 30, 2013, 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, 2014, there were 208,738,253 common shares outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement relating to the Company's 2014 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	12
Item 1B.	Unresolved Staff Comments	24
Item 2.	Properties	25
Item 3.	Legal Proceedings	25
Item 4.	Mine Safety Disclosures	25

PART II

Item 5.	Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	26
Item 6.	Selected Financial Data	28
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	29
Item 7A.	Quantitative and Qualitative Disclosure About Market Risk	66
Item 8.	Financial Statements and Supplementary Data	68
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	125
Item 9A.	Controls and Procedures	125
Item 9B.	Other Information	126

PART III

Item 10.	Directors, Executive Officers and Corporate Governance	127
Item 11.	Executive Compensation	128
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	128
Item 13.	Certain Relationships and Related Transactions, and Director Independence	128
Item 14.	Principal Accountant Fees and Services	128

PART IV

Item 15.	Exhibits and Financial Statement Schedules	129
	Signatures	136

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

Part I

Item 1. Business

Overview and Strategy

With headquarters in Cincinnati, Ohio, Cincinnati Bell Inc. and its consolidated subsidiaries ("Cincinnati Bell", "we", "our", "us" or the "Company") is a full-service regional provider of entertainment, 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. In addition, enterprise customers across the United States rely on Cincinnati Bell Technology Solutions Inc. ("CBTS"), a wholly-owned subsidiary, for efficient, scalable communications systems and end-to-end IT solutions.

Our goal is to transform Cincinnati Bell into a fiber-based entertainment, communications and IT solutions company with growing revenue, growing profits and significant cash flows. During 2013, we invested approximately $123 million in our strategic products, generating an 18% increase in our strategic revenues. Revenue from these high demand products totaled $370.6 during the year and offset the declines from our legacy products by 10%.

Wireline strategic revenue totaled $252.5 million, up 22% compared to the prior year, primarily due to growth in our Fioptics suite of products, which provides entertainment, high-speed internet and voice services using a combination of fiber to the home and fiber to the node technology. Fioptics revenue totaled $100.8 million, up 48% over the prior year, as we achieved record high net activations for both our entertainment and high-speed internet products. Strategic revenue from business customers was also up 8% in 2013 due to increased demand for metro-ethernet and Multi-Protocol Label Switching ("MPLS") products. The growth and demand for our strategic products continues to increasingly mitigate revenue declines from our legacy products. In total, Wireline revenue was down less than 1% in 2013, and we believe our strategic investments will result in full year 2014 Wireline revenue growth.

Our IT Services and Hardware segment revenue totaled $344.1 million, up 9% year over year. Strategic managed and professional services revenue totaled $118.1 million, up 8% due to increased demand for virtual data center products and staff augmentation resources. Telecom and IT equipment sales were up 9% year over year, and remain an important value added product to our existing customer base that requires very little capital.

The Wireless segment continues to be challenged by increased competitive pressures from national carriers. During the year, our revenues declined by 17% due to continued subscriber losses. We plan to continue to manage the business for cash flow and profitability as we consider strategic alternatives.

The Company was also able to take advantage of a favorable interest rate environment by amending its Corporate Credit Agreement to include a $540 million Tranche B Term Loan facility ("Tranche B Term Loan") with a 4.0% interest rate at December 31, 2013. The proceeds from the facility were used to redeem all of the Company's $500 million 8 1/4% Senior Notes due 2017 ("8 1/4% Senior Notes") on October 15, 2013 at a redemption price of 104.125%. It is expected that these refinancing activities will save approximately $20 million of interest payments in 2014.

On January 24, 2013, we completed the initial public offering ("IPO") of CyrusOne Inc. ("CyrusOne"), a former subsidiary which owns and operates our former data center colocation business. CyrusOne, which conducts its data center business through CyrusOne LP, an operating partnership, is a full service provider of data center colocation services to enterprise customers through its facilities with fully redundant power and cooling solutions that are currently located in the Midwest, Texas, Arizona, London and Singapore. Cincinnati Bell is the majority owner of CyrusOne (NASDAQ: CONE), a real estate investment trust ("REIT"), effectively owning approximately 69% of the economic interests of CyrusOne through the ownership of its common stock and partnership units of CyrusOne LP. However, effective January 24, 2013, we no longer have control over CyrusOne's operations and no longer consolidate CyrusOne in our consolidated financial statements. Our ownership in CyrusOne is now accounted for as an equity method investment.

We made significant strides in 2013 towards achieving our transformation goals for Cincinnati Bell. As we look forward to 2014, we will continue to focus on the following initiatives which will be the keys to our success:

Continue the expansion of our fiber network

- We expect to pass approximately 62,000 additional customer locations with Fioptics during 2014, with an emphasis on fiber directly to the home. Our goal remains to pass between 60% and 70% of Greater Cincinnati with this product.
- We will increase fiber-based product offerings to enterprise customers and finalize the integration of our Wireline business market with the IT Services and Hardware team.

Evaluate opportunities to monetize investment in CyrusOne

- We will give due consideration to, among other factors, CyrusOne's stock price, market performance of other REITs and overall market indicators. We will balance our objective of reducing the risk associated with owning any equity security, with the upside appreciation potential for our investment in CyrusOne.
- Proceeds from future CyrusOne monetization will be primarily used for debt repayment, in accordance with the terms in our amended Corporate Credit Agreement, to move toward achieving leverage ratios in line with other telecommunications companies.

Manage Wireless business for cash flows and profitability

- We will manage the wireless business for cash flows and profitability as we continue to explore strategic options for this business, including an outright sale. For the past several years, the Wireless business has been losing postpaid subscribers at an increasing rate as our customers continue to migrate to national carriers that offer premier handsets and "nation-wide" family talk plans on LTE networks.

Operations

As of December 31, 2013, the Company operated three segments: Wireline, IT Services and Hardware, and Wireless; and generally classifies the products and services from its Wireline and IT Services and Hardware segments into three distinct categories: Strategic, Legacy and Integration. Wireline and IT Services and Hardware products and services have been categorized based primarily on the underlying technology, as noted in the chart below:

	Strategic	Legacy	Integration
Voice	Fioptics Voice	Switched Access Digital Trunking	Maintenance Information Services
Data	Fioptics Internet DWDM *(1)* DSL *(2)* (> 10 meg) Metro-Ethernet Dedicated Internet	DSL (< 10 meg) Dial up Internet TDM *(5)* DSO *(6)*, DS1, DS3	
Long Distance/VoIP	VoIP *(3)* Private Line MPLS *(4)* Audio Conferencing	Long Distance	
Entertainment	Fioptics Video		
Managed/Professional Services	Managed Services - Monitoring/Management - Data Storage - Data Security - Virtual Data Center Professional Services - Staff Augmentation - IT Consulting		
Telecom & IT Equipment			Hardware Installation Maintenance

(1) Dense Wavelength Division Multiplexing
(2) Digital Subscriber Line
(3) Voice over Internet Protocol
(4) Multi-Protocol Label Switching
(5) Time Division Multiplexing
(6) Digital Signal

Wireline

The Wireline segment provides products and services such as local voice, high-speed internet, data transport, long distance, entertainment, VoIP, and other services. Cincinnati Bell Telephone Company LLC ("CBT"), a subsidiary of the Company, is the Incumbent Local Exchange Carrier ("ILEC") for a geography that covers a radius of approximately 25 miles around Cincinnati, Ohio, and includes parts of northern Kentucky and southeastern Indiana. CBT has operated in this territory for approximately 140 years. The segment also provides 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.

The Wireline segment provides long distance and VoIP services primarily through its Cincinnati Bell Any Distance Inc. ("CBAD") and eVolve Business Solutions LLC ("eVolve") subsidiaries.

The Company continues the expansion of Fioptics which is designed to compete directly with the cable Multiple System Operators (MSO) serving the Company's ILEC market area. During 2013, the Company passed an additional 71,000 addresses with Fioptics and has experienced strong year-over-year growth, as outlined in the table:

	2013	2012	2011
Fioptics Revenue (in millions):	$100.8	$68.2	$46.9
Fioptics subscribers (in thousands):			
High-speed internet	79.9	56.8	39.3
Entertainment	74.2	55.1	39.6
Voice	53.3	40.8	29.2

Fioptics covers approximately 276,000 customer locations, or 35% of the Company's traditional operating geography, and has a 29% penetration rate.

Revenue growth from business customers is primarily generated through our metro-ethernet and VoIP products. The Company focuses the majority of its resources within its ILEC geography as well as in contiguous markets in the Midwest region. The Company is accelerating investment in fiber and IP-based core network technology to meet increased enterprise demand for high-bandwidth data transport products. We continue to evolve and optimize network assets to support the migration of legacy products to new technology. As of December 31, 2013, the Company has:

- connected approximately 4,200 commercial buildings with fiber-based services (also referred to as a lit building), including more than 500 multi-tenant units ("MTU's") lit with fiber;
- expanded the fiber network to span more than 5,700 route miles; and
- provided cell site back-haul services to more than 70% of the 1,100 cell sites in-market, of which approximately 550 are lit with fiber.

The key products and services provided by the Wireline segment include the following:

Voice—Local Service

Voice local service revenue includes local service, digital trunking, switched access, information services, and other value-added services such as caller identification, voicemail, call waiting, and call return. The Company's voice access lines continue to decrease as our customers have increasingly employed wireless technologies in lieu of wireline voice services ("wireless substitution"), have migrated to competitors, or have been disconnected due to credit problems. The Wireline segment has been able to increasingly offset the effect of access line loss on revenue by:

- bundling two or more of the Company's other services at a lower price than if they were purchased individually;
- expanding the Fioptics network; which creates attach rates of more than 65% when Fioptics services and products are bundled with voice access lines; and
- increasing the sale of VoIP services and other fiber-based products to business customers (reported under the caption Long Distance and VoIP).

Data Services

The Company's data service products include high-speed internet access, data transport, and interconnection services. As customers migrate from legacy products and network technology, our metro-ethernet product becomes the access method of choice, due to its ability to support multiple applications on a single physical connection. The Company continues to build out fiber to MTU's in greater Cincinnati to meet growing demand

for these services. We are also expanding our metro-ethernet platform to deliver services across a wider geography to target business customers beyond our ILEC footprint. The Company's regional network connects the greater Cincinnati, Columbus, and Dayton areas in Ohio, as well as Indianapolis, Indiana; Chicago, Illinois; and Louisville, Kentucky.

Long Distance and VoIP

Residential and business customers electing traditional long-distance lines 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. The Company's long distance lines have continued to decline over the past several years as a result of wireless substitution and the migration to VoIP technology.

The Company has been investing in its next-generation VoIP network since 2006. This investment has created a platform capable of supporting a variety of customers ranging from small shops to large enterprise customers. Our VoIP products provide our customers access to widely disbursed communication platforms and access to our cloud based services and hosted unified communications product.

Entertainment

In 2009, the Company launched Fioptics and focused its fiber network expenditures on densely populated areas, such as apartments and condominiums. At the end of 2009, Fioptics was available to only 5% of Greater Cincinnati and had 11,100 entertainment subscribers. Today, Fioptics is available to approximately 35% of Greater Cincinnati, and we have 74,200 entertainment subscribers as of December 31, 2013. Our Fioptics customers enjoy access to over 400 entertainment channels, including digital music, local, movie, and sports programing, as well as Indian and Spanish-language packages, 120 high-definition channels, parental controls, HD DVR and video On-Demand.

In addition, we recently rolled out features that deliver high customer satisfaction, including whole-home DVR, Fioptics TV Everywhere ™, HBO Go ™, and Apple applications to control Fioptics features.

Other Revenues

Other revenue consists of wiring projects for business customers, Fioptics advertising revenue, and commissions received as an authorized sales agent for DirecTV®. In addition, CBT's subsidiary, Cincinnati Bell Telecommunications Services LLC, generates revenue operating the National Payphone Clearinghouse ("NPC") in an agency function.

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, 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.

The key products and services provided by the IT Services and Hardware segment include the following:

Managed and Professional Services

Managed Services include products and services that combine assets, either owned by the customer or 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, telephony management and server management. These services can be purchased individually or bundled 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.

Telecom and IT equipment

The Company maintains premium resale relationships and certifications with a variety of 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.

Wireless

Cincinnati Bell Wireless LLC (“CBW”) provides 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 the Company has with other carriers.

The Company’s digital wireless network utilizes approximately 460 cell sites in its operating territory. The Company’s digital wireless network 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.

Service revenue

A variety of monthly rate plans are available to postpaid subscribers. These plans can include a fixed or unlimited number of national or local minutes for a flat monthly rate. For plans with a fixed number of minutes, postpaid subscribers can purchase additional minutes at a per-minute-of-use rate. Postpaid subscribers are billed monthly in arrears.

Prepaid i-wireless℠ subscribers pay in advance for use with pay per minute, pay by day, pay by week, or pay by month rate plans. Weekly and monthly smartphone plans are also available for prepaid i-wireless℠ subscribers. 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.

Equipment revenue

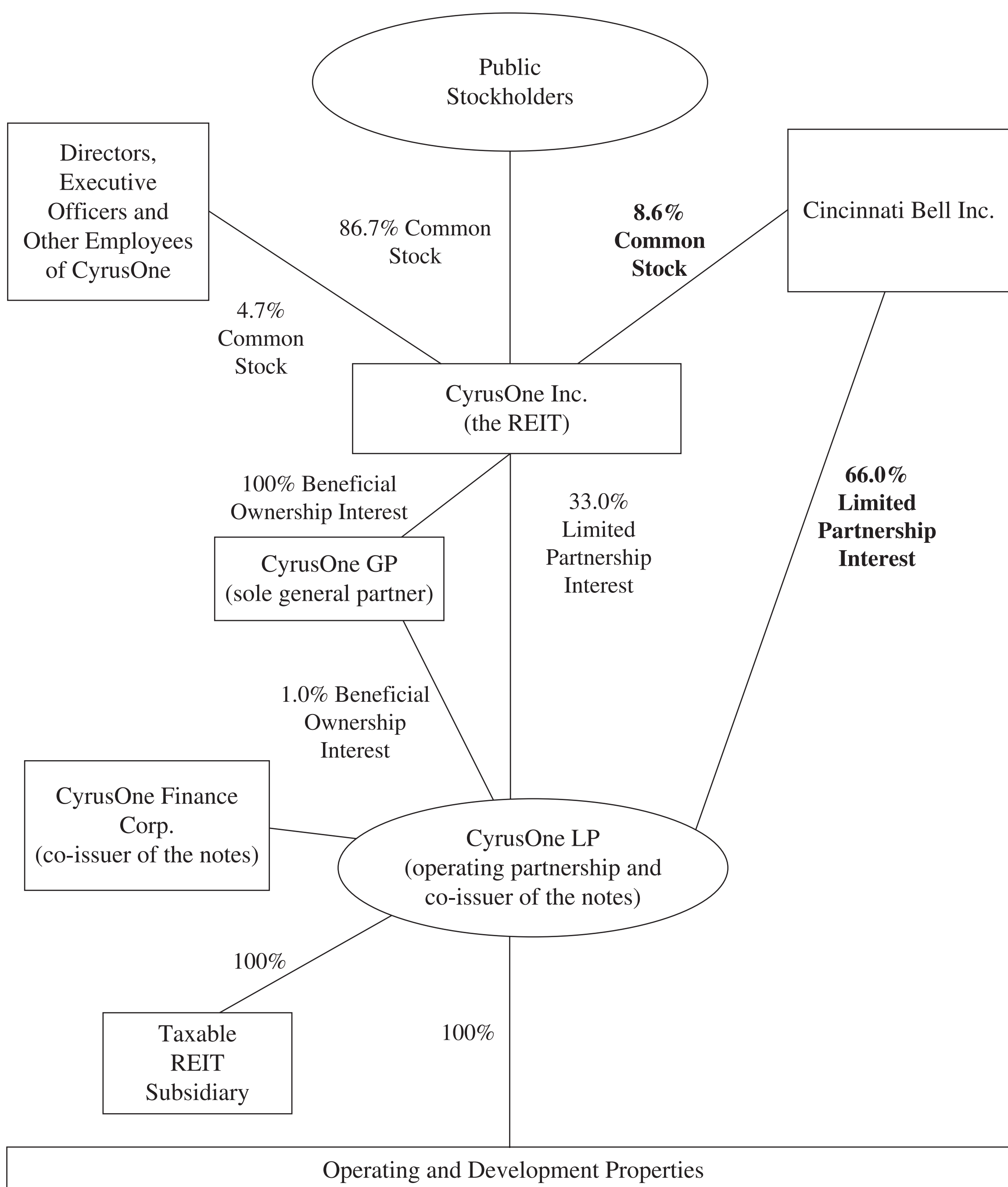
As is typical in the wireless communications industry, CBW sells wireless handset devices at or below cost to entice customers to use its wireless services, for which a recurring monthly fee is charged. The Company has approximately 59% of its postpaid subscribers under equipment contracts. These contracts require the customer to use the CBW monthly service for a minimum period of two years in exchange for a deeply discounted wireless handset.

Equity Method Investment in CyrusOne

At December 31, 2013, we owned approximately 1.9 million shares of CyrusOne’s common stock and are a limited partner in CyrusOne LP, owning approximately 42.6 million partnership units. 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. As such, effective January 24, 2013, we no longer consolidate CyrusOne in our consolidated financial statements and now account for our ownership in CyrusOne as an equity method investment. At December 31, 2013, the fair value of this investment was $993.2 million based on the quoted market price of CyrusOne’s common stock.

CyrusOne specializes in highly reliable enterprise-class, carrier-neutral data center properties. The company provides mission-critical data center facilities that protect and ensure the continued operation of IT infrastructure for more than 600 customers, including nine of the Fortune 20 and more than 125 of the Fortune 1000 companies. CyrusOne's data center offerings provide the flexibility, reliability, and security that enterprise customers require and are delivered through a tailored, customer service-focused platform designed to foster long-term relationships.

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



Sales and Distribution Channels

The Company's Wireline and Wireless segments utilize a number of distribution channels to acquire customers. As of December 31, 2013, the Company operated seven retail stores in its operating territory, down from ten in the prior year.

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. 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 Fioptics to residents.

Within each segment, we utilize a business-to-business sales force and a call center organization to reach business customers in our 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.

Aside from Company resources, there are approximately 130 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.

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, 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 volumes for discounts. 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, we have 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 vendor locations but the Company does maintain warehouse facilities for replacement parts and equipment testing and staging.

Competition

The telecommunications industry is very competitive, and the Company competes against larger, well-capitalized 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 and long-distance line losses.

Our strategic products also face intense competition from cable operators, other telecom companies, and niche fiber companies. Many of our competitors have lower operating costs and access to resources that provide economies of scale allowing them to more aggressively price products, which they are able to provide on a much broader scale given their expanded geographic operations. Our competitors are expected to continuously upgrade their service quality and offerings, which could substantially erode the competitive advantage we currently have with our fiber-based products. These competitive factors could limit the Company's ability to grow revenue and cash flows despite the strategic initiatives implemented.

The Fioptics suite of products also face competition from a number of different sources, including companies that deliver movies, television shows and other video programming over broadband Internet connections, such as Hulu.com, Apple Inc.'s "iTunes," Amazon.com, Inc.'s "Prime," Netflix Inc.'s "Watch Instantly" and YouTube. Increasingly, content owners are utilizing Internet-based delivery of content directly to consumers, some without charging a fee for access to the content. Furthermore, due to consumer electronics innovations, consumers are able to watch such Internet-delivered content on television sets and mobile devices. Increased customer migration to these non-traditional entertainment products could result in increased Fioptics churn and decreased penetration.

The Wireless segment's operating territory is saturated with competitors. 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. As a result, our postpaid subscriber base has decreased by 19% and 21%, respectively, over the past two years. We believe it is likely that the trend of subscriber losses will continue, and we plan to operate the business for profitability and cash flow while we investigate strategic alternatives.

The IT Services and Hardware segment competes against numerous other information technology consulting, web-hosting, and computer system integration companies, many of which are larger 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.

Customers

The following table demonstrates how the Company's revenue portfolio has changed over the past three years, excluding CyrusOne, which is no longer consolidated in our financial results. During 2012 and 2011, CyrusOne represented 15% and 13% of our revenue, respectively.

Percentage of revenue	2013	2012	2011	2013 vs 2012 Change	2012 vs 2011 Change
Voice - local service	18%	20%	21%	(2) pts	(1) pts
Data	25%	24%	22%	1	2
Long distance and VoIP	9%	9%	9%	—	—
Entertainment	4%	2%	2%	2	—
Other Wireline	1%	1%	2%	—	(1)
Total Wireline	57%	56%	56%	1	—
Managed and professional services	10%	9%	7%	1	2
Telecom and IT equipment sales	17%	16%	16%	1	—
Total IT Services and Hardware	27%	25%	23%	2	2
Wireless	16%	19%	21%	(3)	(2)
Total (excluding CyrusOne)	100%	100%	100%	—	—

In 2013, the Company's revenue mix was 63% to business customers and 37% to residential customers. By comparison, the Company's 2012 revenues were comprised of 62% to business customers and 38% to residential customers, excluding CyrusOne. If our Wireless segment were also excluded, our revenue mix would be 72% to business customers and 28% to residential customers in 2013, and strategic revenues would account for 35% of our total revenue. During 2013, strategic Wireline revenue accounted for 35% of total Wireline revenue compared to 28% in 2012. Strategic IT Services and Hardware revenue totaled 34% of total IT Services and Hardware revenue in 2013 compared to 35% in 2012.

The Company's mix of customer demand for Wireless services is trending toward more data services and less voice services. For 2011, Wireless service revenues were comprised of 68% voice services and 32% data services. By 2013, revenue from data services was 40% of total Wireless service revenues, an 8 point increase from 2011.

The Company has receivables with one large customer that exceed 10% of the Company's outstanding accounts receivable balance at December 31, 2013 and 2012.

Employees

At December 31, 2013, the Company had approximately 2,900 employees, and approximately 30% 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.

Website Access and Other Information

The Company is an Ohio corporation and was 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.

Executive Officers

During 2013, the Company experienced relatively significant changes within the executive leadership team. 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, 2013, 2012, and 2011, and assets as of December 31, 2013 and 2012 are set forth in Note 15 to the consolidated financial statements.

Item 1A. Risk Factors

In addition to the other information contained in this Form 10-K, the following risk factors should be considered carefully in evaluating us. Our business, financial condition, liquidity or results of operations could be materially affected by any of these risks.

Risks Related to our Indebtedness

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

The Company has a substantial amount of debt and has significant debt service obligations. As of December 31, 2013, the Company and its subsidiaries had outstanding indebtedness of $2,265.2 million, on which it incurred $182.0 million of interest expense in 2013, and had total shareowners' deficit of $676.7 million. At December 31, 2013, the Company and its subsidiaries had no remaining borrowing availability under its accounts receivable securitization facility ("Receivables Facility"), but had the ability to borrow up to an additional $160.0 million under the Corporate Credit Agreement, subject to compliance with certain conditions. In addition, the Company's ability to incur additional debt from time to time is subject to the restrictions contained in its credit facilities and other debt instruments.

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

- the Company is 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 interest rate on its revolving credit facilities could increase if the Company fails to maintain specified financial ratios;
- there is a variable interest rate on a portion of its debt which could increase if the market rates increase;
- the Company's substantial debt increases its vulnerability to adverse changes in the credit markets, which adverse changes could increase the Company's borrowing costs and limit the availability of financing;
- the Company's debt service obligations 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 the Company to comply with 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 the Company's 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 Corporate Credit Agreement 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 Corporate Credit Agreement and debt instruments include restrictive covenants that may materially limit the Company's ability to prepay debt and preferred stock. The agreements governing the Corporate Credit Agreement also require the Company to achieve and maintain compliance with specified financial ratios.

The restrictions contained in the terms of the Corporate Credit Agreement 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 the debt's 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, would 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 Corporate Credit Agreement and Receivables Facility to provide for its short-term financing requirements in excess of amounts generated by operations, and the availability of those funds may be reduced or limited.

The Company depends on the revolving credit facility under its Corporate Credit Agreement and Receivables Facility to provide for temporary financing requirements in excess of amounts generated by operations.

As of December 31, 2013, the Company had $40.0 million of outstanding borrowings under its Corporate Credit Agreement, leaving $160.0 million in additional borrowing availability under this 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 would be adversely affected.

The 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 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, 2013, the Company had $106.2 million of borrowings and $5.2 million of letters of credit that were outstanding under its Receivables Facility. At that date, the Company had a borrowing capacity under this Receivables Facility of $111.4 million and a maximum borrowing limit of $120.0 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, 2013, the Company had no remaining borrowing availability under its Receivables Facility.

In addition, the Company's ability to borrow under its Corporate Credit Agreement 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 failure 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 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 would adversely impact the Company's revenues, earnings and cash flow from operations.

Some of our strategic products generate lower profit margins than our traditional services, and some can be expected to experience slowing growth as increasing numbers of our existing or potential customers subscribe to

these newer products. Moreover, we cannot provide assurance that the revenues generated from our new offerings will offset revenue losses from the reduced sales of our legacy products or that our new strategic offerings will be as successful as anticipated.

The Company may be unable to grow our revenues and cash flows despite the initiatives we have implemented.

We must produce adequate revenues and cash flows that, when combined with cash on hand and funds available under our Corporate Credit Agreement and Receivables Facility, will be sufficient to service our debt, fund our capital expenditures, pay our taxes, fund our pension and other employee benefit obligations and pay preferred dividends pursuant to our dividend policy. We have identified some potential areas of opportunity and implemented several growth initiatives, including increasing marketing promotions and related expenditures and launching new products and services with a focus on areas that are growing such as Fioptics and enterprise fiber-based service offerings. We cannot assure you that these opportunities will be successful or that these initiatives will improve our financial position or our results of 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 would 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 would lead to impairment losses on long-lived and intangible assets in the future.

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 because other competitors may have exclusive agreements for those new products. New products and services are important to the Company's success because 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 would 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 would 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.

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 would 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.

Natural disasters, terrorist acts or acts of war could cause damage to our infrastructure and result in significant disruptions to our operations.

Our business operations are subject to interruption by natural disasters, power outages, terrorist attacks, other hostile acts and events beyond our control. Such events could cause significant damage to our infrastructure, resulting in degradation or disruption of service to our customers. While we maintain insurance coverage for some of these events, the potential liabilities associated with these events could exceed the insurance coverage we maintain. Our system redundancy may be ineffective or inadequate and our disaster recovery planning may not be sufficient for all eventualities. These events could also damage the infrastructure of suppliers that provide us with the equipment and services we need to operate our business and provide products to our customers. A natural disaster or other event causing significant physical damage would cause us to experience substantial losses resulting in significant recovery time and expenditures to resume operations. In addition, these occurrences could result in lost revenues from business interruption as well as damage to our reputation.

A large customer accounts for a significant portion of the Company's revenues and accounts receivable. The loss or significant reduction in business from this customer would cause operating revenues to decline significantly and have a materially adverse long-term impact on the Company's business.

As of December 31, 2013, the Company had receivables with one large customer that exceeded 10% of the Company's outstanding accounts receivable balance. Contracts with this customer may not sufficiently reduce the inherent risk that the customer 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 this large customer or if services purchased were significantly reduced. If this customer were to default on its accounts receivable obligations, the Company would be exposed to potentially significant losses in excess of the provisions established. This would also negatively impact the available capacity under the Receivables Facility.

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

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

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 and long distance lines. The Company believes wireless substitution accounts for the largest portion of its 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 6% in 2013 compared to 2012.

Our strategic products also face intense competition from cable operators, other telecom companies, and niche fiber companies. Many of our competitors have lower operating costs and access to resources that provide economies of scale allowing them to more aggressively price products, which they are able to provide on a much broader scale given their expanded geographic operations. Our competitors are expected to continuously upgrade their service quality and offerings, which could substantially erode the competitive advantage we currently have with our fiber-based products. These competitive factors could limit the Company's ability to grow revenue and cash flows despite the strategic initiatives implemented.

The Fioptics suite of products also face competition from a number of different sources, including companies that deliver movies, television shows and other video programming over broadband Internet connections, such as Hulu.com, Apple Inc.'s "iTunes," Amazon.com, Inc.'s "Prime," Netflix Inc.'s "Watch Instantly" and YouTube. Increasingly, content owners are utilizing Internet-based delivery of content directly to consumers, some without charging a fee for access to the content. Furthermore, due to consumer electronics innovations, consumers are able to watch such Internet-delivered content on television sets and mobile devices. Increased customer migration to these non-traditional entertainment products could result in increased Fioptics churn and decreased penetration. If the Company is unable to effectively implement strategies to attract and retain Fioptics entertainment and high-speed internet subscribers, retain access lines 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 CBW include national wireless providers that have already deployed and are continuing with their build-out of more technologically advanced 4G LTE networks in our operating territory. In addition, 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 only offer a limited selection of the premium brand-name handsets which are very popular with smartphone users. 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.

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.

Over the past several years, the Company has improved its wireline network through increased capital expenditures for fiber optic cable in limited areas of its operating network and has 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 Company may also incur significant additional capital expenditures as a result of unanticipated developments, regulatory changes, and other events that impact the business.

The wireless industry continues to experience significant technological change, as evidenced by the ongoing improvements in network speeds. The majority of the national wireless providers have already deployed and are

continuing with their build-out of more technologically advanced 4G LTE networks in our operating territory. LTE currently offers the fastest data transmission speeds in the industry, which is attractive to smartphone users. The Company has determined that it will not upgrade its network to LTE as it currently believes that this investment is not economically viable considering, among other factors, the significant capital requirement and the recent unfavorable trends of its wireless customer base. The Company's decision not to upgrade its network to LTE may result in the Company being unable to meet the needs of its customers, which could have a material adverse impact on the Company's market share and its ability to generate revenue.

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

Increases in broadband usage may cause network capacity limitations, resulting in service disruptions or reduced capacity for customers.

Video streaming services and peer-to-peer file sharing applications use significantly more bandwidth than traditional Internet activity such as web browsing and email. As utilization rates and availability of these services continue to grow, our high-speed Internet customers may use much more bandwidth than in the past. If this occurs, we could be required to make significant capital expenditures to increase network capacity in order to avoid service disruptions or reduced capacity for customers.

Alternatively, we may choose to implement network management practices to reduce the network capacity available to bandwidth-intensive activities during certain times in areas experiencing congestion, and these actions could negatively affect customer experience and increase customer churn.

While we believe demand for these services may drive high-speed Internet customers to pay for faster broadband speeds, we may not be able to recover the costs of the necessary network investments. This would result in an adverse impact to our results of operations and financial condition.

We may be liable for the material that content providers distribute over our networks.

The law relating to the liability of private network operators for information carried on, stored or disseminated through their networks is still unsettled. As such, we could be exposed to legal claims relating to content disseminated on our networks. Claims could challenge the accuracy of materials on our network or could involve matters such as defamation, invasion of privacy or copyright infringement. If we need to take costly measures to reduce our exposure to these risks or are required to defend ourselves against such claims, our financial results would be negatively affected.

Cyber attacks or other breaches of network or other information technology security could have an adverse effect on our business.

Cyber attacks or other breaches of network or information technology security may cause equipment failures or disruptions to our operations. Our inability to operate our wireline or wireless networks as a result of such events, even for a limited period of time, may result in significant expenses and/or loss of market share to other communications providers. In addition, the potential liabilities associated with these events could exceed the insurance coverage we maintain. Cyber attacks, which include the use of malware, computer viruses and other means for disruption or unauthorized access, have increased in frequency, scope and potential harm in recent years. While, to date, we have not been subject to cyber attacks or other cyber incidents which, individually or in the aggregate, have been material to our operations or financial condition, the preventative actions we take to reduce the risk of cyber incidents and protect our information technology and networks may be insufficient to repel a major cyber attack in the future. The costs associated with a major cyber attack could include expensive incentives offered to existing customers and business partners to retain their business, increased expenditures on cyber security measures, lost revenues from business interruption, litigation and damage to our reputation. If we fail to prevent the theft of valuable information such as financial data, sensitive information about the Company and intellectual property, or if we fail to protect the privacy of customer and employee confidential data against breaches of network or information technology security, it would result in

damage to our reputation, which could adversely impact customer and investor confidence. Any of these occurrences could result in a material adverse effect on our results of operations and financial condition.

Maintenance of CBW's wireless network and growth in data usage 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. 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.

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 would 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. In addition, in connection with our Internet access offerings, we could become subject to laws and regulations as they are adopted or applied to the Internet. There is currently only limited regulation applicable to these services. As the significance of the Internet continues to grow, federal, state and local governments may pass laws and adopt rules and regulations or apply existing laws and regulations to the Internet (including Internet access services), and related matters are under consideration in both federal and state legislative and regulatory bodies. We cannot provide any assurances 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.

A significant portion of our wireless subscriber base is enrolled under the FCC's low-income Lifeline program which imposes strict compliance requirements on both consumers and carriers. This could result in the Company incurring significant compliance costs or fines and penalties if the Company fails to comply with these requirements.

The FCC's Lifeline program provides carriers like us with Universal Service Fund ("USF") support to reduce the cost of wireline and wireless services to low-income consumers. At December 31, 2013, approximately 35% of the Company's prepaid subscriber base was enrolled in the Lifeline program. The compliance requirements that govern the enrollment of low-income subscribers under this Lifeline program are stringent, and, in the event that consumers fail to meet any of these requirements, such consumers may opt to terminate their wireless services which could have a material adverse impact on the revenues that we generate. In addition, the Company could also incur significant costs to comply with these requirements or could incur material fines and penalties if the FCC determines that it did not adequately comply with such requirements. The occurrence of any of these factors would result in an adverse impact to our results of operations and financial condition.

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.

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

The Company is a party to collective bargaining agreements with its labor union, which represents a significant number of its employees, and these collective bargaining agreements are set to expire in August 2014. No assurance can be given that the Company will be able to successfully extend or renegotiate its collective bargaining agreements when they expire. If the Company fails to extend or renegotiate its collective bargaining agreements, if disputes with its union arise, or if its unionized workers engage in a strike or a work stoppage, the Company could experience a significant disruption of operations or incur higher ongoing labor costs, either of which would have a material adverse effect on the business.

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 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 no longer sets the strategies, selects the management team, or controls the operations of CyrusOne. CyrusOne may choose to pursue strategies which conflict with our business strategies, and, if this were to occur, the CyrusOne Board is required to act for the benefit of its shareholders.

The Company executed a non-compete agreement with CyrusOne under which both parties 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 agreement which could have an adverse effect on our telecommunications business.

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. The Company's direct and indirect interests in CyrusOne represent a 69% effective economic ownership of CyrusOne, valued at $993.2 million as of December 31, 2013. Prior to the IPO of CyrusOne, there was no active market for CyrusOne's common stock. The value of our investment is subject to CyrusOne executing on their strategic plan and other factors beyond CyrusOne's control, such as stock market volatility and fluctuations in the valuation of companies perceived by investors to be comparable to CyrusOne, all of which could cause significant changes in the market price of CyrusOne's common stock. The fair value of our investment in CyrusOne may decline which may adversely affect the realization of our investment. In addition, the stock's float may not allow us to monetize our shares in a timely manner. As a result, we may be unable to monetize any or all of our investment in CyrusOne, which would therefore not allow us to repay debt and achieve a leverage ratio comparable to our peers thereby limiting our opportunity to significantly increase cash flow. Our inability to liquidate our investment in CyrusOne could ultimately limit the cash to fund operations and our general obligations and could result in the Company's dissolution, bankruptcy, liquidation, or reorganization.

Refer to the CyrusOne 2013 form 10-K for additional risk disclosures specific to that entity.

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 would result in lower revenues and increases in the allowance for doubtful accounts, which would negatively affect the results of operations. Furthermore, the sales cycle would be further lengthened if business customers slow spending or delay decision-making on the Company's products and services, which would adversely affect revenues. If competitors lower prices as a result of economic conditions, the Company would 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.

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

As of December 31, 2013, the Company had net deferred income taxes of $395.0 million, which are primarily composed of deferred tax assets associated with U.S. federal net operating loss carryforwards of $388.4 million and state, local and foreign net operating loss carryforwards of $63.9 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 would 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. 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 $108 million of estimated cash contributions to its qualified pension plans for the years 2014 to 2021, of which $33 million is expected to be contributed in 2014. Additionally, the Company's postretirement costs are adversely affected by increases in medical and prescription drug costs. Further, adverse changes to plan assets, or if medical and prescription drug costs increase significantly, the Company could be required 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 would 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.

We could be subject to a significant amount of litigation, which could require us to pay significant damages or settlements.

Our business faces a substantial amount of litigation, including, from time to time, patent infringement lawsuits, antitrust class actions, wage and hour class actions, personal injury claims and lawsuits relating to our advertising, sales, billing and collection processes. In addition, our wireless business also faces personal injury and consumer class action lawsuits relating to alleged health effects of wireless phones or radio frequency transmitters, and class action lawsuits that challenge marketing practices and disclosures relating to alleged adverse effects of handheld wireless phones. We may incur significant expenses in defending these lawsuits. In addition, we may be required to pay significant awards and settlements.

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.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2013, we owned or maintained properties in Ohio, Kentucky and Indiana. Principal office locations are in Cincinnati, Ohio.

Our property comprises telephone plant and equipment in our local telephone franchise area (i.e., Greater Cincinnati) and the infrastructure associated with its wireless business in the Greater Cincinnati and Dayton, Ohio operating areas. 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 contain 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, we lease seven company-run retail locations.

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 generally accepted accounting principles ("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, 2013, cannot be reasonably determined.

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
2013	High	$5.57	$3.66	$3.51	$3.63
	Low	$2.94	$2.92	$2.72	$2.63
2012	High	$4.18	$4.07	$5.70	$5.75
	Low	$3.14	$3.36	$3.57	$4.87

(b) Holders

As of January 31, 2014, the Company had 11,647 holders of record of the 208,738,253 outstanding common shares and the 155,250 outstanding shares of the $6^3/_4$% Cumulative Convertible Preferred Stock.

(c) Dividends

In 2013 and 2012, the Company paid $10.4 million of dividends on its $6^3/_4$% Cumulative Convertible Preferred Stock. In 2013 and 2012, the Company did not pay any dividends on its common stock and does not intend to pay any common stock dividends in 2014.

(d) Securities Authorized For Issuance Under Equity Compensation Plans

The following table provides information as of December 31, 2013 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	8,709,867(1)	$3.70	3,753,662
Equity compensation plans not approved by security holders	249,275(2)	—	—
Total	8,959,142	$3.70	3,753,662

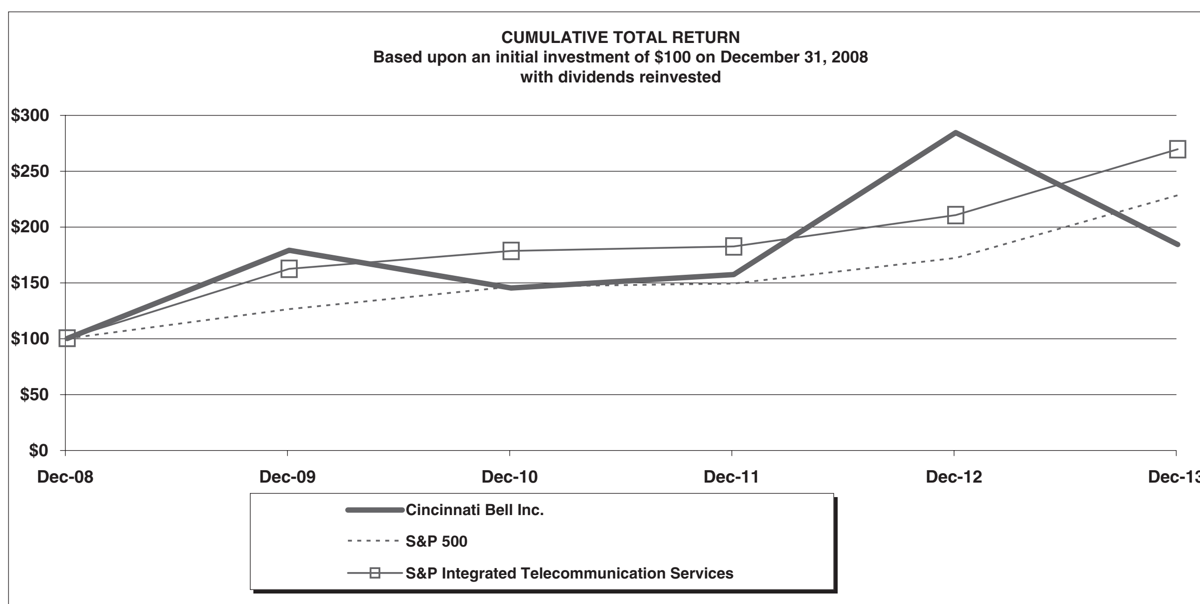
(1) Includes 6,127,548 outstanding stock options and stock appreciation rights not yet exercised, 1,044,811 shares of time-based restricted stock, and 1,537,508 shares of performance-based awards, restrictions on which have not expired as of December 31, 2013. Awards were granted under various incentive 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 2013, 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, 2013 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, 2008 (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-08	Dec-09	Dec-10	Dec-11	Dec-12	Dec-13
Cincinnati Bell Inc.	$100	$179	$145	$157	$284	$184
S&P 500	$100	$126	$146	$149	$172	$228
S&P Integrated Telecommunication Services	$100	$162	$178	$182	$210	$269

Copyright © 2014 Standard & Poor's, a division of The McGraw-Hill Companies Inc. All rights reserved. (www.researchdatagroup.com/S&P.htm)

(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, 2013:

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)*
10/1/2013 — 12/31/2013	—	$ —	—	$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.

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)	2013 (a)	2012	2011	2010 (b)	2009
Operating Data					
Revenue	$1,256.9	$1,473.9	$1,462.4	$1,377.0	$1,336.0
Cost of services and products, selling, general and administrative, depreciation, and amortization expense	1,033.4	1,181.5	1,139.9	1,054.9	1,030.7
Other operating costs and losses (c)	59.7	22.3	63.0	22.8	9.8
Operating income	163.8	270.1	259.5	299.3	295.5
Interest expense	182.0	218.9	215.0	185.2	130.7
Loss on extinguishment of debt	29.6	13.6	—	46.5	10.3
Loss from CyrusOne equity method investment (d)	10.7	—	—	—	—
Net (loss) income	$ (54.7)	$ 11.2	$ 18.6	$ 28.3	$ 89.6
Basic and diluted (loss) earnings per common share	$ (0.32)	$ 0.00	$ 0.04	$ 0.09	$ 0.37
Dividends declared per common share	$ —	$ —	$ —	$ —	$ —
Weighted-average common shares outstanding					
Basic	205.9	197.0	196.8	201.0	212.2
Diluted	205.9	204.7	200.0	204.0	215.2
Financial Position					
Property, plant and equipment, net	$ 902.8	$1,587.4	$1,400.5	$1,264.4	$1,123.3
Total assets	2,107.3	2,872.4	2,714.7	2,653.6	2,064.3
Total long-term obligations (e)	2,529.7	3,215.2	3,073.5	2,992.7	2,395.1
Other Data					
Cash flow provided by operating activities	$ 78.8	$ 212.7	$ 289.9	$ 300.0	$ 265.6
Cash flow used in investing activities	(185.4)	(371.8)	(244.7)	(675.5)	(93.8)
Cash flow provided by (used in) financing activities	87.6	109.0	(48.8)	429.8	(155.5)
Capital expenditures	(196.9)	(367.2)	(255.5)	(149.7)	(195.1)

(a) Results for 2013 include the revenues and expenses of CyrusOne, our former data center business, for the period January 1, 2013 through January 23, 2013. Effective January 24, 2013, the date of the CyrusOne IPO, we no longer include CyrusOne's operating results in our consolidated financial statements. See Notes 1 and 3 to the consolidated financial statements.

(b) Results for 2010 include the acquisition of CyrusOne from the acquisition date of June 11, 2010 to the end of the year.

(c) Other operating costs and losses consist of restructuring charges, transaction-related compensation, curtailment (gains) loss, loss (gain) on disposal of assets—net, impairment of goodwill and other assets, and transaction costs.

(d) We effectively own approximately 69% of CyrusOne and account for our investment using the equity method as we no longer control its operations. These losses from CyrusOne represent our equity method share of CyrusOne's losses.

(e) Total long-term obligations comprise long-term debt less current portion, pension and postretirement benefit obligations, and other noncurrent liabilities. See Notes 7, 8, 10 and 11 to the consolidated financial statements for discussions related to 2013 and 2012.

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

Segment results described in the Executive Summary and Consolidated Results of Operations section are net of intercompany eliminations.

For the year ended December 31, 2013, the Company was a full-service regional provider of entertainment, 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. In addition, enterprise customers across the United States rely on CBTS, a wholly-owned subsidiary, for efficient, scalable communications systems and end-to-end IT solutions.

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. 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. Effective January 24, 2013, we no longer consolidate the accounts of CyrusOne in our consolidated financial statements, but account for our ownership in CyrusOne as an equity method investment. Due to the change in presentation of CyrusOne, our results of operations and cash flows for the year ended December 31, 2013 are not comparable to prior periods.

On a consolidated basis, revenue for the year totaled $1,256.9 million. Excluding the results of our former data center segment, revenue for 2013 totaled $1,241.7 million, down 1% from the prior year. Revenue from our strategic products totaled $358.6 million in 2013, up 17% compared to 2012, and continues to increasingly mitigate the revenue declines from our legacy Wireline products and the loss of revenue from a declining postpaid Wireless subscriber base.

Operating income in 2013 was $163.8 million, down from $270.1 million in the prior year due in part to the deconsolidation of CyrusOne, which accounted for $27.2 million of the decrease. Operating income was also negatively impacted by continued loss of postpaid Wireless subscribers and higher margin access lines, in addition to the $42.6 million of transaction-related compensation paid as a result of the successful IPO of CyrusOne.

During the third quarter of 2013, the Company amended and restated its Corporate Credit Agreement, originally dated as of November 20, 2012, to include a $540 million Tranche B Term Loan that matures on September 10, 2020. Net proceeds of $529.8 million were used to redeem all of the Company's $500 million 8 1/4% Senior Notes due 2017 on October 15, 2013 at a redemption price of 104.125%.

Consolidated Results of Operations

2013 Compared to 2012

Service revenue was $1,039.3 million in 2013, a decrease of $233.5 million compared to 2012, primarily due to the deconsolidation of CyrusOne, which accounted for $199.7 million of the decline. Wireless service revenue was down $39.6 million from the prior year as a result of continued postpaid subscriber losses. Wireline service revenue declined by only $2.7 million compared to 2012 as the growth in our strategic products continues to increasingly mitigate the loss from access line, long-distance and DSL subscriber declines. IT Services and Hardware service revenue was up $8.5 million from a year ago due to strong demand from enterprise customers for managed and professional services.

Product revenue totaled $217.6 million in 2013, up 8%, compared to 2012. The increase was largely due to a $17.9 million increase in sales of telecommunications and IT hardware. These increases were partially offset by slight declines in both Wireline and Wireless product revenue.

Cost of services was $427.1 million in 2013, compared to $489.9 million in 2012, which included CyrusOne costs of services totaling $73.0 million. Excluding CyrusOne, cost of services increased year-over-year primarily to support the growth in Fioptics and managed and professional services. Wireline cost of services was up $7.5 million compared to the prior year and IT Services and Hardware costs were up $8.9 million. Wireless cost of services was down $10.8 million as a result of a declining subscriber base.

Cost of products sold was $215.9 million in 2013 compared to $204.7 million in the prior year, an increase of $11.2 million due to a $16.9 million increase as a result of higher telecommunications and IT hardware sales. Wireline and Wireless cost of products sold were down $2.6 million and $3.1 million, respectively, compared to the prior year.

Selling, general and administrative ("SG&A") expenses were $220.8 million in 2013, a decrease of $48.7 million, or 18%, compared to 2012. The decrease is partially the result of no longer consolidating CyrusOne, which accounted for $28.5 million of the decrease. Corporate costs were down $20.7 million from the prior year, primarily as a result of recognizing a $5.6 million stock compensation mark-to-market gain in 2013 compared to a $7.9 million stock compensation mark-to-market expense in 2012. The remaining decrease is due to a $4.7 million decrease in bonus expense and a $2.5 million decrease in payroll and other headcount related costs as a result of cost-out initiatives. Wireline and IT Services and Hardware SG&A expenses were up $1.1 and $2.4 million, respectively, primarily to support the growth of our strategic products. Wireless SG&A expenses were down $3.0 million as a result of cost-out initiatives as we focus on operating the segment for cash flow and profitability.

Depreciation and amortization was $169.6 million in 2013, a decrease of $47.8 million compared to the prior year, primarily due to the deconsolidation of CyrusOne. In 2012, CyrusOne's depreciation and amortization expense totaled $70.6 million compared to $5.2 million in 2013. Wireline depreciation and amortization increased by $6.2 million due to the expansion of Fioptics and our fiber-based network. IT Services and Hardware was $1.9 million higher than the prior year as a result of new assets placed in service to support growth in managed and professional service revenue. Wireless depreciation and amortization expense totaled $41.2 million in 2013, up $9.3 million compared to the prior year. In the first quarter of 2013, the useful lives assigned to network software was shortened resulting in $8.5 million of higher depreciation charges. In the fourth quarter of 2013, the remaining useful life for all property, plant and equipment, and finite-lived intangible assets was reduced to 30 months as of December 31, 2013. This change in estimate resulted in additional depreciation and amortization expense of $3.0 million in the fourth quarter and is expected to increase depreciation expense by approximately $36 million in 2014. The useful life change in the fourth quarter of 2013 also resulted in the acceleration of the deferred gain associated with the 2009 tower sale. In 2013, the amortization of the deferred gain associated with the tower sale totaled $3.3 million, compared to approximately $14 million expected to be recognized in 2014.

Restructuring charges were $13.7 million in 2013 compared to $3.4 million in the prior year. In 2013, restructuring charges represented severance associated with employee separations, consulting fees related to a workforce optimization initiatives and lease abandonments. Employee severance costs associated with the Wireline and IT Services segment are related to workforce initiatives associated with the continued integration of the Wireline business market with the IT Services and Hardware segment. Corporate employee severance costs were associated with the consulting fees and cost-out initiatives as a result of our smaller size due to the IPO of CyrusOne. Lease abandonment costs for the Wireline segment totaled $3.9 million as we consolidated office space. The Wireless segment recorded a $0.2 million lease abandonment charge due to the closure of a retail store. In 2012, restructuring costs were incurred for employee separations totaling $2.5 million primarily related to Wireline and Wireless. Lease abandonment charges were $0.9 million in 2012.

In 2010, the Company's Board of Directors approved long-term incentive programs for certain members of management. Payment was 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. On January 24, 2013, the initial

public offering of CyrusOne was completed, which represented a qualifying transaction requiring payment under these plans. Transaction-related compensation expense of $42.6 million was recognized for these awards at the Corporate level and not allocated to the segments. Payments to CyrusOne employees amounted to $20.0 million of the associated expense.

During the three months ended June 30, 2013, the Company amended the management pension plan to eliminate all future pension service credits effective July 1, 2013. As a result, the Company remeasured its projected benefit obligation for this plan, and the Wireline segment recognized a curtailment gain of $0.6 million in the second quarter of 2013.

The loss on sale or disposal of assets totaled $2.4 million in 2013 compared to a gain on sale or disposal of assets of $1.6 million recorded in 2012. The Wireline segment recorded gains primarily on the sale of copper cabling that was no longer in use totaling $1.1 million and $1.8 million in 2013 and 2012, respectively, and the Corporate segment recorded a loss on sale or disposal of assets of $0.4 million in 2012. In 2013, Wireless recorded a $3.5 million loss on disposal of assets for equipment that had no resale market or has either been disconnected from the wireless network, abandoned or demolished. CyrusOne recorded a $0.2 million gain on the sale of assets in 2012.

There were no asset impairments recorded in 2013 compared to $14.2 million in 2012. In 2012, CyrusOne recorded impairment losses of $13.3 million on a customer relationship intangible asset and property and equipment that was primarily associated with our 2007 acquisition of GramTel. Wireline and Wireless asset impairments were $0.5 million and $0.4 million, respectively, during 2012.

Transaction costs of $1.6 million were incurred in 2013, down from $6.3 million incurred in 2012. In 2013, these costs represent expenses incurred for exploring strategic alternatives for our Wireless business and legal and consulting costs associated with the CyrusOne IPO. 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.

Interest expense was $182.0 million in 2013 compared to $218.9 million in 2012, a decrease of $36.9 million. The deconsolidation of CyrusOne resulted in a $7.0 million decrease and the November 2012 redemptions of the 7% Senior Notes due 2015, certain CBT Notes and a portion of the $8^3/_8$% Senior Notes due 2020 reduced interest expense by $27.3 million year-over-year. In the fourth quarter of 2013, the Company redeemed all of the $500 million of $8^1/_4$% Senior Notes due 2017 at a redemption price of 104.125% using proceeds from the $540 million Tranche B Term Loan facility that was issued on September 10, 2013. The refinancing of the $8^1/_4$% Senior Notes with the more economical Tranche B Term Loan resulted in $1.8 million additional interest savings in 2013. The remaining difference was primarily due to lower amortization of note issuance costs.

The redemption of the $8^1/_4$% Senior Notes due 2017 in the fourth quarter of 2013 resulted in loss on extinguishment of debt totaling $29.6 million. Redemptions of the 7% Senior Notes due 2015, certain CBT Notes and a portion of the $8^3/_8$% Senior Notes due 2020 in the fourth quarter of 2012 resulted in a loss on extinguishment of debt totaling $13.6 million.

Loss from CyrusOne equity method investment totaled $10.7 million in 2013 and represents the Company's share of CyrusOne's net loss which, effective with the IPO date of January 24, 2013, is now recorded using the equity method.

Other income of $1.3 million in 2013 primarily related to tax refund claims received on assets that had previously been disposed or abandoned. Other expense of $1.7 million recorded in 2012, primarily related to a loss recorded on the termination of a lease financing arrangement.

An income tax benefit of $2.5 million in 2013 was the result of pre-tax losses. 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 2013, income tax expense includes a valuation allowance provision of $10.7 million for Texas margin credits which, effective with CyrusOne's IPO on January 24, 2013, are uncertain of being realized before

their expiration date. 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 $2.8 million in 2013.

2012 Compared to 2011

Service revenue was $1,272.8 million in 2012, an increase of $22.0 million compared to 2011. Data center revenues increased by $32.3 million primarily due to the expansion of data center facilities. IT Services and Hardware revenue increased by $16.1 million compared to 2011 due to the growth in managed and professional services. Wireline service revenue was up $1.5 million over the prior year as a result of accelerated growth in VoIP and audio conferencing services. Growth in Fioptics and other business fiber-based products was more than offset by declines in legacy local voice, long distance and DSL revenue. Wireless service revenues were down $27.9 million as a result of fewer postpaid subscribers.

Product revenue was $201.1 million in 2012, down $10.5 million compared to 2011. The decrease was largely due to lower sales of wireless handsets which drove a $7.9 million decrease in sales compared to 2011. IT Services and Hardware sales of telecommunications and IT hardware decreased $3.4 million compared to the prior year, a reflection of the cyclical nature of capital spending of enterprise customers. These declines were partially offset by a $0.8 million increase in Wireline product revenue.

Cost of services was $489.9 million in 2012, up $25.6 million, or 6%, compared to 2011, primarily due to $14.6 million and $13.3 million increases in the IT Services and Hardware and Data Center Colocation segments, respectively, to support the growth in these operations. Wireline costs were up $9.4 million due primarily to increased programming costs associated with the growth of Fioptics and increased operating taxes resulting from higher regulatory rates and higher franchise taxes. Wireless costs were down $11.7 million primarily due to lower network costs as a result of a declining subscriber base.

Cost of products sold was $204.7 million in 2012, a decrease of $8.3 million from the prior year, primarily due to a $9.3 million decrease in Wireless costs of products sold as a result of lower handset sales. IT Services and Hardware cost of products sold was down $0.1 million from the prior year as opposed to Wireline costs, which were up $1.1 million.

SG&A expenses were $269.5 million in 2012 compared to $263.1 million in the prior year, an increase of $6.4 million. Corporate costs were up $5.7 million compared to the prior year primarily due to a $7.3 million increase in stock compensation mark-to-market expense resulting from the 81% increase in stock price. These increases were offset by decreased payroll related expense due to cost-out initiatives. Data Center Colocation and IT Services and Hardware costs were up $7.2 million and $5.7 million, respectively, due to increased payroll costs. In addition to increased payroll costs, Data Center Colocation marketing and legal costs were up $1.5 million and $1.4 million, respectively. These increases were partially offset by an $11.5 million decrease in Wireless SG&A due to cost containment initiatives combined with a $2.8 million reduction in bad debt expense. Wireline SG&A was down $0.7 million from the prior year.

Depreciation and amortization was $217.4 million in 2012, up $17.9 million compared to 2011. Data Center Colocation depreciation and amortization was $15.8 million higher due to new assets placed in service for data center facilities. Wireline expenses were up $3.6 million as a result of expanding our fiber network. Wireless depreciation and amortization was down $1.6 million due to fewer new assets being placed in service as a result of a declining subscriber base. IT Services and Hardware and Corporate expenses were relatively unchanged.

In 2012, restructuring costs were incurred for employee separations totaling $2.5 million primarily related to Wireline and Wireless. Lease abandonment charges were $0.9 million in 2012. In 2011, the Wireline segment recognized $7.7 million of restructuring charges. Wireline employee separation charges totaled $3.5 million, lease abandonments totaled $2.5 million and contract terminations were $1.7 million. In addition the IT Services and Hardware and Corporate recognized employee separation charges of $1.9 million and $2.6 million, respectively, in 2011.

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 the Wireline segment. 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 of $1.8 million was realized primarily from the sale of copper cables no longer utilized in our Wireline network. The Data Center Colocation segment recognized a $0.2 million gain on sale of generators following an equipment upgrade at a Texas data center. 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. Wireline and Wireless asset impairments totaled $0.5 million and $0.4 million, respectively, in 2012. During 2011, the Company recognized goodwill impairment losses totaling $50.3 million that were related to the Wireless segment. Impairment of assets, excluding goodwill, totaling $1.1 million in 2011 related to the write-off of canceled or abandoned Wireless capital projects. The Wireline segment recorded impairment of assets excluding goodwill in 2011 of $1.0 million related to abandoned leasehold improvements on vacated office space and the write-down to fair value of certain assets that were held for sale.

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. Transaction costs are reported as Corporate expenses.

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 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.

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. Effective January 24, 2013, the date of the CyrusOne IPO, we no longer include CyrusOne, our former Data

Center Colocation segment, in our consolidated financial statements and now account for our ownership in CyrusOne as an equity method investment. Therefore, at December 31, 2013, we operated three business segments: Wireline, Wireless and IT Services and Hardware.

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 products and services such as local voice, high-speed internet, data transport, long distance, entertainment, VoIP, and other services. Cincinnati Bell Telephone Company LLC (CBT), a subsidiary of the Company, is the Incumbent Local Exchange Carrier (ILEC) for a geography that covers a radius of approximately 25 miles around Cincinnati, Ohio, and includes parts of northern Kentucky and southeastern Indiana. CBT has operated this territory for approximately 140 years. Voice and data services beyond its ILEC territory, particularly in Dayton and Mason, Ohio, are provided through the operations of Cincinnati Bell Extended Territories LLC ("CBET"), a competitive local exchange carrier ("CLEC") and subsidiary of CBT. The Company provides long distance and VoIP services primarily through its Cincinnati Bell Any Distance Inc. ("CBAD") and eVolve Business Solutions LLC ("eVolve") subsidiaries.

(dollars in millions, except for operating metrics)	2013	2012	$ Change 2013 vs. 2012	% Change 2013 vs. 2012	2011	$ Change 2012 vs. 2011	% Change 2012 vs. 2011
Revenue:							
Voice — local service	$229.1	$255.4	$(26.3)	(10)%	$280.3	$(24.9)	(9)%
Data	317.8	306.9	10.9	4%	291.5	15.4	5%
Long distance and VoIP	107.2	113.9	(6.7)	(6)%	111.3	2.6	2%
Entertainment	55.2	35.4	19.8	56%	26.6	8.8	33%
Other	15.5	18.9	(3.4)	(18)%	22.4	(3.5)	(16)%
Total revenue	724.8	730.5	(5.7)	(1)%	732.1	(1.6)	0%
Operating costs and expenses:							
Cost of services and products	287.2	283.8	3.4	1%	270.0	13.8	5%
Selling, general and administrative	127.8	125.6	2.2	2%	126.7	(1.1)	(1)%
Depreciation and amortization	112.2	106.0	6.2	6%	102.4	3.6	4%
Restructuring charges	9.1	3.5	5.6	n/m	7.7	(4.2)	(55)%
Curtailment (gain) loss	(0.6)	—	(0.6)	n/m	4.2	(4.2)	n/m
Gain on sale or disposal of assets	(1.1)	(1.8)	0.7	39%	(8.4)	6.6	79%
Asset impairments	—	0.5	(0.5)	n/m	1.0	(0.5)	(50)%
Total operating costs and expenses	534.6	517.6	17.0	3%	503.6	14.0	3%
Operating income	$190.2	$212.9	$(22.7)	(11)%	$228.5	$(15.6)	(7)%
Operating margin	26.2%	29.1%		(2.9)pts	31.2%		(2.1)pts
Capital expenditures	$162.6	$114.2	$ 48.4	42%	$112.6	$ 1.6	1%
Metrics information (in thousands):							
Fioptics units passed	276.0	205.0	71.0	35%	134.0	71.0	53%
High-speed internet subscribers							
DSL	188.5	202.6	(14.1)	(7)%	218.0	(15.4)	(7)%
Fioptics	79.9	56.8	23.1	41%	39.3	17.5	45%
Total high-speed internet subscribers	268.4	259.4	9.0	3%	257.3	2.1	1%
Fioptics entertainment subscribers	74.2	55.1	19.1	35%	39.6	15.5	39%
Local access lines	530.7	573.9	(43.2)	(8)%	621.3	(47.4)	(8)%
Long distance lines	394.1	417.9	(23.8)	(6)%	447.4	(29.5)	(7)%

2013 Compared to 2012

Revenues

Voice local service revenue includes local service, digital trunking, switched access, information services, and other value-added services such as caller identification, voicemail, call waiting, and call return. Voice local service revenue was $229.1 million in 2013, down $26.3 million compared to 2012. Strategic voice service revenue was $17.9 million in 2013, up $4.3 million compared to 2012, primarily due to the 31% growth in Fioptics voice lines, which totaled 53,300 at December 31, 2013. Legacy voice services revenue was $204.2 million in 2013, down $29.9 million compared to 2012. 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 35,000, or 7%, to 476,000 at December 31, 2013 from 511,000 at December 31, 2012. The Company had 54,700 CLEC access lines at December 31, 2013 compared to 62,900 access lines at December 31, 2012. 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. The remaining decrease is due to a $0.7 million reduction in integration voice service revenue in 2013 compared to 2012.

Data revenue consists of Fioptics high-speed and DSL internet access, data transport, and interconnection services. Data revenue was $317.8 million in 2013, up $10.9 million compared to 2012. Strategic data revenue was $122.1 million in 2013, up 24% compared to the prior year. Revenue from Fioptics high-speed internet service increased to $27.9 million in 2013, up from $18.1 million in the prior year due to a 41% increase in subscribers. The remaining increase is primarily due to increases in strategic data for business customers which was up 17% year-over-year and totaled $94.2 million in 2013. Legacy data revenue was $195.7 million in 2013, down $12.5 million compared to the prior year. This is primarily due to our business customers migrating to higher bandwidth data transport products and a 7% decrease in our legacy DSL subscriber base.

Long distance and VoIP revenue was $107.2 million in 2013, a decrease of $6.7 million compared to 2012. Strategic revenue was $51.1 million in 2013, relatively flat compared to the prior year. Growth in private-line and VoIP services totaled $2.1 million, but was more than offset by a decrease in audio conferencing revenue primarily as a result of the loss of one large customer. Legacy revenue was $52.1 million in 2013, a decrease of $5.0 million compared to 2012 primarily due to a 6% decrease in long distance lines as both consumers and business customers are migrating to VoIP or wireless services. The remaining decrease is due to a $1.2 million decrease in integration services compared to the prior year.

Entertainment revenue was $55.2 million in 2013, up $19.8 million compared to the prior year and was driven by the growth in Fioptics. Fioptics entertainment revenue grew by $19.4 million in 2013, primarily due to a 35% increase in Fioptics entertainment subscribers. As of December 31, 2013, the segment had 74,200 Fioptics entertainment subscribers. The Company continues to expand its Fioptics service area as there is strong consumer demand for this service.

Other revenue was $15.5 million in 2013, a decrease of $3.4 million compared to the prior year. This decrease was primarily the result of a reduction of $2.3 million and $0.8 million in legacy and integration other revenue compared to 2012.

Costs and Expenses

Cost of services and products was $287.2 million in 2013, an increase of $3.4 million compared to 2012. This increase was largely attributable to an $8.6 million increase in programming rates and higher payroll costs of $5.8 million to support strategic revenue growth. These increases were partially offset by a $5.6 million reduction in operating taxes due primarily to a reduction in Universal Service Fund ("USF") charges, a $1.2 million reduction in benefit costs driven by the pension amendments, a $1.8 million reduction in call center costs associated with outsourcing that function and $2.8 million due to lower network costs associated with decreased long distance and VoIP revenue.

SG&A expenses were $127.8 million in 2013, an increase of $2.2 million compared to the prior year. This increase was mainly driven by higher Fioptics advertising costs and non-employee commission fees.

Depreciation and amortization was $112.2 million in 2013, reflecting an increase of $6.2 million compared to the prior year primarily due to assets placed in service in connection with the expansion of our fiber network.

Restructuring charges were $9.1 million in 2013 compared to $3.5 million in the prior year. The Company continues to manage and reduce the legacy cost structure of this business. Employee separation costs amounted to $4.6 million and $3.2 million in 2013 and 2012, respectively, while lease abandonment costs were $3.9 million in 2013 and $0.3 million in 2012. Contract termination costs were $0.6 million in 2013, with no such costs incurred in 2012.

The curtailment gain of $0.6 million was due to the remeasurement of the Company's projected benefit obligation following an amendment to the management pension plan during the second quarter of 2013 that eliminated all future pension service credits as of July 1, 2013. The gain on sale of assets of $1.1 million in 2013 was due to a $2.0 million gain from the sale of copper cabling that was no longer in use, partially offset by $0.9 million loss on network equipment with no resale value that was removed from service during the second quarter. 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. No such impairments occurred in 2013.

Capital Expenditures

Capital expenditures incurred to expand the Company's strategic fiber network and maintain its legacy copper-based network totaled $162.6 million in 2013, an increase of $48.4 million compared to 2012. During 2013, we invested $113.0 million in our strategic products, of which $79.5 million was used for Fioptics as we passed an additional 71,000 units during the year. Based on the continued demand from consumers and business customers for increased bandwidth and faster data speeds, the Company expects to continue to build out Fioptics and expand its fiber network over the next few years.

2012 Compared to 2011

Revenues

Voice local service revenue was $255.4 million in 2012, down $24.9 million compared to 2011. Strategic voice service revenue was $13.6 million in 2012, up $4.0 million compared to 2011, primarily due to the 40% growth in Fioptics voice lines, which totaled 40,800 at December 31, 2012. This is primarily due to the expansion of our fiber network. Legacy voice service revenue was $234.1 million in 2012, down $27.6 million compared to 2011. The decrease in legacy 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 down from 552,400 at December 31, 2011. The Company had 62,900 CLEC access lines at December 31, 2012 compared to 68,900 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. The remaining decrease is due to a $1.3 million reduction in integration voice service revenue in 2012 compared to 2011.

Data revenue was $306.9 million in 2012, up $15.4 million compared to 2011. Strategic data revenue was $98.7 million in 2012, up $24.0 million compared to 2011. Fioptics high-speed internet revenue totaled $18.1 million, up 44% from the prior year, and consistent with the 45% increase in our subscriber base. The remaining increase is primarily due to increases in strategic data for business customers which was up 30% year-over-year and totaled $80.6 million in 2012. Legacy data revenue was $208.2 million in 2012, down $8.6 million compared to the prior year, primarily due to a 7% decrease in our legacy DSL subscriber base.

Long distance and VoIP revenue was $113.9 million in 2012, an increase of $2.6 million compared to 2011. Strategic long distance and VoIP revenue was $51.6 million in 2012, an increase of $4.3 million compared to 2011. The increase was primarily due to an increase in VoIP and audio conferencing services, driven by a larger

number of subscribers and higher usage. Legacy long distance and VoIP revenue was $57.1 million, down $2.7 million compared to 2011 due primarily to a 7% decrease in long distance subscriber lines. The remaining increase is due to a $1.0 million increase in integration long distance and VoIP revenue in 2012 compared to 2011.

Fioptics entertainment revenue was $35.4 million in 2012, up $8.8 million compared to 2011, driven by a 39% increase in Fioptics entertainment subscribers. As of December 31, 2012, the segment had 55,100 Fioptics entertainment subscribers.

Other revenue was $18.9 million in 2012, a decrease of $3.5 million compared to the prior year. Strategic other revenue was $7.1 million in 2012, up $2.0 million compared to 2011. Legacy other revenue was $9.8 million in 2012, down $5.5 million compared to 2011. 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, a curtailment loss of $4.2 million was recognized due to 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 incurred to maintain the wireline network, expand the Company's Fioptics product suite, and upgrade its DSL network 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.

Wireless

The Wireless segment provides 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)	2013	2012	$ Change 2013 vs. 2012	% Change 2013 vs. 2012	2011	$ Change 2012 vs. 2011	% Change 2012 vs. 2011
Revenue:							
Postpaid service	$139.1	$174.6	$(35.5)	(20)%	$199.2	$(24.6)	(12)%
Prepaid service	45.8	49.9	(4.1)	(8)%	53.2	(3.3)	(6)%
Equipment and other	16.6	17.3	(0.7)	(4)%	25.2	(7.9)	(31)%
Total revenue	201.5	241.8	(40.3)	(17)%	277.6	(35.8)	(13)%
Operating costs and expenses:							
Cost of services and products	98.1	113.0	(14.9)	(13)%	134.2	(21.2)	(16)%
Selling, general and administrative	40.3	43.7	(3.4)	(8)%	55.2	(11.5)	(21)%
Depreciation and amortization	41.2	31.9	9.3	29%	33.5	(1.6)	(5)%
Restructuring charges	0.2	1.6	(1.4)	(88)%	—	1.6	n/m
Loss on disposal of assets	3.5	—	3.5	n/m	—	—	n/m
Impairment of goodwill	—	—	—	n/m	50.3	(50.3)	n/m
Impairment of assets, excluding goodwill	—	0.4	(0.4)	n/m	1.1	(0.7)	(64)%
Total operating costs and expenses	183.3	190.6	(7.3)	(4)%	274.3	(83.7)	(31)%
Operating income	$ 18.2	$ 51.2	$(33.0)	(64)%	$ 3.3	$ 47.9	n/m
Operating margin	9.0%	21.2%		(12.2)pts	1.2%		20.0pts
Capital expenditures	$ 16.0	$ 15.8	$ 0.2	1%	$ 17.6	$ (1.8)	(10)%
Metrics information:							
Postpaid ARPU*	$51.90	$51.29	$ 0.61	1%	$50.06	$ 1.23	2%
Prepaid ARPU*	$26.08	$28.48	$(2.40)	(8)%	$28.58	$(0.10)	0%
Postpaid subscribers (in thousands)	197.4	251.3	(53.9)	(21)%	311.0	(59.7)	(19)%
Prepaid subscribers (in thousands)	142.3	146.5	(4.2)	(3)%	148.0	(1.5)	(1)%
Average postpaid churn	2.6%	2.5%		0.1pt	2.2%		0.3pts

* 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.

2013 Compared to 2012

Revenue

Postpaid service revenue was $139.1 million in 2013, a decrease of $35.5 million, or 20%, compared to a year ago. The decrease in postpaid service revenue was driven by a 21% decrease in postpaid subscribers due to continued intense competitive pressure from larger national carriers. Total postpaid ARPU for 2013 increased to $51.90 from $51.29 in 2012 driven primarily by higher data ARPU, but partially offset by a 5% year-over-year decrease in voice ARPU due to fewer minutes used by postpaid subscribers.

At December 31, 2013, the Company had 96,000 postpaid smartphone subscribers, which represents 49% of the total postpaid subscriber base, up from 40% at the end of 2012. The higher smartphone penetration drove a data ARPU of $19.48 for 2013, up 14% compared to 2012.

Prepaid service revenue was $45.8 million in 2013, a decrease of $4.1 million compared to the prior year. The number of prepaid subscribers at December 31, 2013 was 142,300, a decrease of 3% compared to the prior year. During 2013, data usage was lower by $1.4 million and voice usage was lower by $2.7 million resulting in a prepaid ARPU of $26.08, down 8% compared to 2012.

Equipment and other revenue for 2013 decreased by $0.7 million to $16.6 million in 2013 primarily as a result of the continued postpaid subscriber losses which drove fewer activations and upgrades in 2013.

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 $98.1 million in 2013, a decrease of $14.9 million compared to 2012. This decrease was primarily due to $7.9 million of lower network related costs resulting from reduced roaming rates due to reduced minutes of use and lower network access expenses as a result of fewer subscribers. Cost of goods sold decreased by $2.1 million over the prior year, driven largely by the impact of fewer sales of wireless handsets and related accessories. Operating taxes decreased $2.1 million due to lower voice revenues and reduced rates. Handset subsidies decreased $1.0 million compared to the prior year due to fewer smartphone sales. Other costs of providing service decreased by $1.8 million compared to the prior year, primarily due to accelerating the deferred gain associated with the 2009 tower sale as a result of reducing the useful lives of our wireless assets to 30 months as of December 31, 2013. In 2013, the amortization of the deferred gain associated with the tower sale totaled $3.3 million, compared to approximately $14 million expected to be recognized in 2014.

SG&A expense in 2013 decreased by $3.4 million year-over-year to $40.3 million. Cost containment efforts led to a $3.6 million reduction in payroll, advertising, and sales and marketing costs.

Depreciation and amortization was $41.2 million in 2013, an increase of $9.3 million from 2012. During the first quarter of 2013, we changed the estimated useful lives assigned to network software which resulted in a one-time depreciation charge of $8.5 million. In the fourth quarter, we determined the estimate of our useful lives of all our assets should be shortened to 30 months as of December 31, 2013 to take into consideration the continued reduction in our subscriber base and the potential for the asset lives to be limited. This change resulted in an additional depreciation expense of $3.0 million in the fourth quarter of 2013, and is expected to increase depreciation expense by approximately $36 million in 2014.

Restructuring charges of $0.2 million incurred in 2013 were related to lease abandonments from the closing of one retail store in 2013. The restructuring charges in 2012 related to lease abandonments for the closing of three retail stores and employee separation costs. The loss on the disposal of assets totaled $3.5 million in 2013, largely the result of wireless network equipment that was removed from service. In 2012, other asset impairment charges of $0.4 million were related to the write-off of canceled or abandoned capital projects.

Capital Expenditures

Capital expenditures were $16.0 million in 2013, comparable to $15.8 million in 2012, as the Company continued to support increasing data usage on its network.

2012 Compared to 2011

Revenue

Postpaid service revenue was $174.6 million for 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

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 as the Company continues to support increasing data usage on its network.

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)	2013	2012	$ Change 2013 vs. 2012	% Change 2013 vs. 2012	2011	$ Change 2012 vs. 2011	% Change 2012 vs. 2011
Revenue:							
Telecom and IT equipment distribution	$222.6	$204.6	$18.0	9%	$206.0	$(1.4)	(1)%
Managed and professional services	121.5	111.1	10.4	9%	94.5	16.6	18%
Total revenue	344.1	315.7	28.4	9%	300.5	15.2	5%
Operating costs and expenses:							
Cost of services and products	279.8	255.7	24.1	9%	243.0	12.7	5%
Selling, general and administrative	44.6	42.3	2.3	5%	37.4	4.9	13%
Depreciation and amortization	10.5	8.6	1.9	22%	8.4	0.2	2%
Restructuring charges (reversals)	0.7	(1.2)	1.9	n/m	1.9	(3.1)	n/m
Total operating costs and expenses	335.6	305.4	30.2	10%	290.7	14.7	5%
Operating income	$ 8.5	$ 10.3	$(1.8)	(17)%	$ 9.8	$ 0.5	5%
Operating margin	2.5%	3.3%		(0.8)pts	3.3%		—pts
Capital expenditures	$ 10.6	$ 9.0	$ 1.6	18%	$ 6.8	$ 2.2	32%

2013 Compared to 2012

Revenue

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. Revenue from telecom and IT equipment distribution represents the sale, installation, and maintenance of major, branded IT and telephony equipment.

Strategic managed and professional services revenue totaled $118.1 million in 2013, up 8% from the prior year due largely to increased customer demand for virtual data center products and staff augmentation resources. Integration services totaled $226.0 million, up from $206.7 million in 2012. The increase is primarily due to an $18.0 million increase in telecom and IT equipment distribution revenue which primarily reflects the cyclical fluctuation in capital spending by our enterprise customers which may be influenced by many factors, including the timing of customers' capital spend, the size of their capital budgets, and general economic conditions. Integration managed and professional services totaled $3.4 million in 2013 compared to $2.1 million in 2012.

Costs and Expenses

Cost of services and products was $279.8 million in 2013, an increase of $24.1 million, or 9%, compared to 2012. The increase was largely driven by increased cost of goods sold related to the increased equipment sales and higher payroll costs incurred to support the growth in managed and professional services revenue.

SG&A expenses were $44.6 million in 2013, an increase of $2.3 million, or 5%, from the prior year. This increase is largely attributable to higher payroll costs to support revenue growth.

Depreciation and amortization expense for 2013 of $10.5 million was higher than 2012 due to an increased asset base used to support the growing managed service business.

In 2013, $0.7 million of expense was recognized to account for future employee separations. In 2012, a reversal of previously recognized expense of $1.2 million was recorded due to changes in estimates of employee separation costs recognized in the prior year.

Capital Expenditures

Capital expenditures were $10.6 million in 2013 compared to $9.0 million in 2012. Capital expenditures were higher in 2013 due to increased managed service projects.

2012 Compared to 2011

Revenue

Strategic managed and professional services revenue totaled $109.0 million in 2012, up 18% from the prior year due largely to increased customer demand for staff augmentation and managed service arrangements. Integration services totaled $206.7 million down from $208.0 million in 2011. The decrease is primarily due to a $1.4 million decrease in telecom and IT equipment distribution revenue which primarily reflects the cyclical fluctuation in capital spending by our enterprise customers. Integration managed and professional services totaled $2.1 million in 2012 compared to $2.0 million in 2011.

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 was 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.

Data Center Colocation

The Data Center Colocation segment provided enterprise customers with outsourced data center operations, including necessary redundancy, security, power, cooling, and interconnection. For the year ended December 31, 2013, revenues and expenses represent revenues earned and operating expenses incurred during the period January 1, 2013 to January 23, 2013 when CyrusOne's results were included in our consolidated financial statements. Upon completion of the IPO of CyrusOne on January 24, 2013, we no longer control the operations of CyrusOne and now account for our investment in CyrusOne using the equity method.

(dollars in millions, except for operating metrics)	2013	2012	$ Change 2013 vs. 2012	% Change 2013 vs. 2012	2011	$ Change 2012 vs. 2011	% Change 2012 vs. 2011
Revenue	$15.6	$221.3	$(205.7)	n/m	$184.7	$ 36.6	20%
Operating costs and expenses:							
Cost of services	4.8	75.7	(70.9)	n/m	59.7	16.0	27%
Selling, general and administrative	2.4	31.0	(28.6)	n/m	23.8	7.2	30%
Depreciation and amortization	5.2	70.6	(65.4)	n/m	54.8	15.8	29%
Restructuring charges	—	0.5	(0.5)	n/m	—	0.5	n/m
Gain on sale of assets	—	(0.2)	0.2	n/m	—	(0.2)	n/m
Asset impairments	—	13.3	(13.3)	n/m	—	13.3	n/m
Total operating costs and expenses	12.4	190.9	(178.5)	n/m	138.3	52.6	38%
Operating income	$ 3.2	$ 30.4	$ (27.2)	n/m	$ 46.4	$ (16.0)	(34)%
Operating margin	20.5%	13.7%		n/m	25.1%		(11.4)pts
Capital expenditures	$ 7.7	$228.2	$(220.5)	n/m	$118.5	$109.7	93%

2013 Compared to 2012

Data Center Colocation revenues, operating expenses and operating income for 2013 are not comparable to 2012 as we no longer include CyrusOne's results in our consolidated financial statements after the completion of its IPO on January 24, 2013.

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 in 2011. 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 were ongoing in London, Phoenix and Houston.

Corporate

Corporate is comprised primarily of general and administrative costs that have not been allocated to the business segments. Corporate costs totaled $56.3 million in 2013, $34.7 million in 2012, and $28.5 million in 2011.

2013 Compared to 2012

Corporate costs increased by $21.6 million compared to the prior year, driven largely by the $42.6 million of transaction related compensation payments as a result of the successful IPO of CyrusOne. Transaction costs were down $4.7 million in 2013 as the costs in 2012 related to legal and consulting costs incurred in preparation for the IPO of CyrusOne. In 2013, transaction costs related to finalizing the CyrusOne IPO and investigating strategic alternatives for our Wireless business. The increase was also partially offset by a $5.6 million stock compensation mark-to-market gain in 2013 compared to a $7.9 million stock compensation mark-to-market expense in 2012. The Company grants stock-based compensation, some of which are cash-payment awards indexed to its stock price, which resulted in a mark-to-market gain in 2013 given the 35% decrease to the Company’s stock price. The remaining offset is primarily due to decreased headcount related costs as a result of cost-out initiatives.

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. 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.

Financial Condition, Liquidity, and Capital Resources

Capital Investment, Resources and Liquidity

Short-term view

Our primary source of cash is generated by operations. In 2013, 2012 and 2011, we generated $78.8 million, $212.7 million, and $289.9 million, respectively, of cash flows from operations. We expect cash flows from operations to be our primary source of cash in 2014. As of December 31, 2013, we had $164.6 million of short-term liquidity, comprised of $4.6 million of cash and cash equivalents and $160.0 million of undrawn capacity on our Corporate Credit Agreement.

Our primary uses of cash are capital expenditures and debt service. In 2013, 2012 and 2011, capital expenditures were $196.9 million, $367.2 million, and $255.5 million, respectively. The lower capital expenditures in 2013 resulted from the deconsolidation of CyrusOne on January 24, 2013. CyrusOne had capital expenditures of $7.7 million in 2013 compared to $228.2 million in 2012. These decreases were offset by increased Wireline capital expenditures as we accelerated our strategic fiber investments. Wireline strategic capital expenditures totaled $113.0 million in 2013. Based on the continued demand for our fiber-based products, we expect 2014 capital expenditures to be in a range of $180 million to $190 million. In 2013, 2012 and 2011, debt repayments were $530.8 million, $442.4 million, and $11.5 million, respectively. In the fourth quarter of 2013, the Company redeemed all of the $500 million of 8 $^{1}/_{4}$% Senior Notes due 2017 at a redemption price of 104.125% using proceeds from the $540 million Tranche B Term Loan facility that was issued on September 10, 2013.

Interest payments were $179.5 million, $217.9 million and $211.8 million in 2013, 2012 and 2011, respectively. The decrease is primarily due to the deconsolidation of CyrusOne and the November 2012 redemptions of the 7% Senior Notes due 2015, certain CBT Notes and a portion of the 8 $^{3}/_{8}$ % Senior Notes due 2020. For 2014, our contractual debt maturities, including capital lease obligations, are $12.6 million and associated contractual interest payments are expected to be approximately $160 million.

To a lesser extent, cash is also used to fund our pension obligations, to pay preferred stock dividends, and also to repurchase shares of common stock when the stock price offers an attractive valuation. Cash contributions to our qualified pension plans were $42.1 million, $23.9 million and $18.1 million in 2013, 2012 and 2011, respectively. Contributions to our qualified pension plans for 2014 are expected to be approximately $33 million. Dividends paid on preferred stock were $10.4 million in each of 2013, 2012 and 2011. We do not currently pay dividends on our common shares, nor do we plan to pay dividends on such shares in 2014. In 2012 and 2011, cash used to repurchase common shares was $0.3 million and $10.4 million, respectively. No common shares were repurchased in 2013. As of December 31, 2013, 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.

During the second quarter of 2013, the Company executed an amendment of its Receivables Facility which, in addition to modifying some of the defined terms and purchaser parties under the prior agreement, provided for an increase in the maximum credit availability under the Receivables Facility from $105.0 million to $120.0 million and extended the facility's expiration through June 2016. As of December 31, 2013, the Company had $106.2 million of borrowings and $5.2 million of letters of credit outstanding under the Receivables Facility, leaving no remaining availability on the total borrowing capacity of $111.4 million. The Receivables Facility 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.

The Company believes that its cash on hand, cash generated from operations and available funding under its credit facilities will be adequate to meet its cash requirements for the next 12 months.

Long-term view, including debt covenants

As of December 31, 2013, the Company had $2.3 billion of outstanding indebtedness and an accumulated deficit of $3.3 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 2018. Contractual debt maturities, including capital leases, are $12.6 million in 2014, $11.9 million in 2015, $118.3 million in 2016, $49.4 million in 2017, $633.3 million in 2018 and $1,446.0 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 will approximate $108 million over the period from 2014 to 2021. 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. As of December 31, 2013, the fair value of our ownership interest in CyrusOne was $993.2 million. We intend to sell down the Company's ownership interest in CyrusOne and use the proceeds to primarily repay long-term debt to achieve leverage ratios more comparable to other telecommunication companies and for other general corporate purposes. Our amended Corporate Credit Agreement obligates us to use 85% of the proceeds towards debt repayments.

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 or partnership units. 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 five year agreement. In 2013, capital expenditures were $189.2 million excluding CyrusOne, leaving $765.8 million permitted capital expenditures over the next four 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 Corporate Credit Agreement, no additional borrowings under the credit facility would be available until the default was waived or cured. As of December 31, 2013, the Company was in compliance with the Corporate Credit Agreement covenants.

In the third quarter of 2013, the Company amended and restated its Corporate Credit Agreement, originally dated as of November 20, 2012, to include a $540 million Tranche B Term Loan facility that matures on September 10, 2020.

The Company's public debt, which include the 8 $^{3}/_{4}$% Senior Subordinated Notes due 2018 and the 8 $^{3}/_{8}$% Senior Notes due 2020 contain covenants that, among other things, limit the Company's ability to incur additional debt or liens, pay dividends or make other restricted payments, sell, transfer, lease, or dispose of assets and make investments or merge with another company. As of December 31, 2013, 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, 2013:

(dollars in millions)	
Consolidated Total Leverage Ratio as of December 31, 2013	5.58
Maximum ratio permitted for compliance	7.00
Consolidated Funded Indebtedness additional availability	$ 579.5
Consolidated EBITDA clearance over compliance threshold	$ 82.8

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 September 30, 2013.

The Company's ability to make restricted payments, which include share repurchases and common stock dividends, is limited to a total of $15 million, with certain permitted exceptions, given that its Consolidated Total Leverage Ratio, as defined in the credit agreement, exceeds 3.50 to 1.00 as of December 31, 2013. The Company may make restricted payments of $45 million annually when the Consolidated Total Leverage Ratio is less than or equal to 3.50 to 1.00. There are no dollar limits on restricted payments when the Consolidated Total Leverage Ratio is less than or equal to 3.00 to 1.00. These restricted payment limitations do not impact the Company's ability to make regularly scheduled dividend payments on its 6¾% Cumulative Convertible Preferred Stock. Furthermore, the Company may make restricted payments in the form of share repurchases or dividends up to 15% of CyrusOne sale proceeds, subject to a $35 million annual cap with carryovers.

The Corporate Credit Agreement was also modified to provide that the Tranche B Term Loan participates in mandatory prepayments subject to the terms and conditions (including with respect to payment priority) set forth in the restated Corporate Credit Agreement. In addition, the Corporate Credit Agreement was modified to provide that 85%, rather than 100%, of proceeds from a CyrusOne monetization are applied to mandatory prepayments under the restated Corporate Credit Agreement, subject to the terms and conditions set forth therein. Other revisions were also effected pursuant to the amended agreement, including with respect to financial covenant compliance levels.

Public Bond Indentures

The Company's public debt, which include the 8¾% Senior Subordinated Notes due 2018 and the 8 3/8% Senior Notes due 2020, contain covenants that, among other things, limit the Company's ability to incur additional debt or liens, pay dividends or make other restricted payments, sell, transfer, lease, or dispose of assets and make investments or merge with another company. The Company is in compliance with all of its public debt indentures.

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). As of December 31, 2013, the Company exceeded this ratio. The Company is not in default under the terms of the indentures; however, additional indebtedness may only be incurred in specified permitted baskets, including a basket which provides full access to the $200 million Corporate Credit Agreement plus an additional $161.4 million of secured debt. Also, the Company's ability to make restricted payments, which include share repurchases and common stock dividends, is limited to specific allowances. In addition to a $25 million cumulative general allowance, the Company is permitted to make dividend payments on its 6¾% Cumulative Convertible Preferred Stock and may repurchase up to $10 million of its common stock per year. Except for the $25 million cumulative general allowance, no other allowances are available for common stock dividend payments. The Company does not believe that this limitation will have a material impact on its operations, liquidity or cash flows in the foreseeable future. When the Company is able to meet this ratio in the future, the aforementioned restrictions on debt incurrence and restricted payments will lapse and the company will have access to its restricted payments basket, which approximates $300 million as of December 31, 2013.

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 2013 was $78.8 million, a decrease of $133.9 million compared to 2012. This decrease was largely driven by the deconsolidation of CyrusOne in January of 2013, the $42.6 million payment of transaction related compensation, $16.0 million of higher pension and postretirement payments and increased working capital usage.

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.

Cash flows from investing activities

Cash flows used in investing activities were $185.4 million in 2013 compared to $371.8 million in 2012 and $244.7 million in 2011. Capital expenditures were $196.9 million for 2013, which was $170.3 million lower than 2012 due primarily to the deconsolidation of CyrusOne, offset by increased investment in our strategic fiber products. Capital expenditures were $111.7 million higher for 2012 versus 2011 as a result of the continued expansion of our former data center operations and our Fioptics network. As a result of the IPO of CyrusOne, we received dividends of $21.3 million from CyrusOne in 2013. 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 the sale of assets were $2.0 million and $1.6 million in 2013 and 2012, respectively, primarily from the sale of copper cable. In 2011, the sale of substantially all of the home security monitoring business assets provided cash of $11.5 million.

Cash flows from financing activities

Cash flows provided by financing activities were $87.6 million in 2013. The Company received $529.8 million in net proceeds from the Tranche B Term Loan on September 10, 2013. In 2013, the Company also had net borrowings of $54.2 million under its Receivables Facility and $40 million on its Corporate Credit Agreement facility. We also received cash proceeds of $7.1 million from the exercise of stock options and warrants. Proceeds of the Tranche B Term Loan were used to redeem all of the Company's $500 million $8\,^{1}/_{4}\%$ Senior Notes on October 15, 2013. In 2013, cash was used to pay $10.4 million of preferred stock dividends.

Cash flows provided by financing activities were $109.0 million in 2012. During 2012, CyrusOne LP and CyrusOne Finance Corp. issued $525 million of $6\,^{3}/_{8}\%$ Senior Notes due 2022 and used $480 million of the $511 million net proceeds 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 $8\,^{3}/_{8}\%$ 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.

Future Operating Trends

Wireline

During the year, we invested $113.0 million in our strategic products, including $79.5 million for Fioptics. During 2013, our Wireline segment generated $252.5 million of strategic revenue, up 22% compared to the prior year, as the growth of Fioptics and fiber-based products for business customers continues to increasingly mitigate access line loss and DSL subscriber losses. The Company has identified its Fioptics suite of services as its strategic product primarily for its residential customers. For business customers, strategic products include: dedicated internet, metro-ethernet, DWDM, audio conferencing, as well as VoIP and other broadband services, including private line and MPLS. Fioptics revenue totaled $100.8 million, up 48% compared to the prior year. Strategic revenue to our consumer customers was $103.7 million in 2013, including $93.6 million from Fioptics. Strategic revenue for business customers totaled $148.8 million, up 8% from the prior year.

At the end of 2013, the Company passed and can provide Fioptics service to 276,000 homes and businesses, or approximately 35% of Greater Cincinnati, and had 74,200 entertainment, 79,900 high-speed internet, and 53,300 voice Fioptics customers. The penetration rate of this product is approximately 29% of the customer locations that have been passed with the Fioptics network. Management plans to continue its investment in Fioptics and expects to pass an additional 62,000 units by year end 2014.

In addition, for business customers, the Company has connected approximately 4,200 business buildings with fiber-based services (also referred to as a lit building), including more than 500 multi-tenant units (MTU's) lit with fiber, expanded the fiber network to span more than 5,700 route miles, and provided cell site back-haul services to more than 70% of the 1,100 cell sites in-market, of which approximately 550 are lit with fiber. We expect to continue to light additional MTU's and towers with fiber during 2014 as demand is strong.

Wireline legacy products with declining future revenues include local voice, DSL, long distance, and low-bandwidth data transport services. Revenue from legacy products totaled $459.5 million in 2013, down 10% compared to the prior year due to Wireline suffering an 8% loss of access lines and a 6% loss of long distance lines. DSL subscribers continued to decrease in 2013 and are projected to continue to decline as customers switch to higher speed services, such as our Fioptics product.

In 2014, we expect to invest approximately $116 million in our strategic products, and we believe the growth in our strategic product revenue will more than offset the decline from legacy products resulting in year-over-year Wireline revenue growth in 2014.

Wireless

Our Wireless operating territory is saturated with national carriers who are able to offer customers nation-wide family talk plans using premier handsets on more technologically advanced LTE networks. As a result, our postpaid subscriber base has decreased by 19% and 21% over the past two years.

Although the Company has successfully piloted an LTE network trial program in limited operating territories, the capital investment required for an LTE network is too substantial and the expected returns do not match those generated from our investments in fiber. We believe it is likely that the trend of subscriber losses will continue, and we plan to operate the business for profitability and cash flow while we investigate strategic alternatives.

IT Services and Hardware

Growth in strategic managed services and professional services was strong in 2013, up 8%, driven by higher customer demand for virtual data center products and staff augmentation services. We expect similar growth rates in 2014 as we experience the benefit of combining our Wireline business markets operations with our IT Services and Hardware portions.

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 2014 are somewhat dependent on the business economy and outlook in 2014.

In 2014, we plan to continue the integration of our IT Services and Hardware 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

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 24, 2014, and subject to volume restrictions estimated at 0.9 million shares over any 3 month period. The restrictions lapse upon the effectiveness of CyrusOne Inc.'s registration statement, to be filed by March 24, 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 as an equity method investment, and we will recognize our share of CyrusOne's net income (loss) as non-operating income (loss).

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. The Company's amended Corporate Credit Agreement requires 85% of the proceeds to be used for debt repayments. As of December 31, 2013, the Company's investment in CyrusOne was valued at $993.2 million and the Company's tax basis in CyrusOne was approximately $600 million.

Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2013.

	Payments due by Period				
(dollars in millions)	**Total**	**< 1 Year**	**1-3 Years**	**3-5 Years**	**Thereafter**
Long-term debt, excluding capital leases (1)	$2,169.0	$ 5.7	$117.3	$676.0	$1,370.0
Capital leases	102.5	6.9	12.9	6.7	76.0
Interest payments on long-term debt, capital leases, and other financing arrangements (2)	1,023.0	154.2	306.7	273.4	288.7
Non-cancellable operating lease obligations	28.3	10.9	12.6	3.7	1.1
Purchase obligations (3)	116.8	108.7	8.1	—	—
Pension and postretirement benefits obligations (4)	141.6	48.4	53.5	30.6	9.1
Unrecognized tax benefits (5)	24.1	—	—	—	24.1
Other liabilities (6)	41.4	12.2	17.3	1.1	10.8
Total	$3,646.7	$347.0	$528.4	$991.5	$1,779.8

(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, 2013.
(3) Purchase obligations primarily consist of amounts under open purchase orders and open blanket 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 2014 include approximately $13 million expected to be contributed for postretirement benefits. Although the

Company expects to continue operating the plans past 2014, its contractual obligation related to postretirement obligations only extends through 2014. Amounts for 2014 through 2021 include approximately $108 million of estimated cash contributions to its qualified pension plans, with approximately $33 million expected to be contributed in 2014. 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 the portion of liabilities related to unrecognized tax benefits. If the timing of payments cannot be reasonably estimated for unrecognized tax benefits, these liabilities are included in the "Thereafter" column of the table above.

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

The contractual obligations table is presented as of December 31, 2013. The amount of these obligations can be expected to change over time as new contracts are initiated and existing contracts are completed, terminated, or modified.

Contingencies

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 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, 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, 2013, 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, 2013.

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 $5.2 million as of December 31, 2013. 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 expired on November 20, 2013 without a claim of breach being filed. As such, CyrusOne LP has 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 expired in March 2013, to purchase one share of Cincinnati Bell Inc. common stock at $3.00 each. During the first quarter of 2013, warrant holders elected to exercise a total of 14.3 million warrants. As a result, the Company issued a total of 4.4 million shares of common stock and received $5.1 million of cash proceeds for the 1.7 million of such warrants which were cash settled. 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. There were no exercises of warrants in 2011. As of December 31, 2013, no warrants remained unexercised.

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 collectability 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, internet product and entertainment 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, switched access and video usage pay-per-view 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 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.

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. As of December 31, 2013 and 2012, receivables with one large customer exceeded 10% of the Company's total accounts receivable. Our Wireline, Wireless and IT Services and Hardware segments comprise 84%, 9%, and 7% of the allowance for uncollectible accounts receivables as of December 31, 2013, respectively.

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. 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.

No goodwill impairment losses were recognized in 2013 or 2012. In 2013 and 2012, the estimated fair value of goodwill exceeded the carrying value of goodwill by more than 25% for all reporting units. In 2011, our Wireless reporting unit recognized a goodwill impairment loss of $50.3 million due to declines in revenues and wireless subscribers. At that time, 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.

The Company adheres to the amended guidance under ASC 350-30 when testing indefinite-lived intangibles assets, other than goodwill, for impairment, allowing us to perform 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.

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. 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 2013, a quantitative approach was utilized to test this asset for potential impairment, while in 2012 a qualitative approach was utilized. The fair value of these licenses in 2013 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, 2013, the fair value of these licenses exceeded the carrying value of this asset by more than 25%. No impairment was recognized on these licenses in 2013, 2012, or 2011.

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. Excluding the results of CyrusOne, a one-year change in the useful life of these assets would increase or decrease annual depreciation expense by approximately $48 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. Long-lived intangible assets are amortized based on the estimated economic value generated by the asset in future years.

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.

Also in 2013 and in 2012, management identified impairment indicators for its Wireless long-lived assets resulting from continued subscriber losses. We performed step one of the impairment test 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 2013 or 2012. The gross cash flows exceeded the carrying value of this asset group by less than 10%. In 2011, the Wireless segment recognized an impairment loss of $1.1 million on abandoned assets with no resale value.

During the first quarter of 2013, we changed the estimated useful lives assigned to network software which resulted in a one-time depreciation charge of $8.5 million. In the fourth quarter, during our annual asset impairment testing, we determined the estimate of our useful lives of all our assets should be shortened to take into consideration the continued reduction in our subscriber base and the potential for the asset lives to be limited. The impact was $3.0 million in 2013; however, after considering the impact of this change in estimate, depreciation expense is expected to be approximately $36 million higher in 2014. This impact was partially offset by the amortization of the deferred gain associated with the tower sale of $3.3 million in 2013, which will approximate $14 million in 2014.

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.

There were no business combinations in 2011, 2012, or 2013. However, in determining the fair value of the assets acquired, management has historically utilized several valuation methods:

- *Excess earnings method:* 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 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 estimates the present value of royalty expense that could be avoided as a result of owning the respective asset or technology.

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 2010.

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 $68.3 million and $56.8 million has been recognized as of December 31, 2013 and 2012, respectively. In the first quarter of 2013, the Company recorded a valuation allowance provision of $10.7 million for Texas margin credits, which effective with CyrusOne's IPO on January 24, 2013, are unlikely to be realized before their expiration date. 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, 2013 and 2012, the liability for unrecognized tax benefits was $24.1 million and $22.8 million, respectively. As of December 31, 2013, the amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is $23.5 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 $18.9 million in 2013, $22.2 million in 2012, and $20.6 million in 2011. Cost of services associated with these taxes was $19.2 million, $24.4 million, and $22.7 million in 2013, 2012, and 2011, 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.

Pension plan amendments were approved in May 2013 and the Company remeasured the associated pension obligations. As a result of the pension plan amendment, the Company recorded a curtailment gain of $0.6 million and a $10.3 million reduction to the associated pension obligations in the second quarter of 2013. Also, in August 2013, the Company approved several amendments to the postretirement plan that required a remeasurement of the associated benefit obligations. As a result, the Company recorded a $26.1 million reduction to the postretirement liability in the third quarter of 2013.

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, 2013 and 2012, the discount rate used to value the pension plans was 4.20% and 3.30%, respectively, while the discount rate used to value the postretirement plans was 4.10% and 3.10%. Higher rates of interest available on high-quality corporate bonds drove the increase in the discount rates in 2013.

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, 2013 and 2012, 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 16% in 2013, 15% in 2012, and 6% in 2011. 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, 2013 and 2012, the healthcare cost trend rate used to measure the postretirement health benefit obligation was 6.5%. As of December 31, 2013, the healthcare cost trend rate is assumed to decrease gradually to 4.5% by the year 2017.

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, 2013:

		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%	$23.6/($23.6)	$0.8/($0.8)	$4.2/($3.9)	$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	$4.6/($4.2)	$0.2/($0.2)

At December 31, 2013 and 2012, unrecognized actuarial net losses were $284.7 million and $399.8 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 16 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, 2013 and 2012, accrued employee separation liabilities were $9.7 million and $7.8 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 (the "Act") 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. Since 2009, federal regulators have primarily focused on initiatives to promote investment in and adoption of advanced telecommunications services, particularly broadband Internet access services.

In early 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. Since release of the NBP, many of the FCC's regulatory proceedings have been focused on the fulfillment of the goals of the NBP. In conjunction with its efforts to expand broadband deployment, the FCC has now begun to explore how to transition from the traditional circuit-switched Time-division Multiplexing ("TDM") networks to Internet Protocol ("IP") networks. Examination of the myriad of technical, legal and policy issues surrounding the IP transition is likely to receive increasing prominence on the FCC's agenda over the next several years, beginning with solicitation of proposals for trials in 2014. 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 froze existing high-cost support and provided a mechanism for distributing additional support for price cap companies. Under Phase II, $1.8 billion of annual support will be available for areas served by price cap ILECs. The cost model that will be used to set the Phase II support amounts for each price cap area will likely be finalized during 2014. Price cap ILECs will have the right of first refusal for the support. If the price cap carrier declines to make the state-level commitment associated with the support, the support will be offered to other providers. Once the Phase II support is available, the Phase I support will be phased out and carriers accepting the Phase II commitment will have the funds available for five year period. A Mobility Fund has been established to further the deployment of mobile broadband. The Phase I Mobility Fund used reverse auctions to allocate over $300 million in one-time support to accelerate the deployment of mobile broadband infrastructure. In addition, $500 million will be allocated annually under the Phase II Mobility Fund for ongoing operating support for broadband and voice services in high-cost areas. The price cap carrier changes adopted in 2011 froze CBT's high cost support at approximately $0.8 million. CBT is eligible to receive this frozen support until the Phase II program is implemented. Based on current Phase II model projections, CBT may be eligible for approximately $2 million in Phase II support.

During 2013 the FCC took several steps to reform the low income support program adopted in 2012 in order to control the cost of this portion of the fund. The reforms, aimed primarily at eliminating waste, fraud and abuse in the Lifeline program, will require participating carriers to access a newly developed National Lifeline

Accountability Database before enrolling any new Lifeline subscribers. The database is expected to be fully operational during first quarter 2014. In addition, Lifeline providers receiving over $5 million in annual Lifeline reimbursement will be required to have biennial independent third-party audits of their compliance with the Lifeline rules. During 2013 the FCC also stepped up its Lifeline enforcement efforts, issuing significant fines against Lifeline providers for duplicate enrollments. Increased scrutiny of Lifeline providers is expected to continue during 2014. Currently both CBT and CBW participate in the Lifeline program. As of December 31, 2013, approximately 35% of CBW's prepaid subscribers received Lifeline subsidies.

Intercarrier Compensation

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 which govern the means by which carriers compensate one another for use of their networks. 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 being 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 CAF. 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 of the reforms 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.

During 2013, the FCC adopted new rules to remedy the problems that rural carriers and customers have experienced in completing long distance calls to rural areas. Under the new rules long distance providers will be required to report on their rural call completion rates and are encouraged to adopt industry best practices to improve performance to rural areas.

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 likely be submitted in 2014 and subsequently reviewed by the FCC. 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. During the FCC's examination of the transition from TDM to IP networks, the regulatory status of VoIP and interconnection rights for VoIP providers will be addressed. The outcome of this examination and the ultimate transition plan adopted could have positive and/or negative consequences for virtually all providers of TDM and IP-based services.

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. The rules took effect in 2011, and although appeals of these rules were filed, most broadband providers, including our Wireline and Wireless operations implemented procedures to comply with the rules. In January 2014, the D.C. Circuit Court of Appeals vacated the Net Neutrality order's anti-blocking and anti-discrimination requirements finding that they are akin to common carrier regulation. However, the Court upheld the transparency and disclosure requirements and found that the FCC has general authority under Section 706 of the Communications Act to promulgate rules to encourage broadband deployment. The Company foresees little impact from the decision in the near-term, however, it does open the door for companies to explore innovative new pricing arrangements in the future, assuming that the FCC does not reclassify broadband Internet access as a Title II common carrier service.

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. 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. 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 providing CBT with flexibility to increase rates for basic local exchange service.

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, 2013, 2012 or 2011.

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 Corporate Credit Agreement and other indebtedness impose significant restrictions on the Company;
- the Company depends on its Corporate Credit Agreement and Receivables Facility to provide for its short-term financing requirements in excess of amounts generated by operations and the availability of those funds may be reduced or limited;
- 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 may be unable to grow our revenue and cash flows despite the initiatives we have implemented;

- the Company's wireless subscribers are decreasing in number;
- 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 Company generates a substantial portion of its revenue by serving a limited geographic area;
- natural disasters, terrorists acts or acts of war could cause damage to our infrastructure and result in significant disruptions to our operations.
- a large customer accounts for a significant portion of the Company's revenues and accounts receivable. The loss or significant reduction in business from this customer could cause operating revenues to decline significantly and have a materially adverse long-term impact on the Company's business;
- the Company operates in highly competitive industries, and customers may not continue to purchase services, which could result in reduced revenue and loss of market share;
- 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;
- increases in broadband usage may cause network capacity limitations, resulting in service disruptions or reduced capacity for customers;
- we may be liable for material that content providers distribute on our networks;
- cyber attacks or other breaches of network or other information technology security could have an adverse effect on our business.
- maintenance of CBW's wireless network and growth in data usage may require CBW to obtain additional spectrum and transmitting sites which may not be available or be available only on less than favorable terms.
- 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;
- a significant portion of our Wireless subscriber base is enrolled under the FCC's low income Lifeline program which imposes strict compliance requirements on both consumers and carriers. This could result in the Company incurring significant compliance costs or fines and penalties if the Company fails to comply with these requirements;
- 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;
- if the Company fails to extend or renegotiate its collective bargaining agreements with its labor union when they expire or if its unionized employees were to engage in a strike or other work stoppage, the Company's business and operating results could be materially harmed;
- the 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 no longer controls CyrusOne;
- the Company has a significant investment in CyrusOne;
- 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;
- we could be subject to a significant amount of litigation, which could require us to pay significant damages or settlements.
- third parties may infringe upon the Company's intellectual property, and the Company may expend significant resources enforcing its rights or suffer competitive injury; and
- 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 Corporate Credit Agreement and Receivables Facility 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, 2013 and 2012, the Company held no derivative financial instruments. As of December 31, 2013 the Company had variable-rate borrowings of $538.6 million under the Tranche B Term Loan Facility, $106.2 million under the Receivables Facility, and $40.0 million under the Corporate Credit Agreement. The interest on these debt arrangements varies with changes in the LIBOR rate. A hypothetical increase or decrease of one percentage point in the LIBOR rate would increase or decrease our annual interest expense on these variable-rate borrowings by approximately $6.8 million, assuming no additional borrowings or repayments are made under these agreements.

The following table sets forth the face amounts, maturity dates, and average interest rates at December 31, 2013 for our fixed and variable-rate debt, excluding capital leases and other debt, and unamortized discounts:

(dollars in millions)	2014	2015	2016	2017	2018	Thereafter	Total	Fair Value
Fixed-rate debt:	$ —	$ —	$ —	$ —	$625.0	$858.4	$1,483.4	$1,562.5
Weighted average interest rate on fixed-rate debt	—	—	—	—	8.8%	8.0%	8.3%	—
Variable-rate debt:	$5.4	$5.4	$111.6	$45.4	$ 5.4	$511.6	$ 684.8	$ 684.8
Average interest rate on variable-rate debt (1)	4.0%	4.0%	0.8%	4.1%	4.0%	4.0%	3.5%	—

At December 31, 2012, the carrying value and fair value of fixed-rate debt was $2,508.4 million and $2,646.1 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.

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	69
Reports of Independent Registered Public Accounting Firm	70
Consolidated Balance Sheets	72
Consolidated Statements of Operations	73
Consolidated Statements of Comprehensive Income (Loss)	74
Consolidated Statements of Shareowners' Deficit	75
Consolidated Statements of Cash Flows	76
Notes to Consolidated Financial Statements	77
Financial Statement Schedule:	
For each of the three years in the period ended December 31, 2013:	
II — Valuation and Qualifying Accounts	135

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, 2013. 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 (1992)*. Based on this assessment, management has concluded that, as of December 31, 2013, 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 27, 2014

/s/ Theodore H. Torbeck

Theodore H. Torbeck
President and Chief Executive Officer

/s/ Leigh R. Fox

Leigh R. Fox
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, 2013, based on criteria established in *Internal Control — Integrated Framework (1992)* 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, 2013, based on the criteria established in *Internal Control — Integrated Framework (1992)* 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, 2013 of the Company and our report dated February 27, 2014 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ Deloitte & Touche LLP

Cincinnati, Ohio
February 27, 2014

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, 2013 and 2012, 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, 2013. 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, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, 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, 2013, based on the criteria established in *Internal Control — Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2014 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Cincinnati, Ohio
February 27, 2014

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

	December 31, 2013	December 31, 2012
Assets		
Current assets		
Cash and cash equivalents	$ 4.6	$ 23.6
Receivables, less allowances of $12.2 and $13.3	145.6	199.0
Receivable from CyrusOne	9.2	—
Inventory, materials and supplies	23.8	30.7
Deferred income taxes	55.3	26.8
Prepaid expenses	11.0	11.8
Other current assets	1.6	11.6
Total current assets	251.1	303.5
Property, plant and equipment, net	902.8	1,587.4
Investment in CyrusOne	471.0	—
Goodwill	14.4	290.6
Intangible assets, net	91.7	196.8
Deferred income taxes	339.7	407.8
Other noncurrent assets	36.6	86.3
Total assets	$ 2,107.3	$ 2,872.4
Liabilities and Shareowners' Deficit		
Current liabilities		
Current portion of long-term debt	$ 12.6	$ 13.4
Accounts payable	89.4	135.6
Payable to CyrusOne	0.5	—
Unearned revenue and customer deposits	32.5	51.2
Accrued taxes	12.9	21.6
Accrued interest	31.6	41.3
Accrued payroll and benefits	38.0	52.1
Other current liabilities	36.8	40.2
Total current liabilities	254.3	355.4
Long-term debt, less current portion	2,252.6	2,676.0
Pension and postretirement benefit obligations	202.7	362.7
Other noncurrent liabilities	74.4	176.5
Total liabilities	2,784.0	3,570.6
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, 2013 and 2012; liquidation preference $1,000 per share ($50 per depositary share)	129.4	129.4
Common shares, $.01 par value; 480,000,000 shares authorized; 208,656,995 and 202,960,430 shares issued; 208,165,275 and 202,468,710 shares outstanding at December 31, 2013 and 2012	2.1	2.0
Additional paid-in capital	2,590.6	2,590.9
Accumulated deficit	(3,263.5)	(3,208.8)
Accumulated other comprehensive loss	(133.3)	(209.7)
Common shares in treasury, at cost	(2.0)	(2.0)
Total shareowners' deficit	(676.7)	(698.2)
Total liabilities and shareowners' deficit	$ 2,107.3	$ 2,872.4

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,		
	2013	2012	2011
Revenue			
Services	$1,039.3	$1,272.8	$1,250.8
Products	217.6	201.1	211.6
Total revenue	1,256.9	1,473.9	1,462.4
Costs and expenses			
Cost of services, excluding items below	427.1	489.9	464.3
Cost of products sold, excluding items below	215.9	204.7	213.0
Selling, general and administrative	220.8	269.5	263.1
Depreciation and amortization	169.6	217.4	199.5
Restructuring charges	13.7	3.4	12.2
Transaction-related compensation	42.6	—	—
Curtailment (gain) loss	(0.6)	—	4.2
Loss (gain) on sale or disposal of assets, net	2.4	(1.6)	(8.4)
Impairment of goodwill	—	—	50.3
Impairment of assets, excluding goodwill	—	14.2	2.1
Transaction costs	1.6	6.3	2.6
Total operating costs and expenses	1,093.1	1,203.8	1,202.9
Operating income	163.8	270.1	259.5
Interest expense	182.0	218.9	215.0
Loss on extinguishment of debt	29.6	13.6	—
Loss from CyrusOne equity method investment	10.7	—	—
Other (income) expense, net	(1.3)	1.7	0.9
(Loss) income before income taxes	(57.2)	35.9	43.6
Income tax (benefit) expense	(2.5)	24.7	25.0
Net (loss) income	(54.7)	11.2	18.6
Preferred stock dividends	10.4	10.4	10.4
Net (loss) income applicable to common shareowners	$ (65.1)	$ 0.8	$ 8.2
Basic and diluted (loss) earnings per common share	$ (0.32)	$ 0.00	$ 0.04
Weighted-average common shares outstanding (millions)			
Basic	205.9	197.0	196.8
Diluted	205.9	204.7	200.0

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,		
	2013	2012	2011
Net (loss) income	$(54.7)	$11.2	$ 18.6
Other comprehensive income (loss), net of tax:			
Foreign currency translation loss	(0.1)	—	(0.1)
Defined benefit plans:			
Net gain (loss) arising from remeasurement during the period, net of tax of ($30.7), $5.1, $30.9	56.8	(9.2)	(56.5)
Net prior service credit, net of tax of ($6.1)	11.3	—	—
Amortization of prior service benefits included in net income, net of tax of $5.2, $4.8, $4.7	(8.7)	(8.3)	(8.2)
Amortization of net actuarial loss included in net income, net of tax of ($10.1), ($9.5), ($7.6)	17.5	16.7	13.2
Reclassification adjustment for curtailment (gain) loss included in net income, net of tax of $0.2, ($1.5)	(0.4)	—	2.7
Total other comprehensive income (loss), net of tax	76.4	(0.8)	(48.9)
Total comprehensive income (loss)	$ 21.7	$10.4	$(30.3)

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, 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)
Net loss	—	—	—	—	—	(54.7)	—	—	—	(54.7)
Other comprehensive income	—	—	—	—	—	—	76.4	—	—	76.4
Shares issued under employee plans	—	—	1.6	—	2.4	—	—	—	—	2.4
Shares purchased under employee plans and other	—	—	(0.3)	—	(2.3)	—	—	—	—	(2.3)
Stock-based compensation	—	—	—	—	4.9	—	—	—	—	4.9
Exercise of warrants	—	—	4.4	0.1	5.1	—	—	—	—	5.2
Dividends on preferred stock	—	—	—	—	(10.4)	—	—	—	—	(10.4)
Balance at December 31, 2013	3.1	$129.4	208.7	$2.1	$2,590.6	$(3,263.5)	$(133.3)	(0.5)	$(2.0)	$(676.7)

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,		
	2013	2012	2011
Cash flows from operating activities			
Net (loss) income	$ (54.7)	$ 11.2	$ 18.6
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	169.6	217.4	199.5
Loss on extinguishment of debt	29.6	13.6	—
Loss from CyrusOne equity method investment	10.7	—	—
Loss (gain) on sale of assets	2.4	(1.6)	(8.4)
Impairment of goodwill and other assets	—	14.2	52.4
Provision for loss on receivables	11.3	13.9	13.9
Noncash portion of interest expense	7.5	7.8	7.7
Deferred income tax expense, including valuation allowance change	(2.7)	21.6	24.9
Pension and other postretirement benefits in excess of expense	(49.7)	(28.4)	(19.5)
Stock-based compensation	4.9	5.2	4.1
Excess tax benefit for share based payments	(0.5)	(2.4)	—
Other, net	(6.7)	(1.4)	(3.7)
Changes in operating assets and liabilities, net of effects of divestitures:			
Decrease (increase) in receivables	0.5	(33.6)	(10.6)
Increase in inventory, materials, supplies, prepaid expenses and other current assets	(0.8)	(14.5)	(5.9)
(Decrease) increase in accounts payable	(17.7)	(6.9)	19.2
Decrease in accrued and other current liabilities	(18.1)	(10.0)	(0.5)
Decrease in other noncurrent assets	0.8	4.6	1.1
(Decrease) increase in other noncurrent liabilities	(7.6)	2.0	(2.9)
Net cash provided by operating activities	78.8	212.7	289.9
Cash flows from investing activities			
Capital expenditures	(196.9)	(367.2)	(255.5)
Dividends received from CyrusOne	21.3	—	—
Proceeds from sale of assets	2.0	1.6	11.5
Increase in restricted cash	—	(11.1)	—
Release of restricted cash	0.4	4.9	—
Cash divested from deconsolidation of CyrusOne	(12.2)	—	—
Other, net	—	—	(0.7)
Net cash used in investing activities	(185.4)	(371.8)	(244.7)
Cash flows from financing activities			
Proceeds from issuance of long-term debt	536.0	525.0	—
Net increase in corporate credit and receivables facilities with initial maturities less than 90 days	94.2	52.0	0.4
Repayment of debt	(530.8)	(442.4)	(11.5)
Debt issuance costs	(6.7)	(20.9)	(0.8)
Dividends paid on preferred stock	(10.4)	(10.4)	(10.4)
CyrusOne stock issuance costs	—	(5.7)	—
Common stock repurchase	—	(0.3)	(10.4)
Proceeds from exercise of options and warrants	7.1	12.1	0.4
Excess tax benefit for share based payments	0.5	2.4	—
Financing obligations and other, net	(2.3)	(2.8)	(16.5)
Net cash provided by (used in) financing activities	87.6	109.0	(48.8)
Net decrease in cash and cash equivalents	(19.0)	(50.1)	(3.6)
Cash and cash equivalents at beginning of year	23.6	73.7	77.3
Cash and cash equivalents at end of year	$ 4.6	$ 23.6	$ 73.7

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 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, 2013, the Company managed its business by product and service offerings in three segments: Wireline, Wireless, and IT Services and Hardware. 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.

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 year ended December 31, 2011.

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, 2013, the Company applies the equity method to its investment in CyrusOne. As of December 31, 2012, 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; and 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.

Investment in CyrusOne—We completed the IPO of CyrusOne on January 24, 2013, and as of that date, we have significant influence over it but do not control its operations. As a result, effective January 24, 2013, our ownership in CyrusOne is accounted for as an equity method investment. From that date, we recognize our

proportionate share of CyrusOne's net income or loss as non-operating income or expense in our Consolidated Statement of Operations. For the period January 1, 2013 through January 23, 2013, we consolidated CyrusOne's operating results. For the year ended December 31, 2013, the Company received cash dividends from CyrusOne totaling $21.3 million. Dividends from CyrusOne are recognized as a reduction of our investment.

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, 2013 and 2012. Unbilled receivables arise from services rendered but not yet billed. As of December 31, 2013 and 2012, unbilled receivables totaled $23.2 million and $26.0 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 gain 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 $2.5 million and $2.7 million as of December 31, 2013 and 2012, 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 collectability 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, internet product and entertainment 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, switched access and other usage based charges

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 is 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. 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. When the rebate is earned and the amount is determinable, we recognize the rebate as an offset to cost of products sold.

Data Center Colocation — During the period of time in which we included the accounts of CyrusOne in our consolidated financial statements, data center colocation rentals were generally billed monthly in advance and some contracts had escalating payments over the non-cancellable term of the contract. If rents escalated without the lessee gaining access to or control over additional leased space or power, and the lessee took possession of, or controlled the physical use of the property (including all contractually committed power) at the beginning of the lease term, the rental payments by the lessee were recognized as revenue on a straight-line basis over the term of the lease. If rents escalated because the lessee gained access to and control over additional leased space or power, revenue was recognized in proportion to the additional space or power in the years that the lessee had 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 were structured on a full-service gross basis in which the customer paid a fixed amount for both colocation rental and power. Other leases provided that the customer would be billed for power based upon actual usage which was separately metered. In both cases, this revenue is presented on a gross basis in the accompanying Consolidated Statements of Operations. Power was generally billed one month in arrears and an estimate of this revenue was accrued in the month that the associated costs were incurred. We generally were not entitled to reimbursements for real estate taxes, insurance or other operating expenses.

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

Certain customer contracts required specified levels of service or performance. If we failed to meet these service levels, our customers may have been eligible to receive credits on their contractual billings. These credits were recognized against revenue when an event occurred that gave rise to such credits.

Advertising Expenses — Costs related to advertising are expensed as incurred. Advertising costs were $12.2 million, $16.6 million, and $18.4 million in 2013, 2012, and 2011, 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. In the first quarter of 2013, the Company recorded a valuation allowance provision of $10.7 million for Texas margin credits, which effective with CyrusOne's IPO on January 24, 2013, are unlikely to be realized before their expiration date.

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 either property, plant and equipment, operating tax expense, or depreciation expense depending on the nature of the audit exposure. Upon resolution of an audit, any remaining liability not paid is released against the account in which it was originally recorded.

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 2013, 2012, and 2011 were $18.9 million, $22.2 million, and $20.6 million, respectively. The amounts expensed for 2013, 2012, and 2011 were $19.2 million, $24.4 million, and $22.7 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 16 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 prioritize the inputs used in the methodologies of measuring fair value for assets 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 July 2013, the FASB issued new guidance under Accounting Standards Update 2013-11 regarding the presentation of unrecognized tax benefits in financial statements. This new standard requires the netting in the balance sheet of unrecognized tax benefits against a deferred tax asset for a same-jurisdiction loss or other carryforward that would apply in settlement of the uncertain tax positions. To the extent a net operating loss ("NOL") or tax credit carryforward is not available under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position, the unrecognized tax benefit would be presented in the balance sheet as a liability. This standard is effective for annual and interim periods beginning after December 15, 2013. We expect that the adoption of this standard will not have a material impact on our financial statements.

In February 2013, the FASB amended the guidance in ASC 220 on comprehensive income. The new guidance requires 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 amounts reclassified are required under GAAP to be reclassified in their entirety to net income. For other amounts that are not required under GAAP to be reclassified in their entirety to net income, cross references to other disclosures will be required. We adopted this new guidance beginning with our interim financial statements for the three months ended March 31, 2013. See Note 12 for our disclosures.

3. Investment in CyrusOne

On January 24, 2013, we completed the initial public offering of CyrusOne, our former Data Center Colocation segment. As of this date, we no longer control CyrusOne's operations and we removed the following assets and liabilities of CyrusOne from our consolidated financial statements:

(dollars in millions)	
Cash	$ 12.2
Receivables	41.5
Other current assets	13.4
Property, plant and equipment	736.2
Goodwill and intangibles	377.7
Other noncurrent assets	44.0
Total assets	1,225.0
Current portion of long-term debt	6.3
Accounts payable	29.4
Unearned revenue and customer deposits	24.1
Other current liabilities	12.9
Long-term debt	550.3
Other noncurrent liabilities	92.3
Total liabilities	715.3
Net assets	$ 509.7

Our 69% effective ownership is held in the form of 1.9 million shares of unregistered common stock of CyrusOne Inc. and 42.6 million of economically equivalent partnership units in its underlying operating entity, CyrusOne LP. For the year ended December 31, 2013, our equity method share of CyrusOne's net loss was $10.7 million.

Commencing January 17, 2014, we may exchange the partnership units of CyrusOne LP into cash, or shares of common stock of CyrusOne, as determined by CyrusOne, on a one-for-one basis based upon the fair value of a share of CyrusOne common stock, subject to certain limitations which restrict the volume of shares we are permitted to sell. The restrictions lapse upon the effectiveness of CyrusOne Inc.'s registration statement, to be filed by March 24, 2014.

As of December 31, 2013, the fair value of this investment was $993.2 million based on the quoted market price of CyrusOne's common stock, which is considered a Level 1 measurement in the fair value hierarchy.

Summarized financial information for CyrusOne is as follows:

(dollars in millions)	January 24, 2013 to December 31, 2013
Revenue	$248.4
Operating income	28.9
Net loss	(15.6)

(dollars in millions)	As of December 31, 2013
Net investment in real estate	$ 883.8
Total assets	1,506.8
Total liabilities	729.2

Transactions with CyrusOne

Revenues - The Company records service revenue from CyrusOne under contractual service arrangements which include, among others, providing services such as fiber transport, network support, service calls, monitoring and management, storage and back-up, and IT systems support.

Operating Expenses - For the year ended December 31, 2013, we recognized transaction-related compensation of $20.0 million associated with CyrusOne employees. These payments were made in April 2013. See Note 8 for further discussion of this compensation plan.

We lease data center and office space from CyrusOne at certain locations in the Cincinnati area under operating leases and are also billed for other services provided by CyrusOne under contractual service arrangements. In the normal course of business, the Company also provides certain administrative services to CyrusOne. These services are billed to CyrusOne based on agreed-upon rates and could include, but are not limited to, services for cash management, legal, treasury, human resources, accounting, tax, internal audit, information technology and risk management services. For the period to date, the services provided have been primarily limited to cash management. These expense recoveries from CyrusOne are credited to the expense account in which they were initially recorded.

Revenues and operating costs and expenses from transactions with CyrusOne were as follows:

(dollars in millions)	January 24, 2013 to December 31, 2013
Revenue:	
Services provided to CyrusOne	$ 2.1
Operating costs and expenses:	
Transaction-related compensation to CyrusOne employees	$ 20.0
Charges for services provided by CyrusOne	8.8
Administrative services provided to CyrusOne	(0.6)
Total operating costs and expenses	$ 28.2

Dividends of $21.3 million were received in 2013. In addition, on December 11, 2013, CyrusOne declared dividends of $0.16 per share payable on its common shares and CyrusOne LP partnership units. This dividend was paid on January 10, 2014 to holders of record as of December 27, 2013.

In addition to the agreements noted above, the Company entered into a tax sharing agreement with CyrusOne. Under the terms of the agreement, CyrusOne will reimburse the Company for the Texas Margin Tax liability that CyrusOne would have incurred if they filed a Texas Margin Tax return separate from the consolidated filing. The agreement will remain in effect until terminated by the mutual written consent of the parties or when the Company is no longer required to file the Texas Margin Tax return on a consolidated basis with CyrusOne. As of December 31, 2013 the receivable related to this agreement amounted to $1.5 million and is included in the receivable balance noted below.

At December 31, 2013, amounts receivable from and payable to CyrusOne were as follows:

(dollars in millions)	December 31, 2013
Accounts receivable	$ 2.1
Dividends receivable	7.1
Receivable from CyrusOne	$ 9.2
Accounts payable	$ 0.5
Payable to CyrusOne	$ 0.5

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, 2013	2012	2011
Numerator:			
Net (loss) income	$ (54.7)	$ 11.2	$ 18.6
Preferred stock dividends	10.4	10.4	10.4
Net (loss) income applicable to common shareowners — basic and diluted	$ (65.1)	$ 0.8	$ 8.2
Denominator:			
Weighted-average common shares outstanding — basic	205.9	197.0	196.8
Warrants	—	4.5	0.4
Stock-based compensation arrangements	—	3.2	2.8
Weighted-average common shares outstanding — diluted	205.9	204.7	200.0
Basic and diluted (loss) earnings per common share	$ (0.32)	$ 0.00	$ 0.04

For the year ended December 31, 2013, the Company had a net loss available to common shareholders and, as a result, all common stock equivalents were excluded from the computation of diluted EPS as their inclusion would have been anti-dilutive. For the years ended December 31, 2012, and 2011, awards under our stock-based compensation plans for common shares of 5.3 million and 11.4 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, 2013	December 31, 2012	Depreciable Lives (Years)
Land and rights-of-way	$ 4.3	$ 49.7	20-Indefinite
Buildings and leasehold improvements	172.8	895.9	2-40
Network equipment	2,897.7	2,858.4	2-50
Office software, furniture, fixtures and vehicles	152.9	133.8	2-14
Construction in process	20.7	78.6	n/a
Gross value	3,248.4	4,016.4	
Accumulated depreciation	(2,345.6)	(2,429.0)	
Property, plant and equipment, net	$ 902.8	$ 1,587.4	

Depreciation expense on property, plant and equipment was $166.0 million, $198.8 million, and $180.4 million in 2013, 2012, and 2011, respectively. Approximately 85%, 87%, and 84% of "Depreciation," as presented in the Consolidated Statements of Operations in 2013, 2012, and 2011, 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 fall within the range of 9 to 22 years.

No asset impairment losses were recognized in 2013. 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.

During the first quarter and in connection with ongoing reviews of the estimated remaining useful lives of property, plant and equipment, we shortened the estimated useful lives assigned to wireless network software to three years. This change resulted from smartphone-driven technology upgrades, enhancements and projected retirements. As a result of this change in estimate, we recorded depreciation expense of $8.5 million in the first quarter of 2013, which has the impact of increasing basic and diluted loss per share for the first quarter by approximately $0.03 per share.

In conjunction with our long-lived asset analysis conducted in the fourth quarter, we reassessed the useful lives of all our Wireless property, plant and equipment. The remaining useful life for all Wireless property, plant, and equipment assets was reduced to 30 months as of December 31, 2013, resulting in additional depreciation expense of $3.0 million in the quarter. The additional depreciation expense in the fourth quarter had the impact of increasing basic and diluted loss per share for the year by $0.01 per share. As a result of this change in estimate, depreciation expense will be increased by approximately $36 million in 2014. In addition, reducing the useful life of all Wireless property, plant and equipment also required that we shorten the amortization period of the deferred gain associated with the tower sale to 30 months as of December 31, 2013. In 2013, the amortization of the deferred gain associated with the tower sale totaled $3.3 million, compared to the approximate $14 million expected to be recognized in 2014.

As of December 31, 2013 and 2012, buildings and leasehold improvements, network equipment, and office software, furniture, fixtures and vehicles include $126.8 million and $244.1 million, respectively, of assets accounted for as capital leases or financing arrangements. Depreciation 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, 2013 and 2012, the gross value of goodwill was $64.7 million and $340.9 million, respectively. Accumulated impairment losses were $50.3 million at December 31, 2013 and 2012. The deconsolidation of CyrusOne in January 2013 resulted in the divestiture of $276.2 million of goodwill. The changes in the carrying amount of goodwill, for the years ended December 31, 2013 and 2012 are as follows:

(dollars in millions)	Wireline	Wireless	IT Services and Hardware	Data Center Colocation	Total
Balance as of December 31, 2011	$11.8	$—	$2.6	$ 276.2	$ 290.6
Impairment	—	—	—	—	—
Balance as of December 31, 2012	11.8	—	2.6	276.2	290.6
Goodwill divested from deconsolidation of CyrusOne	—	—	—	(276.2)	(276.2)
Balance as of December 31, 2013	$11.8	$—	$2.6	$ —	$ 14.4

Intangible Assets Not Subject to Amortization

As of December 31, 2013 and 2012, 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

As of December 31, 2013, intangible assets subject to amortization consist of customer relationships and trademarks. As of December 31, 2012, intangible assets subject to amortization consisted of customer relationships, trademarks and a favorable leasehold interest. For the year ended December 31, 2013, no impairment losses were recognized on intangible assets subject to amortization. For the year ended December 31, 2012, an impairment loss of $1.5 million was recognized by our former 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. The deconsolidation of CyrusOne in January 2013 resulted in the divestiture of customer relationships, trademarks and a favorable leasehold interest with net book values of $91.7 million, $6.1 million and $3.7 million, respectively.

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, 2013		December 31, 2012	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer relationships					
Wireline	10	$ 7.0	$ (6.1)	$ 7.0	(4.9)
Wireless	9	8.7	(8.5)	8.7	(8.1)
IT Services and Hardware	5	2.0	(2.0)	2.0	(2.0)
Data Center Colocation	15	—	—	129.5	(36.8)
		17.7	(16.6)	147.2	(51.8)
Trademarks					
Wireless	6	6.2	(3.8)	6.2	(2.8)
Data Center Colocation	15	—	—	7.4	(1.3)
		6.2	(3.8)	13.6	(4.1)
Favorable leasehold interest					
Data Center Colocation	56	—	—	3.9	(0.2)
		$23.9	$(20.4)	$164.7	$(56.1)

Amortization expense for intangible assets subject to amortization was $3.6 million in 2013, $18.6 million in 2012, and $19.1 million in 2011. In the fourth quarter of 2013, the remaining useful life for the Wireless trademark was reduced to 30 months as of December 31, 2013. The change in the useful life was not material to 2013 or future periods.

The following table presents estimated amortization expense for 2014 through 2018:

(dollars in millions)	
2014	$1.7
2015	1.2
2016	0.6
2017	—
2018	—

7. Debt and Other Financing Arrangements

The Company's debt consists of the following:

(dollars in millions)	December 31, 2013	December 31, 2012
Current portion of long-term debt:		
Corporate Credit Agreement—Tranche B Term Loan	$ 5.4	$ —
Capital lease obligations and other debt	7.2	13.4
Current portion of long-term debt	12.6	13.4
Long-term debt, less current portion:		
Corporate Credit Agreement	40.0	—
Receivables facility	106.2	52.0
8 1/4% Senior Notes due 2017	—	500.0
8 3/4% Senior Subordinated Notes due 2018	625.0	625.0
Corporate Credit Agreement — Tranche B Term Loan	533.2	—
8 3/8% Senior Notes due 2020	683.9	683.9
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	134.5
Capital lease obligations and other debt	96.1	123.1
	2,258.9	2,683.5
Net unamortized discount	(6.3)	(7.5)
Long-term debt, less current portion	2,252.6	2,676.0
Total debt	$2,265.2	$2,689.4

Corporate Credit Agreement

Revolving Credit Facility

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, 2013, the applicable margin was 4.00% for LIBOR rate advances and 3.00% 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%. At December 31, 2013, the interest rate on the outstanding borrowings under the Corporate Credit Agreement was 4.15%.

The 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 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.

Amendment for Tranche B Term Loan Facility

On September 10, 2013, the Company amended and restated its Corporate Credit Agreement, originally dated as of November 20, 2012, to include a $540 million Tranche B Term Loan facility ("Tranche B Term Loan") that matures on September 10, 2020.

The Company received $529.8 million in net proceeds from the Tranche B Term Loan, after deducting the original issue discount, fees and expenses. These proceeds were used to redeem all of the Company's $500 million $8\frac{1}{4}$% Senior Notes due 2017 ("$8\frac{1}{4}$% Senior Notes") on October 15, 2013 at a redemption price of 104.125%, including payment of accrued interest thereon totaling $20.6 million.

The Tranche B Term Loan was issued with 0.75% of original issue discount and requires quarterly principal payments of 0.25% of the original principal amount. Loans under the Tranche B Term Loan bear interest, at the Company's election, at a rate per annum equal to (i) LIBOR (subject to a 1.00% floor) plus 3.00% or (ii) the base rate plus 2.00%. Base rate is the greatest of (a) the bank prime rate, (b) the one-month LIBOR rate plus 1.00% and (c) the federal funds rate plus 0.5%. At December 31, 2013, the interest rate on the outstanding Tranche B Term Loan was 4.00%.

In accordance with the terms of the amended Corporate Credit Agreement, the Company's ability to make restricted payments, which include share repurchases and common stock dividends, is limited to a total of $15 million, with certain permitted exceptions, given that its Consolidated Total Leverage Ratio, as defined by the Corporate Credit Agreement, exceeds 3.50 to 1.00 as of December 31, 2013. The Company may make restricted payments of $45 million annually when the Consolidated Total Leverage Ratio is less than or equal to 3.50 to 1.00. There are no dollar limits on restricted payments when the Consolidated Total Leverage Ratio is less than or equal to 3.00 to 1.00. These restricted payment limitations do not impact the Company's ability to make regularly scheduled dividend payments on its 6 $^{3}/4$% Cumulative Convertible Preferred Stock. Furthermore, the Company may make restricted payments in the form of share repurchases or dividends up to 15% of CyrusOne sale proceeds, subject to a $35 million annual cap with carryovers.

The Corporate Credit Agreement was also modified to provide that the Tranche B Term Loan participates in mandatory prepayments, subject to the terms and conditions (including with respect to payment priority) set forth in the restated Corporate Credit Agreement. In addition, the Corporate Credit Agreement was modified to provide that 85%, rather than 100%, of proceeds from monetizing any portion of our CyrusOne common stock partnership units, are applied to mandatory prepayments under the restated Corporate Credit Agreement, subject to the terms and conditions set forth therein. Other revisions were also effected pursuant to the amended agreement, including with respect to financial covenant compliance levels.

Guarantors and Security Interests, Corporate Credit Agreement (Including Tranche B Term Loan)

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.

Borrowings and Commitment Fees, Corporate Credit Agreement

As of December 31, 2013, the Company had $40.0 million of outstanding borrowings under the Corporate Credit Agreement, leaving $160.0 million available. There were no borrowings under the Corporate Credit Agreement as of December 31, 2012.

The Company pays commitment fees for the unused amount of borrowings on the Corporate Credit Agreement 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 $1.0 million in 2013, $1.6 million in 2012, and $2.3 million in 2011.

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 $120.0 million as of December 31, 2013. On June 3, 2013, the Company executed an amendment of its Receivables Facility which, in addition to modifying some of the defined terms and purchaser parties under the prior agreement, provided for an increase in the maximum credit availability under the Receivables Facility from $105.0 million to $120.0 million and extended the facility's expiration through June 2016. 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, 2013, the available borrowing capacity was $111.4 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 2016. 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."

Of the total borrowing capacity of $111.4 million at December 31, 2013, $106.2 million consisted of outstanding borrowings and $5.2 million consisted of outstanding letters of credit. Interest on the Receivables Facility is based on the LIBOR rate plus 0.5%. The average interest rate on the Receivables Facility was 0.7% in 2013. The Company pays letter of credit fees on the securitization facility and also pays commitment fees on the total facility. These fees were $0.7 million in 2013, 2012 and 2011.

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.

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 0.5%, plus (3) accrued and unpaid interest, if any, to the date of redemption.

8 $^3/_8$% Senior Notes due 2020

In the fourth quarter of 2010, the Company issued $775 million of 8 $^3/_8$% Senior Notes due 2020 ("8 $^3/_8$% Senior Notes"), which 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 8 $^3/_8$% Senior Notes.

Interest on the 8 $^3/_8$% Senior Notes is payable semi-annually in cash in arrears on April 15 and October 15 of each year, commencing April 15, 2011. The 8 $^3/_8$% Senior Notes are unsecured senior obligations ranking equally with all existing and future senior debt and ranking senior to all existing and future senior subordinated indebtedness and subordinated indebtedness. Each of the Company's current and future subsidiaries that is a guarantor under the Corporate Credit Agreement is also a guarantor of the 8 $^3/_8$% Senior Notes on an unsecured senior basis, with certain immaterial exceptions. The indenture governing the 8 $^3/_8$% Senior Notes contains covenants including but not limited to the following: limitations on dividends to shareowners and other restricted payments; dividend and other payment restrictions affecting the Company's subsidiaries such that the subsidiaries are not permitted to enter into an agreement that would limit their ability to make dividend payments to the parent; issuance of indebtedness; asset dispositions; transactions with affiliates; liens; investments; issuances and sales of capital stock of subsidiaries; and redemption of debt that is junior in right of payment. The indenture governing the 8 $^3/_8$% Senior Notes provides for customary events of default, including for nonpayment at final maturity and for a default of any other existing debt instrument that exceeds $35 million.

The Company may redeem the 8 $^3/_8$% Senior Notes for a redemption price of 104.188%, 102.792%, 101.396% and 100.000% on or after October 15, 2015, 2016, 2017, and 2018, respectively. At any time prior to October 15, 2015, the Company may redeem all or part of the 8 $^3/_8$% Senior Notes at a redemption price equal to the sum of (1) 100% of the principal, plus (2) the greater of (a) 1% of the face value of the 8 $^3/_8$% Senior Notes or (b) the excess over the principal amount of the sum of the present values of (i) 104.188% of the face value of the 8 $^3/_8$% Senior Notes, and (ii) interest payments due from the date of redemption to October 15, 2015, in each case discounted to the redemption date on a semi-annual basis at the applicable U.S. Treasury rates plus 0.5%, plus (3) accrued and unpaid interest, if any, to the date of redemption.

7 $^{1}/_{4}$% Senior Notes due 2023

In 1993, the Company issued $50 million of 7 $^{1}/_{4}$% Senior Notes due 2023 ("7 $^{1}/_{4}$% Senior Notes"). The indenture related to these 7 $^{1}/_{4}$% Senior Notes does not subject the Company to restrictive financial covenants, but it does contain a covenant providing that if the Company incurs certain liens on its property or assets, the Company must secure the outstanding 7 $^{1}/_{4}$% Senior Notes equally and ratably with the indebtedness or obligations secured by such liens. The 7 $^{1}/_{4}$% Senior Notes are collateralized on a basis consistent with the Corporate Credit Agreement. Interest on the 7 $^{1}/_{4}$% Senior Notes is payable semi-annually on June 15 and December 15. The Company may not call the 7 $^{1}/_{4}$% Senior Notes prior to maturity. The indenture governing the 7 $^{1}/_{4}$% Senior Notes provides for customary events of default, including for failure to make any payment when due and for a default of any other existing debt instrument that exceeds $20 million.

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 its subsidiaries. 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, 2013 and 2012, 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 and various equipment. These leases generally contain renewal or buyout options. During the period of time in which we included the accounts of CyrusOne in our consolidated financial statements, capital lease obligations also included liabilities for leased data center facilities, which also generally included renewal options. As of December 31, 2012, CyrusOne held a purchase option on one leased data center facility.

Debt Maturity Schedule

The following table summarizes our annual principal maturities of debt and capital leases for the five years subsequent to December 31, 2013, and thereafter:

(dollars in millions)	Debt	Capital Leases	Total Debt
Year ended December 31,			
2014	$ 5.7	$ 6.9	$ 12.6
2015	5.6	6.3	11.9
2016	111.7	6.6	118.3
2017	45.6	3.8	49.4
2018	630.4	2.9	633.3
Thereafter	1,370.0	76.0	1,446.0
	2,169.0	102.5	2,271.5
Net unamortized discount	(6.3)	—	(6.3)
Total debt	$2,162.7	$102.5	$2,265.2

Total capital lease payments including interest are expected to be $14.0 million for 2014, $12.9 million for 2015, $13.2 million for 2016, $9.8 million for 2017, $8.7 million for 2018, and $116.8 million thereafter.

Deferred Financing Costs

Deferred financing costs are costs incurred in connection with obtaining long-term financing. In 2013, deferred financing costs of $6.7 million were incurred related to amending the Corporate Credit Agreement for the issuance of the $540 million Tranche B Term Loan facility and amending the Receivables Facility. 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, 2013 and 2012, deferred financing costs totaled $26.1 million and $47.1 million, respectively. The deconsolidation of CyrusOne in January 2013 resulted in the divestiture of $16.9 million deferred financing costs. 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 $5.9 million in 2013, $7.2 million in 2012, and $7.0 million in 2011.

Debt Covenants

Corporate Credit Agreement

The Corporate Credit Agreement has financial covenants that require the Company to maintain certain leverage and interest coverage ratios and comply with annual limitations on capital expenditures. As of December 31, 2013, these ratios and limitations include a maximum consolidated total leverage ratio of 7.00, a maximum consolidated senior secured leverage ratio of 3.00, a minimum consolidated interest coverage ratio of 1.50 and a 2013 maximum capital expenditure limitation of $220 million. Capital expenditures are permitted subject to predetermined annual thresholds which are not to exceed $955 million in the aggregate over the life of the Corporate Credit Agreement. One year into the Corporate Credit Agreement, capital expenditures for the Company, excluding CyrusOne, totaled $189.2 million. In addition, 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 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 Tranche B Term Loan is subject to the same affirmative and negative covenants and events of default as the Corporate Credit Agreement, except that a breach of the financial covenants will not result in an event of default under the Tranche B Term Loan unless and until the agent or a majority in interest of the lenders under the Corporate Credit Agreement have terminated the commitments under the Corporate Credit Agreement or accelerated the loans then outstanding under the Corporate Credit Agreement in response to such breach.

Public Indentures

The Company's public debt, which includes the 8 $^{3}/_{4}$% Senior Subordinated Notes due 2018 and 8 $^{3}/_{8}$% Senior Notes due 2020, is 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 $200 million Corporate Credit Agreement plus an additional $161.4 million of secured debt. 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. If the Company is under the 4:00 to 1:00 ratio on a pro forma basis, the Company may access its restricted payments basket, which provides the ability to repurchase shares or pay dividends. In addition, the Company may designate one or more of its subsidiaries as Unrestricted (as defined in the various indentures) such that any Unrestricted Subsidiary (as defined in the various indentures) 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 Credit Agreement, 6 $^3/_8$% Senior Notes due 2022, Capital Lease Obligations, and Other Financing Arrangements

On November 20, 2012, CyrusOne entered into a credit agreement (the "CyrusOne Credit Agreement") which provided 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. As of December 31, 2012, there were no borrowings on the CyrusOne Credit Agreement. Commitment fees related to the CyrusOne Credit Agreement were immaterial in 2012.

Also on November 20, 2012, CyrusOne LP and CyrusOne Finance Corp. (the "Issuers") issued $525 million of 6 $^3/_8$% Senior Notes due 2022, which was recognized within "Long-term debt, less current portion" in the Consolidated Balance Sheets as of December 31, 2012.

During the period of time in which we included the accounts of CyrusOne in our consolidated financial statements, we accounted for certain leased buildings in our data center operations as other financing arrangements. Structural improvements were made to these leased facilities in excess of normal tenant improvements and, as such, we were deemed the accounting owner of these facilities. As of December 31, 2012, the liability related to other financing arrangements was $60.8 million, which was recognized within "Other noncurrent liabilities" in the Consolidated Balance Sheets.

In 2013, upon completion of the IPO of CyrusOne, we removed CyrusOne's debt from our consolidated financial statements. The Company no longer has any obligations related to CyrusOne's indebtedness which includes CyrusOne's $525 million of 6 $^3/_8$% Senior Notes due 2022 ("CyrusOne 6 $^3/_8$% Senior Notes"), capital lease obligations and other financing arrangements. In addition, the Company no longer has access to the $225 million CyrusOne Credit Agreement.

Extinguished Notes

In the fourth quarter of 2013, the Company redeemed all of the $500.0 million of 8 $^1/_4$% Senior Notes due 2017 ("8 $^1/_4$% Senior Notes") at a redemption price of 104.125% using proceeds from the new Tranche B Term Loan facility that was issued on September 10, 2013. In accordance with the indenture governing these 8 $^1/_4$% Senior Notes, the Company had filed a notification with the trustee on September 11, 2013 of its election to redeem these 8 $^1/_4$% Senior Notes on the Redemption date, October 15, 2013. As a result, the Company recorded a debt extinguishment loss of $29.6 million for the year ended December 31, 2013.

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 8 $^3/_8$% 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.

8. Commitments and Contingencies

Operating Lease Commitments

The Company leases certain circuits, facilities, and equipment used in its operations. Operating lease expense was $13.4 million, $19.3 million, and $20.4 million in 2013, 2012, and 2011, respectively. In 2013, $0.3 million of the operating lease expense is associated with CyrusOne as it was included for the first 23 days of January prior to its IPO. In 2012 and 2011, CyrusOne operating lease expense was $5.9 million and $5.3 million, respectively. Certain facility leases and tower site leases provide for renewal options with fixed rent escalations beyond the initial lease term.

At December 31, 2013, future minimum lease payments required under operating leases having initial or remaining non-cancellable lease terms for the next five years are as follows:

(dollars in millions)	
2014	$ 10.9
2015	8.1
2016	4.5
2017	2.6
2018	1.1
Thereafter	1.1
Total	$ 28.3

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)	2013	2012
Balance, beginning of period	$ 7.1	$5.4
Liabilities settled	(0.1)	—
Liabilities incurred	0.1	0.2
Revisions to estimated cash flow	1.1	1.1
Accretion expense	0.5	0.4
Deconsolidation of CyrusOne	(0.2)	—
Balance, end of period	$ 8.5	$7.1

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 $5.2 million as of December 31, 2013. 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, 2013 or 2012.

Purchase Commitments

The Company has noncancellable purchase commitments related to certain goods and services. These agreements range from one to three years. As of December 31, 2013 and 2012, the minimum commitments for these arrangements were approximately $117 million and $120 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, 2013, 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 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. The settlement and counsel fees and expenses were fully paid as of December 31, 2012.

Contingent Compensation Plan

In 2010, the Company's Board of Directors approved long-term incentive programs for certain members of management. Payment was 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.

On January 24, 2013, CyrusOne completed its IPO. This is a qualifying transaction and as such triggered payments under this contingent compensation plan. For the year ended December 31, 2013, compensation expense of $42.6 million was recognized for these awards and other transaction-related incentives, of which $20.0 million was associated with CyrusOne employees. This expense has been presented as transaction-related compensation in our Consolidated Statement of Operations for the year ended December 31, 2013. For the years ended December 31, 2012 and 2011, no compensation expense was recognized for these awards as a qualifying transaction had not been completed.

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, 2013 and 2012, except for the Company's investment in CyrusOne, long-term debt and other financing arrangements.

The carrying value and fair value of the Company's financial instruments are as follows:

(dollars in millions)	December 31, 2013 Carrying Value	December 31, 2013 Fair Value	December 31, 2012 Carrying Value	December 31, 2012 Fair Value
Investment in CyrusOne	$ 471.0	$ 993.2	$ —	$ —
Long-term debt, including current portion*	2,162.7	2,248.3	2,554.3	2,699.5
Other financing arrangements	—	—	60.8	69.5

* Excludes capital leases.

The fair value of our investment in CyrusOne was based on the closing market price of CyrusOne's common stock on December 31, 2013. This fair value measurement is considered Level 1 of the fair value hierarchy.

The fair value of debt instruments was based on closing or estimated market prices of the Company's debt at December 31, 2013 and 2012, which is considered Level 2 of the fair value hierarchy.

As of January 24, 2013, upon completion of the IPO of CyrusOne, we no longer consolidate CyrusOne. Therefore, the other financing arrangements related to CyrusOne are no longer accounted for in our consolidated financial statements. As of December 31, 2012, 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.

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. In 2013, no assets were remeasured at fair value.

During 2012, the following assets were remeasured at fair value in connection with impairment tests:

		Fair Value Measurements Using			
(dollars in millions)	Year Ended December 31, 2012	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.

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, 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
Charges	9.0	4.1	0.6	13.7
Utilizations	(7.1)	(3.6)	(0.7)	(11.4)
Balance as of December 31, 2013	$ 9.7	$ 6.0	$ 0.1	$ 15.8

Employee separation costs consist of severance to be paid pursuant to the Company's written severance plan and certain management contracts. In 2013, employee separation costs also included consulting fees related to a workforce optimization initiative. In 2012, a voluntary termination program was offered to certain Wireline call center employees and included in employee separation costs. Severance payments are expected to be paid through 2015.

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 2013, contract terminations consist of amounts due to a distributor to terminate a contractual agreement. In 2011, contract terminations consist of amounts due to distributors to terminate their contractual agreements and to telecommunication carriers to cancel circuits. Contract terminations are expected to be paid in 2014.

A summary of restructuring activity by business segment is presented below:

(dollars in millions)	Wireline	Wireless	IT Services and Hardware	Data Center Colocation	Corporate	Total
Balance as of December 31, 2010	$ 12.8	$ 1.0	$ 1.3	$ 1.4	$ 3.8	$ 20.3
Charges	7.7	—	1.9	—	2.6	12.2
Utilizations	(5.4)	(0.3)	(0.7)	(1.4)	(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	(1.2)	0.5	(1.0)	3.4
Utilizations	(10.0)	(0.7)	(0.8)	(0.5)	(1.9)	(13.9)
Balance as of December 31, 2012	$ 8.6	$ 1.6	$ 0.5	$ —	$ 2.8	$ 13.5
Charges	9.1	0.2	0.7	—	3.7	13.7
Utilizations	(7.2)	(0.3)	(0.4)	—	(3.5)	(11.4)
Balance as of December 31, 2013	$ 10.5	$ 1.5	$ 0.8	$ —	$ 3.0	$ 15.8

At December 31, 2013 and 2012, $7.8 million and $5.8 million, respectively, of the restructuring liabilities were included in "Other current liabilities," and $8.0 million and $7.7 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 $6.6 million, $6.9 million, and $6.4 million in 2013, 2012, and 2011, 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. Pension plan amendments were approved in May 2013, and the Company remeasured the associated pension obligations. As a result of the pension plan amendment, the Company recorded a curtailment gain of $0.6 million and a $10.3 million reduction to the associated pension obligations in the three months ended June 30, 2013. 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. In August 2013, several amendments to the postretirement plan required a remeasurement of the associated benefit obligations. As a result, the Company recorded a $26.1 million reduction to the postretirement liability in the third quarter of 2013.

Components of Net Periodic Cost

The following information relates to noncontributory defined benefit pension plans, postretirement healthcare plans, and life insurance benefit plans. Approximately 10% in 2013, 11% in 2012, and 7% in 2011 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)	2013	2012	2011	2013	2012	2011
Service cost	$ 2.1	$ 2.6	$ 5.1	$ 0.4	$ 0.5	$ 0.3
Interest cost on projected benefit obligation	18.8	21.3	24.8	4.0	5.6	7.1
Expected return on plan assets	(25.7)	(26.1)	(29.3)	—	—	—
Amortization of:						
Prior service cost (benefit)	0.2	0.1	0.3	(14.1)	(13.2)	(13.2)
Actuarial loss	22.0	19.4	14.3	5.6	6.8	6.5
Curtailment (gain) loss	(0.6)	—	4.2	—	—	—
Pension/postretirement costs	$ 16.8	$ 17.3	$ 19.4	$ (4.1)	$ (0.3)	$ 0.7

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		
	2013	2012	2011	2013	2012	2011
Discount rate	3.30%*	3.90%	4.90%	3.40%**	3.60%	4.50%
Expected long-term rate of return	7.75%	7.75%	8.25%	0%	0%	0%
Future compensation growth rate	3.00%	3.00%	3.00%	—	—	—

* Discount rate used for the remeasurement of the management pension plan was consistent with the discount rate previously established.

** For the period January 1, 2013 through July 31, 2013, the date of the remeasurement, we used a 3.10% discount rate. From that date through the end of the year, we used a 3.90% discount rate.

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:

(dollars in millions)	Pension Benefits		Postretirement and Other Benefits	
	2013	2012	2013	2012
Change in benefit obligation:				
Benefit obligation at January 1,	$ 584.9	$ 569.2	$152.4	$ 164.9
Service cost	2.1	2.6	0.4	0.5
Interest cost	18.8	21.3	4.0	5.6
Prior service credit	—	—	(17.4)	—
Actuarial (gain) loss	(38.2)	30.6	(19.6)	2.2
Benefits paid	(44.6)	(38.8)	(23.9)	(26.0)
Retiree drug subsidy received	—	—	0.5	0.6
Early retiree subsidy refunded	—	—	—	(0.1)
Other	—	—	5.1	4.7
Benefit obligation at December 31,	$ 523.0	$ 584.9	$101.5	$ 152.4
Change in plan assets:				
Fair value of plan assets at January 1,	$ 343.8	$ 312.5	$ 11.7	$ 12.1
Actual return on plan assets	55.1	44.2	0.4	0.4
Employer contributions	45.0	25.9	22.6	24.7
Retiree drug subsidy received	—	—	0.5	0.6
Early retiree subsidy refunded	—	—	—	(0.1)
Benefits paid	(44.6)	(38.8)	(23.9)	(26.0)
Fair value of plan assets at December 31,	399.3	343.8	11.3	11.7
Unfunded status	$(123.7)	$(241.1)	$ (90.2)	$(140.7)

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,	
	2013	2012	2013	2012
Discount rate	4.20%	3.30%	4.10%	3.10%
Expected long-term rate of return	7.75%	7.75%	0%	0%
Future compensation growth rate	—	3.00%	—	—

The assumed healthcare cost trend rate used to measure the postretirement health benefit obligation is shown below:

	December 31,	
	2013	2012
Healthcare cost trend	6.5%	6.5%
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	2017	2016

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 2013	$0.2	$(0.2)
Postretirement benefit obligation at December 31, 2013	4.7	(4.2)

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)	2013	2012	2013	2012
Accrued payroll and benefits (current liability)	$ 2.1	$ 1.7	$12.7	$ 21.4
Pension and postretirement benefit obligations (noncurrent liability)	121.6	239.4	77.5	119.3
Total	$123.7	$241.1	$90.2	$140.7

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)	2013	2012	2013	2012
Prior service (cost) benefit, net of tax of $0.3, $0.2, $(26.8), $(26.0)	$ (0.6)	$ (0.3)	$ 48.4	$ 45.9
Actuarial loss, net of tax of $77.2, $109.0, $26.6, $35.6	(134.8)	(192.5)	(46.1)	(62.7)
Total	$(135.4)	$(192.8)	$ 2.3	$(16.8)

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)	2013	2012	2013	2012
Prior service cost recognized:				
Reclassification adjustments	$ (0.4)	$ 0.1	$(14.1)	$(13.2)
Prior service credit	—	—	17.4	—
Actuarial loss recognized:				
Reclassification adjustments	22.0	19.4	5.6	6.8
Actuarial loss arising during the period	67.5	(12.5)	20.0	(1.8)

The following amounts currently included in "Accumulated other comprehensive loss" are expected to be recognized in 2014 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	$(15.4)
Actuarial loss	16.7	5.2
Total	$16.9	$(10.2)

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 78% of the equity securities held by the pension plans at December 31, 2013 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, 2013 and 2012 by asset category are as follows:

(dollars in millions)	December 31, 2013	Quoted Prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
Mutual funds				
U.S. equity index funds	$201.4	$201.4	$—	$ —
International equity index funds	57.0	57.0	—	—
Fixed income bond funds	109.8	109.8	—	—
Fixed income short-term money market funds	0.3	0.3	—	—
Real estate pooled funds	30.8	—	—	30.8
Group insurance contract	11.3	—	—	11.3
Total	$410.6	$368.5	$—	$42.1

(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 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

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 real estate pooled funds invest primarily in commercial real estate and include mortgage loans which are backed by the associated properties. These investments are sensitive to changes in commercial real estate market values. They focus on properties that return both lease income and appreciation of the buildings' marketable value. In estimating fair value of the investments in level 3, the fund managers use independent appraisers. The generally accepted method used in the valuation of real estate are the income, cost and sales comparison approaches of estimating property value. Key inputs and assumptions used to determine fair value include among others, rental revenue and expense amounts and related revenue and expense growth rates, terminal capitalization rates and discount rates. In the event that total withdrawal requests exceed the total cash available to honor such requests, available cash will be pro-rated among those contract-holders eligible for withdrawals.

The Level 3 investments had the following changes in 2013 and 2012:

	Pension		Postretirement and Other Benefits	
(dollars in millions)	**2013**	**2012**	**2013**	**2012**
Balance, beginning of year	$27.8	$25.5	$11.7	$12.1
Realized gains, net	1.0	1.0	0.4	0.4
Unrealized gains, net	2.7	1.8	—	—
Purchases, sales, issuances and settlements, net	(0.7)	(0.5)	(0.8)	(0.8)
Balance, end of year	$30.8	$27.8	$11.3	$11.7

Contributions to our qualified pension plans were $42.1 million in 2013, $23.9 million in 2012, and $18.1 million in 2011. Contributions to our non-qualified pension plan were $2.9 million in 2013 and $2.0 million in 2012 and 2011, respectively.

Based on current assumptions, management believes it will make contributions of approximately $33 million to the qualified pension plan in 2014. Contributions to non-qualified pension plans in 2014 are expected to be approximately $2 million. Management expects to make cash payments of approximately $13 million related to its postretirement health plans in 2014.

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**
2014	$ 42.0	$13.4	$(0.7)
2015	41.0	12.3	(0.6)
2016	41.7	11.1	(0.6)
2017	41.6	10.0	(0.5)
2018	40.7	9.0	(0.5)
Years 2019 — 2023	184.6	32.3	(1.9)

12. Shareowners' Deficit

Common Shares

The par value of the Company's common shares is $0.01 per share. At December 31, 2013 and 2012, common shares outstanding were 208,165,275 and 202,468,710, respectively.

In 2010, the Board of Directors approved a plan for repurchase of up to $150 million of the Company's common shares. In 2013, no shares were repurchased or retired under this plan. 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. As of December 31, 2013, the Company has the authority to repurchase $129.2 million of its common stock.

At December 31, 2013 and 2012, 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 6 3/4% cumulative convertible preferred stock at stated value. These shares were subsequently deposited into a trust in which the underlying 155,250 shares are equivalent to 3,105,000 depositary shares. Shares of this preferred stock can be converted at any time at the option of the holder into common stock of the Company at a conversion rate of 1.44 shares of the Company common stock per depositary share of 6 3/4% convertible preferred stock. Annual dividends of $67.50 per share (or $3.3752 per depositary share) on the outstanding 6 3/4% convertible preferred stock are payable quarterly in arrears in cash, or in common stock in certain circumstances if cash payment is not legally permitted. The liquidation preference on the 6 3/4% preferred stock is $1,000 per share (or $50 per depositary share). The Company paid $10.4 million in preferred stock dividends in 2013, 2012, and 2011.

Warrants

In March 2003, the Company entered into a series of recapitalization transactions which included the issuance of 17.5 million warrants that expired on March 26, 2013. Each warrant allowed the holder to purchase one share of Cincinnati Bell common stock at an exercise price of $3.00 each. During the first quarter of 2013, warrant holders elected to exercise a total of 14.3 million warrants, leaving no remaining warrants outstanding as of December 31, 2013. As a result, the Company issued a total of 4.4 million shares of common stock and received $5.1 million of cash proceeds for the 1.7 million of such warrants which were cash settled. 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. There were no warrants exercised during 2011.

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.

For the year ended December 31, 2013, the changes in accumulated other comprehensive loss by component were as follows:

(dollars in millions)	Unrecognized Net Periodic Pension and Postretirement Benefit Cost	Foreign Currency Translation Loss	Total
Balance as of December 31, 2012	$(209.6)	$(0.1)	$(209.7)
Foreign currency loss	—	(0.1)	(0.1)
Remeasurement of benefit obligations	56.8	—	56.8
Net prior service credit	11.3	—	11.3
Reclassifications, net	8.4(a)	—	8.4
Balance as of December 31, 2013	$(133.1)	$(0.2)	$(133.3)

(a) These reclassifications are included in the components of net period pension and postretirement benefit costs (see Note 11 for additional details). The components of net period pension and postretirement benefit cost are reported within "Cost of services", "Cost of products sold", and "Selling, general and administrative" expenses on the Consolidated Statements of Operations.

13. Income Taxes

Income tax expense consists of the following:

(dollars in millions)	Year Ended December 31, 2013	2012	2011
Current:			
Federal	$ —	$ 1.8	$ —
State and local	—	1.6	0.4
Total current	—	3.4	0.4
Investment tax credits	(0.2)	(0.3)	(0.3)
Deferred:			
Federal	(13.0)	21.8	24.3
State and local	(3.7)	2.0	3.4
Foreign	0.3	(0.5)	0.1
Total deferred	(16.4)	23.3	27.8
Valuation allowance	14.1	(1.7)	(2.9)
Total	$ (2.5)	$24.7	$25.0

The following is a reconciliation of the statutory federal income tax rate with the effective tax rate for each year:

	Year Ended December 31, 2013	2012	2011
U.S. federal statutory rate	35.0%	35.0%	35.0%
State and local income taxes, net of federal income tax	1.5	3.9	2.9
Change in valuation allowance, net of federal income tax	(15.8)	(2.3)	(4.4)
State net operating loss adjustments	2.7	3.7	2.7
Nondeductible interest expense	(11.4)	18.1	15.0
Unrecognized tax benefit changes	(2.1)	2.2	2.8
Nondeductible compensation	(2.5)	2.7	2.1
Foreign	(0.7)	3.5	0.1
Other differences, net	(2.3)	2.0	1.1
Effective tax rate	4.4%	68.8%	57.3%

The income tax (benefit) provision was charged to continuing operations, accumulated other comprehensive income (loss) or additional paid-in capital as follows:

(dollars in millions)	Year Ended December 31, 2013	2012	2011
Income tax (benefit) provision related to:			
Continuing operations	$ (2.5)	$24.7	$ 25.0
Accumulated other comprehensive income (loss)	42.1	(0.4)	(26.5)
Excess tax benefits on stock option exercises	(0.5)	(2.4)	—

The components of our deferred tax assets and liabilities are as follows:

(dollars in millions)	December 31, 2013	December 31, 2012
Deferred tax assets:		
Net operating loss carryforwards	$452.3	$410.8
Pension and postretirement benefits	81.9	144.6
Equity method investment in CyrusOne	41.5	—
Other	63.2	69.9
Total deferred tax assets	638.9	625.3
Valuation allowance	(68.3)	(56.8)
Total deferred tax assets, net of valuation allowance	$570.6	$568.5
Deferred tax liabilities:		
Property, plant and equipment	$171.8	$125.1
Federal deferred liability on state deferred tax assets	3.5	7.2
Other	0.3	1.6
Total deferred tax liabilities	175.6	133.9
Net deferred tax assets	$395.0	$434.6

As of December 31, 2013, the Company had approximately $1.1 billion of federal tax operating loss carryforwards with a deferred tax asset value of $388.4 million, alternative minimum tax credit carryforwards of $16.5 million, state tax credits of $11.1 million, and $63.9 million in deferred tax assets related to state, local, and foreign 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 $23.5 million at December 31, 2013 and $22.3 million at December 31, 2012. 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, 2013 and 2012.

A reconciliation of the unrecognized tax benefits is as follows:

(dollars in millions)	Year Ended December 31, 2013	2012	2011
Balance, beginning of year	$22.8	$21.8	$20.5
Change in tax positions for the current year	1.3	1.4	1.3
Change in tax positions for prior years	—	(0.4)	—
Balance, end of year	$24.1	$22.8	$21.8

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 2010.

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, 2013 were 3.8 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:

	2013		2012		2011	
(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,	9,538	$4.04	14,152	$3.70	17,816	$ 5.55
Granted *	595	4.75	994	3.41	—	—
Exercised	(804)	2.41	(4,854)	2.80	(292)	1.74
Forfeited	(361)	3.39	(6)	2.91	(261)	3.22
Expired	(2,840)	5.56	(748)	4.87	(3,111)	14.48
Outstanding at December 31,	6,128	$3.66	9,538	$4.04	14,152	$ 3.70
Expected to vest at December 31,	6,128	$3.66	9,538	$4.04	14,152	$ 3.70
Exercisable at December 31,	5,064	$3.61	8,486	$4.13	13,047	$ 3.73

(dollars in millions)	2013	2012	2011
Compensation expense for the year	$ 0.6	$ 1.1	$ 0.9
Tax benefit related to compensation expense	$ (0.2)	$ (0.4)	$ (0.3)
Intrinsic value of awards exercised	$ 1.2	$ 10.6	$ 0.4
Cash received from awards exercised	$ 2.4	$ 5.5	$ 0.4
Grant date fair value of awards vested	$ 0.4	$ 0.5	$ 2.1

* 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, 2013:

	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	1,321	$2.06	1,321	$2.06
$3.28 to $4.00	2,915	3.66	2,234	3.74
$4.06 to $5.53	1,890	4.78	1,507	4.79
$5.65 to $6.75	2	5.66	2	5.66
Total	6,128	$3.66	5,064	$3.61

As of December 31, 2013, the aggregate intrinsic value for awards outstanding was approximately $2.2 million and for exercisable awards was $2.1 million. The weighted-average remaining contractual life for awards outstanding and exercisable are each approximately four years. As of December 31, 2013, there was $0.1 million of unrecognized stock compensation expense, which is expected to be recognized over a weighted-average period of approximately one year.

The fair values at the date of grant were estimated using the Black-Scholes pricing model with the following assumptions:

	2013	2012	2011
Expected volatility	43.6%	43.5%	—
Risk-free interest rate	0.8%	0.8%	—
Expected holding period (in years)	5	5	—
Expected dividends	0.0%	0.0%	—
Weighted-average grant date fair value	$1.84	$1.32	$—

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:

	2013		2012		2011	
(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,	1,687	$3.13	1,839	$2.90	2,641	$3.25
Granted*	1,067	4.56	808	3.40	998	2.85
Vested	(703)	3.07	(552)	2.85	(479)	2.84
Forfeited	(514)	3.67	(408)	2.79	(1,321)	3.91
Non-vested at December 31,	1,537	$3.97	1,687	$3.13	1,839	$2.90
(dollars in millions)						
Compensation expense for the year	$ 2.6		$ 2.7		$ 2.4	
Tax benefit related to compensation expense	$ (1.0)		$ (1.0)		$ (0.9)	
Grant date fair value of awards vested	$ 2.2		$ 1.6		$ 1.4	

* Assumes the maximum number of awards that can be earned if the performance conditions are achieved.

As of December 31, 2013, unrecognized compensation expense related to performance-based awards was $1.6 million, which is expected to be recognized over a weighted-average period of approximately two years.

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:

	2013		2012		2011	
(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,	1,298	$3.11	872	$2.89	229	$3.36
Granted	279	4.72	725	3.26	711	2.85
Vested	(454)	3.03	(299)	2.83	(45)	4.69
Forfeited	(79)	3.40	—	—	(23)	3.03
Non-vested at December 31,	1,044	$3.55	1,298	$3.11	872	$2.89
(dollars in millions)						
Compensation expense for the year	$ 1.7		$ 1.5		$ 0.8	
Tax benefit related to compensation expense	$ (0.6)		$ (0.6)		$(0.3)	
Grant date fair value of awards vested	$ 1.4		$ 0.8		$ 0.2	

As of December 31, 2013, there was $1.7 million of unrecognized compensation expense related to these shares, which is expected to be recognized over a weighted-average period of approximately one year.

Cash Settled and Other Awards

The Company granted 531,000 and 789,000 cash-settled stock appreciation rights awards in 2012 and 2011, respectively, with grant date values of $0.8 million and $0.9 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 and 2011, the weighted-average fair value per share was $1.32 and $1.18, 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. At December 31, 2013, there was $0.1 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, 2013 was $0.9 million.

The Company also granted cash-payment performance awards in 2012 and 2011 with base awards of $2.3 million, and $1.0 million, respectively, with the final award payment indexed to the percentage change in the Company's stock price from the date of grant. In 2013, we recorded a $0.2 million benefit related to these awards. In 2012 and 2011, we recorded expenses of $4.4 million and $1.8 million, respectively.

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 2013. 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, 2013 and 2012, 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 a compensation benefit of $1.4 million in 2013, and expenses of $1.8 million and $0.3 million in 2012 and 2011, respectively.

15. Business Segment Information

As of December 31, 2012, and for the period January 1, 2013 through January 23, 2013, we operated four business segments: Wireline, Wireless, IT Services and Hardware, and Data Center Colocation. Effective January 24, 2013, the date of the CyrusOne IPO, we no longer include CyrusOne, our former Data Center Colocation segment, in our consolidated financial statements and now account for our ownership in CyrusOne as an equity method investment. Therefore, at December 31, 2013, we operated three business segments: Wireline, Wireless and IT Services and Hardware. For further details of the CyrusOne IPO, see Note 1 and Note 3 of Notes to consolidated financial statements.

The Wireline segment provides products and services such as local voice, high-speed internet, data transport, long distance, entertainment, voice over internet protocol (VoIP), and other services. Voice local service revenue includes local service, digital trunking, switched access, information services, and other value-added services such as caller identification, voicemail, call waiting, and call return. Data services include Fioptics high-speed internet and DSL internet access primarily for residential consumers. Data services also provide data transport for businesses, including local area network services, dedicated network access, metro-ethernet and Dense Wavelength Division Multiplexing ("DWDM"), 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. 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.

Wireline recognized restructuring charges of $9.1 million, $3.5 million, and $7.7 million in 2013, 2012 and 2011, respectively, for costs associated with employee separation, lease abandonments and contract termination costs. A curtailment gain of $0.6 million was recognized during the second quarter of 2013 due to the remeasurement of the Company's projected benefit obligation following an amendment to the management pension plan that eliminated all future pension service credits as of July 1, 2013. During 2011, a curtailment loss of $4.2 million was recognized from the reduction of future pension benefits for certain bargained employees. Gains on the sale assets were $1.1 million, $1.8 million, and $8.4 million, in 2013, 2012 and 2011, respectively. The gains in 2013 and 2012 were primarily from the sale of copper cabling that was no longer in use. In 2011, the Company sold substantially all of the assets associated with its home security monitoring business. There were no asset impairments in 2013. 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.

The Wireless segment provides digital wireless voice and data communications services and sales of related handset equipment to customers in the Greater Cincinnati and Dayton, Ohio operating areas. Wireless incurred restructuring charges of $0.2 million in 2013 and $1.6 million in 2012, with no such charges in 2011. In 2013, Wireless recorded a $3.5 million loss on disposal of assets for equipment that had no resale market or has either been disconnected from the wireless network, abandoned or demolished. There was no loss on disposal of assets recorded in 2012 and 2011. 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, and related to the write-off of canceled or abandoned capital projects. There were no such impairments in 2013.

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 2013 and 2011, the IT Services and Hardware segment incurred employee separation charges of $0.7 million and $1.9 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.

The Data Center Colocation segment provided data center colocation services to primarily large businesses. The Data Center Colocation results shown in the accompanying tables reflect the revenues and expenses of our former data center business for the period January 1, 2013 through January 23, 2013. Effective January 24, 2013, we no longer include CyrusOne's operating results in our consolidated financial statements. In 2013, we recognized losses of $10.7 million from our investment in CyrusOne which represented our equity method share of CyrusOne's losses. These losses from CyrusOne were recognized as a component of non-operating income. As of December 31, 2013, the carrying value of our investment in CyrusOne was $471.0 million and is included as an asset of the Corporate segment. 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. Also in 2012, the Data Center Colocation segment recognized restructuring charges of $0.5 million for severance associated with management contracts, and a $0.2 million gain on the sale of assets. No asset impairment, restructuring charges, or gain on the sale of assets were incurred in 2011.

Corporate operating results include compensation expense of $42.6 million associated with awards and other transaction-related incentives associated with the initial public offering of CyrusOne on January 24, 2013. Other transaction costs were $1.6 million in 2013, $6.3 million in 2012, and $2.6 million in 2011. Corporate recognized restructuring charges of $3.7 million and $2.6 million in 2013 and 2011, respectively, and reversed restructuring costs of $1.0 million in 2012.

Our business segment information is as follows:

(dollars in millions)	Year Ended December 31, 2013	2012	2011
Revenue			
Wireline	$ 724.8	$ 730.5	$ 732.1
Wireless	201.5	241.8	277.6
IT Services and Hardware	344.1	315.7	300.5
Data Center Colocation	15.6	221.3	184.7
Intersegment	(29.1)	(35.4)	(32.5)
Total revenue	$1,256.9	$1,473.9	$1,462.4
Intersegment revenue			
Wireline	$ 16.8	$ 19.1	$ 23.0
Wireless	2.3	2.3	2.3
IT Services and Hardware	9.6	7.6	5.1
Data Center Colocation	0.4	6.4	2.1
Total intersegment revenue	$ 29.1	$ 35.4	$ 32.5
Operating income			
Wireline	$ 190.2	$ 212.9	$ 228.5
Wireless	18.2	51.2	3.3
IT Services and Hardware	8.5	10.3	9.8
Data Center Colocation	3.2	30.4	46.4
Corporate	(56.3)	(34.7)	(28.5)
Total operating income	$ 163.8	$ 270.1	$ 259.5
Expenditures for long-lived assets			
Wireline	$ 162.6	$ 114.2	$ 112.6
Wireless	16.0	15.8	17.6
IT Services and Hardware	10.6	9.0	6.8
Data Center Colocation	7.7	228.2	118.5
Total expenditures for long-lived assets	$ 196.9	$ 367.2	$ 255.5
Depreciation and amortization			
Wireline	$ 112.2	$ 106.0	$ 102.4
Wireless	41.2	31.9	33.5
IT Services and Hardware	10.5	8.6	8.4
Data Center Colocation	5.2	70.6	54.8
Corporate	0.5	0.3	0.4
Total depreciation and amortization	$ 169.6	$ 217.4	$ 199.5

(dollars in millions)	As of December 31, 2013	2012
Assets		
Wireline	$ 780.8	$ 723.7
Wireless	247.5	275.6
IT Services and Hardware	48.9	43.3
Data Center Colocation	—	1,208.5
Corporate and eliminations	1,030.1	621.3
Total assets	$2,107.3	$2,872.4

Details of our service and product revenues including eliminations are as follows:

(dollars in millions)	Year Ended December 31, 2013	2012	2011
Service revenue			
Wireline	$ 702.3	$ 705.0	$ 703.3
Wireless	183.1	222.7	250.8
IT Services and Hardware	138.7	130.2	114.1
Data Center Colocation	15.2	214.9	182.6
Total service revenue	$1,039.3	$1,272.8	$1,250.8
Product revenue			
Handsets and accessories	$ 21.8	$ 23.2	$ 30.3
IT, telephony and other equipment	195.8	177.9	181.3
Total product revenue	$ 217.6	$ 201.1	$ 211.6

16. Supplemental Cash Flow Information

(dollars in millions)	Year Ended December 31, 2013	2012	2011
Capitalized interest expense	$ 0.6	$ 2.7	$ 3.5
Cash paid (received) for:			
Interest	179.5	217.9	211.8
Income taxes, net of refunds	2.8	0.1	(1.2)
Noncash investing and financing activities:			
Investment in CyrusOne resulting from deconsolidation	509.7	—	—
Accrual of CyrusOne dividends	7.1	—	—
Acquisition of property by assuming debt and other financing arrangements	7.6	19.9	49.7
Acquisition of property on account	13.3	30.7	22.8
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, 2013 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, 2013 and 2012 and the Condensed Consolidating Statements of Operations and Comprehensive Income (Loss) and Cash Flows for the years ended December 31, 2013, 2012, and 2011 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 (Loss)

	Year Ended December 31, 2013				
(dollars in millions)	Parent (Guarantor)	CBT (Issuer)	Other Non-guarantors	Eliminations	Total
Revenue	$ —	$644.2	$669.0	$ (56.3)	$1,256.9
Operating costs and expenses	55.4	459.1	634.9	(56.3)	1,093.1
Operating (loss) income	(55.4)	185.1	34.1	—	163.8
Interest expense (income), net	164.3	(2.7)	20.4	—	182.0
Other expense, net	28.2	6.5	4.3	—	39.0
(Loss) income before equity in earnings of subsidiaries and income taxes	(247.9)	181.3	9.4	—	(57.2)
Income tax (benefit) expense	(79.8)	66.1	11.2	—	(2.5)
Equity in earnings of subsidiaries, net of tax	113.4	—	—	(113.4)	—
Net (loss) income	(54.7)	115.2	(1.8)	(113.4)	(54.7)
Other comprehensive income (loss)	76.5	—	(0.1)	—	76.4
Total comprehensive income (loss)	$ 21.8	$115.2	$ (1.9)	$(113.4)	$ 21.7
Net (loss) income	$ (54.7)	$115.2	$ (1.8)	$(113.4)	$ (54.7)
Preferred stock dividends	10.4	—	—	—	10.4
Net (loss) income applicable to common shareowners	$ (65.1)	$115.2	$ (1.8)	$(113.4)	$ (65.1)

	Year Ended December 31, 2012				
(dollars in millions)	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 (loss) income	(33.9)	206.5	97.5	—	270.1
Interest expense (income), net	164.8	(1.5)	55.6	—	218.9
Other expense (income), net	11.5	5.9	(2.1)	—	15.3
(Loss) income before equity in earnings of subsidiaries and income taxes	(210.2)	202.1	44.0	—	35.9
Income tax (benefit) expense	(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

Condensed Consolidating Statements of Operations and Comprehensive Income (Loss)

	Year Ended December 31, 2011				
(dollars in millions)	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 (loss) income	(20.2)	220.2	59.5	—	259.5
Interest expense, net	161.8	3.4	49.8	—	215.0
Other (income) expense, net	(0.9)	7.5	(5.7)	—	0.9
(Loss) income before equity in earnings of subsidiaries and income taxes	(181.1)	209.3	15.4	—	43.6
Income tax (benefit) expense	(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 Balance Sheets

	As of December 31, 2013				
(dollars in millions)	Parent (Guarantor)	CBT (Issuer)	Other Non-guarantors	Eliminations	Total
Cash and cash equivalents	$ 2.1	$ 1.8	$ 0.7	$ —	$ 4.6
Receivables, net	2.6	—	152.2	—	154.8
Other current assets	4.4	24.1	63.9	(0.7)	91.7
Total current assets	9.1	25.9	216.8	(0.7)	251.1
Property, plant and equipment, net	0.1	706.5	196.2	—	902.8
Investment in CyrusOne	—	—	471.0	—	471.0
Goodwill and intangibles, net	—	2.3	103.8	—	106.1
Investments in and advances to subsidiaries	1,406.6	247.7	—	(1,654.3)	—
Other noncurrent assets	359.1	6.1	178.9	(167.8)	376.3
Total assets	$1,774.9	$988.5	$1,166.7	$(1,822.8)	$2,107.3
Current portion of long-term debt	$ 5.4	$ 3.9	$ 3.3	$ —	$ 12.6
Accounts payable	1.5	45.9	42.5	—	89.9
Other current liabilities	67.7	49.4	34.6	0.1	151.8
Total current liabilities	74.6	99.2	80.4	0.1	254.3
Long-term debt, less current portion	1,916.1	141.8	194.7	—	2,252.6
Other noncurrent liabilities	214.5	172.2	59.0	(168.6)	277.1
Intercompany payables	246.4	—	199.7	(446.1)	—
Total liabilities	2,451.6	413.2	533.8	(614.6)	2,784.0
Shareowners' (deficit) equity	(676.7)	575.3	632.9	(1,208.2)	(676.7)
Total liabilities and shareowners' equity (deficit)	$1,774.9	$988.5	$1,166.7	$(1,822.8)	$2,107.3

(dollars in millions)	As of December 31, 2012 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' (deficit) equity	(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

Condensed Consolidating Statements of Cash Flows

(dollars in millions)	Year Ended December 31, 2013 Parent (Guarantor)	CBT (Issuer)	Other Non-guarantors	Eliminations	Total
Cash flows (used in) provided by operating activities	$(218.1)	$ 239.0	$ 57.9	$—	$ 78.8
Capital expenditures	—	(153.1)	(43.8)	—	(196.9)
Dividends received from CyrusOne	—	—	21.3	—	21.3
Proceeds from sale of assets	—	2.0	—	—	2.0
Cash divested from deconsolidation of CyrusOne	—	—	(12.2)	—	(12.2)
Other investing activities	—	—	0.4	—	0.4
Cash flows used in investing activities	—	(151.1)	(34.3)	—	(185.4)
Issuance of long-term debt	536.0	—	—	—	536.0
Funding between Parent and subsidiaries, net	174.2	(84.3)	(89.9)	—	—
Debt issuance costs	(6.7)	—	—	—	(6.7)
Net increase in corporate credit and receivables facilities with initial maturities less than 90 days	40.0	—	54.2	—	94.2
Repayment of debt	(522.0)	(3.7)	(5.1)	—	(530.8)
Proceeds from exercise of options and warrants	7.1	—	—	—	7.1
Other financing activities	(12.2)	—	—	—	(12.2)
Cash flows provided by (used in) financing activities	216.4	(88.0)	(40.8)	—	87.6
Decrease in cash and cash equivalents	(1.7)	(0.1)	(17.2)	—	(19.0)
Beginning cash and cash equivalents	3.8	1.9	17.9	—	23.6
Ending cash and cash equivalents	$ 2.1	$ 1.8	$ 0.7	$—	$ 4.6

(dollars in millions)	Year Ended December 31, 2012 Parent (Guarantor)	CBT (Issuer)	Other Non-guarantors	Eliminations	Total
Cash flows (used in) provided by 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)	—	—
Net increase in corporate credit and receivables facilities with initial maturities less than 90 days	—	—	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
(Decrease) increase 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

Condensed Consolidating Statements of Cash Flows

(dollars in millions)	Year Ended December 31, 2011 Parent (Guarantor)	CBT (Issuer)	Other Non-guarantors	Eliminations	Total
Cash flows (used in) provided by 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	—	—
Net increase in corporate credit and receivables facilities with initial maturities less than 90 days	—	—	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

18. Supplemental Guarantor Information—8⅜% Senior Notes due 2020 and 8¾% Senior Subordinated Notes due 2018

As of December 31, 2013, the Parent Company's 8⅜% Senior Notes due 2020 and 8 3/4% Senior Subordinated Notes due 2018 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, 2013 and 2012 and the Condensed Consolidating Statements of Operations and Comprehensive Income (Loss) and Cash Flows for the years ended December 31, 2013, 2012, and 2011 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 (Loss)

	Year Ended December 31, 2013				
(dollars in millions)	Parent (Issuer)	Guarantors	Non-guarantors	Eliminations	Total
Revenue	$ —	$704.6	$608.6	$ (56.3)	$1,256.9
Operating costs and expenses	55.4	667.5	426.5	(56.3)	1,093.1
Operating (loss) income	(55.4)	37.1	182.1	—	163.8
Interest expense, net	164.3	14.9	2.8	—	182.0
Other expense (income), net	28.2	17.4	(6.6)	—	39.0
(Loss) income before equity in earnings of subsidiaries and income taxes	(247.9)	4.8	185.9	—	(57.2)
Income tax (benefit) expense	(79.8)	9.7	67.6	—	(2.5)
Equity in earnings of subsidiaries, net of tax	113.4	0.7	—	(114.1)	—
Net (loss) income	(54.7)	(4.2)	118.3	(114.1)	(54.7)
Other comprehensive income (loss)	76.5	—	(0.1)	—	76.4
Total comprehensive income (loss)	$ 21.8	$ (4.2)	$118.2	$(114.1)	$ 21.7
Net (loss) income	$ (54.7)	$ (4.2)	$118.3	$(114.1)	$ (54.7)
Preferred stock dividends	10.4	—	—	—	10.4
Net (loss) income applicable to common shareowners	$ (65.1)	$ (4.2)	$118.3	$(114.1)	$ (65.1)

	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 (loss) income	(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
(Loss) income before equity in earnings of subsidiaries and income taxes	(210.2)	50.0	196.1	—	35.9
Income tax (benefit) expense	(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

Condensed Consolidating Statements of Operations and Comprehensive Income (Loss)

	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 (loss) income	(20.2)	27.6	252.1	—	259.5
Interest expense, net	161.8	9.7	43.5	—	215.0
Other (income) expense, net	(0.9)	9.7	(7.9)	—	0.9
(Loss) income before equity in earnings of subsidiaries and income taxes	(181.1)	8.2	216.5	—	43.6
Income tax (benefit) expense	(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

Condensed Consolidating Balance Sheets

	As of December 31, 2013				
(dollars in millions)	Parent (Issuer)	Guarantors	Non-guarantors	Eliminations	Total
Cash and cash equivalents	$ 2.1	$ 0.3	$ 2.2	$ —	$ 4.6
Receivables, net	2.6	7.2	145.0	—	154.8
Other current assets	4.4	60.7	27.3	(0.7)	91.7
Total current assets	9.1	68.2	174.5	(0.7)	251.1
Property, plant and equipment, net	0.1	194.1	708.6	—	902.8
Investment in CyrusOne	—	471.0	—	—	471.0
Goodwill and intangibles, net	—	103.8	2.3	—	106.1
Investments in and advances to subsidiaries	1,406.6	(1.6)	218.2	(1,623.2)	—
Other noncurrent assets	359.1	179.9	5.1	(167.8)	376.3
Total assets	$1,774.9	$1,015.4	$1,108.7	$(1,791.7)	$2,107.3
Current portion of long-term debt	$ 5.4	$ 3.0	$ 4.2	$ —	$ 12.6
Accounts payable	1.5	72.3	16.1	—	89.9
Other current liabilities	67.7	36.9	47.1	0.1	151.8
Total current liabilities	74.6	112.2	67.4	0.1	254.3
Long-term debt, less current portion	1,916.1	87.0	249.5	—	2,252.6
Other noncurrent liabilities	214.5	61.3	169.9	(168.6)	277.1
Intercompany payables	246.4	149.9	33.2	(429.5)	—
Total liabilities	2,451.6	410.4	520.0	(598.0)	2,784.0
Shareowners' (deficit) equity	(676.7)	605.0	588.7	(1,193.7)	(676.7)
Total liabilities and shareowners' equity (deficit)	$1,774.9	$1,015.4	$1,108.7	$(1,791.7)	$2,107.3

(dollars in millions)	As of December 31, 2012 Parent (Issuer)	Guarantors	Non-guarantors	Eliminations	Total
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' (deficit) equity	(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

Condensed Consolidating Statements of Cash Flows

(dollars in millions)	Year Ended December 31, 2013 Parent (Issuer)	Guarantors	Non-guarantors	Eliminations	Total
Cash flows (used in) provided by operating activities	$(218.1)	$ 26.2	$ 270.7	$—	$ 78.8
Capital expenditures	—	(36.1)	(160.8)	—	(196.9)
Dividends received from CyrusOne	—	21.3	—	—	21.3
Proceeds from sale of assets	—	—	2.0	—	2.0
Cash divested from deconsolidation of CyrusOne	—	—	(12.2)	—	(12.2)
Other investing activities	—	—	0.4	—	0.4
Cash flows used in investing activities	—	(14.8)	(170.6)	—	(185.4)
Issuance of long-term debt	536.0	—	—	—	536.0
Funding between Parent and subsidiaries, net	174.2	(7.4)	(166.8)	—	—
Debt issuance costs	(6.7)	—	—	—	(6.7)
Net increase in corporate credit and receivables facilities with initial maturities less than 90 days	40.0	—	54.2	—	94.2
Repayment of debt	(522.0)	(4.0)	(4.8)	—	(530.8)
Proceeds from exercise of options and warrants	7.1	—	—	—	7.1
Other financing activities	(12.2)	—	—	—	(12.2)
Cash flows provided by (used in) financing activities	216.4	(11.4)	(117.4)	—	87.6
Decrease in cash and cash equivalents	(1.7)	—	(17.3)	—	(19.0)
Beginning cash and cash equivalents	3.8	0.3	19.5	—	23.6
Ending cash and cash equivalents	$ 2.1	$ 0.3	$ 2.2	$—	$ 4.6

(dollars in millions)	Year Ended December 31, 2012 Parent (Issuer)	Guarantors	Non-guarantors	Eliminations	Total
Cash flows (used in) provided by 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)	—	—
Net increase in corporate credit and receivables facilities with initial maturities less than 90 days	—	—	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
(Decrease) increase 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

Condensed Consolidating Statements of Cash Flows

(dollars in millions)	Year Ended December 31, 2011 Parent (Issuer)	Guarantors	Non-guarantors	Eliminations	Total
Cash flows (used in) provided by 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)	—	—
Net increase in corporate credit and receivables facilities with initial maturities less than 90 days	—	—	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

19. Quarterly Financial Information (Unaudited)

	2013				
(dollars in millions, except per common share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenue	$325.7	$312.0	$310.8	$308.4	$1,256.9
Operating income	19.2	46.8	57.7	40.1	163.8
Net (loss) income	(36.7)	0.8	9.3	(28.1)	(54.7)
Basic and diluted (loss) earnings per common share	$ (0.19)	$ (0.01)	$ 0.03	$ (0.15)	$ (0.32)

	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 and diluted earnings (loss) per common share	$ 0.05	$ 0.01	$ 0.01	$ (0.06)	$ 0.00

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.

On January 24, 2013, we completed the IPO of CyrusOne, which owns and operates our former data center colocation business. Effective January 24, 2013, we no longer consolidate the accounts of CyrusOne in our consolidated financial statements, but account for our ownership in CyrusOne as an equity method investment. Due to the change in presentation of CyrusOne, our quarterly and full year results of operations for 2013 are not comparable to 2012.

In the fourth quarter of 2013, the Company redeemed all of the $500.0 million of 8 1/4% Senior Notes due 2017 at a redemption price of 104.125% using proceeds from the Tranche B Term Loan facility that was issued on September 10, 2013. As a result, the Company recorded a debt extinguishment loss of $29.6 million in the fourth quarter of 2013.

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 8 3/8% Senior Notes due 2020, and various CBT notes.

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 2013 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 2013 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 27, 2014 are as follows:

Name	Age	Title
Theodore H. Torbeck (a)	57	President and Chief Executive Officer
David L. Heimbach	38	Chief Operating Officer
Leigh R. Fox	41	Chief Financial Officer
Christopher J. Wilson	48	Vice President, General Counsel and Secretary
Joshua T. Duckworth	35	Vice President, Investor Relations and Controller

(a) Member of the Board of Directors

Officers are elected annually but are removable at the discretion of the Board of Directors.

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 February 2013; Chief Executive Officer of The Freedom Group, Inc. from 2008 to August 2010.

DAVID L. HEIMBACH, Chief Operating Officer since November 2013; Chief Operations Officer of Cincinnati Bell Telephone from March 2013 to November 2013; Vice President and General Manager of the Business & Carrier Markets division from November 2010 to March 2013; Vice President of eVolve Business Solutions from December 2008 to November 2010.

LEIGH R. FOX, Chief Financial Officer of the Company since October 2013; Chief Administrative Officer of the Company from July 2013 to October 2013; Senior Vice President of Finance and Operations from December 2012 to July 2013; Vice President of Finance at Cincinnati Bell Technology Solutions Inc. (CBTS) from October 2008 to December 2012.

CHRISTOPHER J. WILSON, Vice President, General Counsel and Secretary of the Company since August 2003.

JOSHUA T. DUCKWORTH, Vice President, Investor Relations and Controller of the Company since July 2013; Assistant Treasurer and Director of Investor Relations for Cincinnati Bell Inc. from August 2012 to July 2013; Assistant Controller for Cincinnati Bell Inc. from August 2010 to August 2012; Senior Manager in Deloitte & Touche LLP's audit practice from October 2004 to August 2010.

Items 11. Executive Compensation

The information required by this item can be found in the Proxy Statement for the 2014 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 2014 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 2014 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 2014 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 68.

Financial Statement Schedules

Financial Statement Schedule II — Valuation and Qualifying Accounts is included on page 135. 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 7$^{1}/_{4}$% Notes Due June 15, 2023 (Exhibit 4-A to Current Report on Form 8-K, date of Report July 12, 1993, File No. 1-8519).
(4.2)	Indenture dated as of 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 1/4% 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 8 $^{3}/_{4}$% Senior Subordinated Notes due 2018 (Exhibit 4.1 to Current Report on Form 8-K, date of Report March 15, 2010, File No. 1-8519).
(4.4)	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 8 $^{3}/_{8}$% Senior Notes due 2020 (Exhibit 4.1 to Current Report on Form 8-K, date of Report October 13, 2010, File No. 1-8519).
(4.5)	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, date of Report November 30, 1998, File No. 1-8519).
(4.6)	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).
(4.7)	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).

Exhibit Number	Description
(4.8)	Indenture dated as of November 20, 2012, by and among CyrusOne LP, CyrusOne Finance Corp., guarantors party thereto and Wells Fargo Bank, N.A., as Trustee, relating to CyrusOne Inc.'s 6 $^3/_8$% Senior Notes due 2022 (Exhibit 4.1 to Current Report on Form 8-K, date of Report November 20, 2012, File No. 1-8519).
(4.9)	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).
(4.10)	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).
(4.11)	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).
(4.12)	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 Discount 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).
(4.13)	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 Discount 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).
(4.14)	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 Discount 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).
(4.15)	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 Discount Notes due 2009 (Exhibit 4(c)(viii)(4) to Annual Report on Form 10-K for the year ended December 31, 2004, File No. 1-8519).
(4.16)	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 Discount 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).
(4.17)	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)	Credit Agreement dated as of November 20, 2012, among Cincinnati Bell Inc., an Ohio corporation, the subsidiary guarantors party thereto, 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).
(10.2)	First Amendment to Credit Agreement dated as of September 10, 2013, among Cincinnati Bell Inc., an Ohio corporation, the subsidiary guarantors party thereto, the Lenders party thereto and Bank of America, N.A. (Exhibit 10.1 to Current Report on Form 8-K, date of Report September 10, 2013, File No. 1-8519).

Exhibit Number	Description
(10.3)	Annex I to First Amendment to Credit Agreement dated as of September 10, 2013, among Cincinnati Bell Inc., an Ohio corporation, the subsidiary guarantors party thereto, the Lenders party thereto and Bank of America, N.A. (Exhibit 10.2 to Current Report on Form 8-K, date of Report September 10, 2013, File No. 1-8519).
(10.4)	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).
(10.5) +	Registration Rights Agreement dated as of January 24, 2013, by and among CyrusOne Inc., CyrusOne GP, CyrusOne LP, Data Center Investments Holdco LLC and Data Centers South Holdings LLC.
(10.6)	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).
(10.7)	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).
(10.8)	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 6, 2011, File No. 1-8519).
(10.9)	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 1, 2011, File No. 1-8519).
(10.10)	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 1, 2012, File No. 1-8519).
(10.11)	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 6, 2011, File No. 1-8519).
(10.12)	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 1, 2011, File No. 1-8519).
(10.13)	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).
(10.14)	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 1, 2012, File No. 1-8519).

Exhibit Number	Description
(10.15)	Fourth Amendment to Amended and Restated Receivables Purchase Agreement, dated as of June 3, 2013, 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 (Exhibit 99.1 to Current Report on Form 8-K, date Report June 3, 2013, File No. 1-8519).
(10.16) +	Fifth Amendment to Amended and Restated Receivables Purchase Agreement, dated as of September 13, 2013, 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.
(10.17)*	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).
(10.18)*	Amendment to Cincinnati Bell Inc. Pension Program, effective December 31, 2011 (Exhibit 10.12 to Annual Report on Form 10-K for the year ended December 31, 2011, File No. 1-8519).
(10.19)*	Restatement of the Cincinnati Bell Management Pension Plan executed January 17, 2011 (Exhibit 10.13 to Annual Report on Form 10-K for the year ended December 31, 2011, File No. 1-8519).
(10.20)*	Restatement of the Cincinnati Bell Pension Plan executed January 25, 2011 (Exhibit 10.14 to Annual Report on Form 10-K for the year ended December 31, 2011, File No. 1-8519).
(10.21) +	Amendment to Cincinnati Bell Management Pension Plan executed December 20, 2013.
(10.22) +	Amendment to Cincinnati Bell Management Pension Plan executed May 16, 2013.
(10.23) +	Amendment to Cincinnati Bell Management Pension Plan executed April 17, 2012.
(10.24) +	Amendment to Cincinnati Bell Management Pension Plan executed December 20, 2011.
(10.25) +	Amendment to Cincinnati Bell Pension Plan executed on December 20, 2013.
(10.26) +	Amendment to Cincinnati Bell Pension Plan executed on April 17, 2012.
(10.27) +	Amendment to Cincinnati Bell Pension Plan executed on November 29, 2011.
(10.28)*	Cincinnati Bell Inc. 2011 Short Term Incentive Plan (Appendix A to the Company's 2011 Proxy Statement on Schedule 14A filed March 21, 2011, File No. 1-8519).
(10.29)*	Cincinnati Bell Inc. Deferred Compensation Plan for Outside Directors, as amended and restated as of January 1, 2005 (Exhibit (10)(iii)(A)(2) to Annual Report on Form 10-K for the year ended December 31, 2008, File No. 1-8519).
(10.30)*	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).
(10.31)*	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).
(10.32)*	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).
(10.33)*	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).
(10.34)*	Cincinnati Bell Inc. Form of Stock Option Agreement (2007 Long Term Incentive Plan) (Exhibit (10)(iii)(A)(22) to Annual Report on Form 10-K for the year ended December 31, 2008, File No. 1-8519).

Exhibit Number	Description
(10.35)*	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).
(10.36)*	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).
(10.37)*	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).
(10.38)*	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).
(10.39)*	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).
(10.40)*	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).
(10.41)*	Amendment to Amended and Restated Employment Agreement effective as of February 5, 2010, between Cincinnati Bell Inc. and John F. Cassidy (Exhibit 10.1 to Current Report on Form 8-K, date of Report February 5, 2010, File No. 1-8519).
(10.42)*	Amended and Restated Employment Agreement effective as of January 1, 2009, between Cincinnati Bell Inc. and Gary J. Wojtaszek (Exhibit (10)(iii)(A)(12) to Annual Report on Form 10-K for the year ended December 31, 2008, File No. 1-8519).
(10.43)*	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).
(10.44)*	Resignation Letter, dated as of January 23, 2013, by and between Cincinnati Bell Inc. and Gary J. Wojtaszek. (Exhibit 10.1 to Current Report on Form 8-K, date of Report January 23, 2013, File No. 1-8519).
(10.45)*	Amended and Restated Employment Agreement effective January 1, 2005, between Cincinnati Bell Inc. and Christopher J. Wilson (Exhibit (10) to Annual Report on Form 10-K for the year ended December 31, 2008, File No. 1-8519).
(10.46)*	Amended and Restated Employment Agreement between Cincinnati Bell Inc. and Christopher J. Wilson effective July 26, 2013 (Exhibit 10.1 to Current Report on Form 8-K, date of Report July 26, 2013, File No. 1-8519).
(10.47)*	Amended and Restated Employment Agreement dated September 7, 2010 between Cincinnati Bell Inc. and Theodore H. Torbeck (Exhibit 10.1 to Current Report on Form 8-K, date of Report September 7, 2010, File No. 1-8519).
(10.48)*	Employment Agreement dated as of February 6, 2013 between Cincinnati Bell Inc. and Theodore H. Torbeck (Exhibit 10.1 to Current Report on Form 8-K, date of Report January 31, 2013, File No. 1-8519).
(10.49)*	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).

Exhibit Number	Description
(10.50)*	Consulting Agreement effective September 30, 2013, between Cincinnati Bell Inc. and Kurt A. Freyberger (Exhibit 10.1 to Current Report on Form 8-K, date of Report September 23, 2013, File No. 1-8519).
(10.51)*	Amended and Restated Employment Agreement effective July 26, 2013 between Cincinnati Bell Inc. and Leigh R. Fox (Exhibit 10.2 to Current Report on Form 8-K, date of Report July 26, 2013, File No. 1-8519).
(10.52)*	Employment Agreement between Cincinnati Bell Inc. and David L. Heimbach dated as of November 20, 2013 (Exhibit 10.1 to Current Report on Form 8-K, date of earliest event reported November 20, 2013, File No. 1-8519).
(12.1) +	Calculation of Ratio of Earnings to Combined Fixed Charges and Preferred Dividends.
(14)	Code of Ethics for Senior Financial Officers, as adopted pursuant to Section 406 of Regulation S-K (Exhibit (10)(iii)(A)(15) to Annual Report on Form 10-K for the year ended December 31, 2003, File No. 1-8519).
(21) +	Subsidiaries of the Registrant.
(23) +	Consent of Independent Registered Public Accounting Firm.
(24) +	Powers of Attorney.
(31.1) +	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(31.2) +	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(32.1) +	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
(32.2) +	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
(101.INS)**	XBRL Instance Document.
(101.SCH)**	XBRL Taxonomy Extension Schema Document.
(101.CAL)**	XBRL Taxonomy Calculation Linkbase Document.
(101.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 2013	$13.3	$11.3	$ —	$12.4	$12.2
Year 2012	$11.6	$13.9	$ —	$12.2	$13.3
Year 2011	$14.0	$13.9	$ —	$16.3	$11.6
Deferred Tax Valuation Allowance					
Year 2013	$56.8	$14.1	$(2.6)	$ —	$68.3
Year 2012	$58.4	$(1.7)	$ 0.1	$ —	$56.8
Year 2011	$60.0	$(2.9)	$ 1.3	$ —	$58.4

Form 10-K

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 27, 2014

/s/ Leigh R. Fox

Leigh R. Fox
Chief Financial Officer

Date: February 27, 2014

/s/ Joshua T. Duckworth

Joshua T. Duckworth
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 27, 2014
Phillip R. Cox* Phillip R. Cox	Chairman of the Board and Director	February 27, 2014
Theodore H. Schell* Theodore H. Schell	Director	February 27, 2014
Russel P. Mayer* Russel P. Mayer	Director	February 27, 2014
Jakki L. Haussler* Jakki L. Haussler	Director	February 27, 2014
Craig F. Maier* Craig F. Maier	Director	February 27, 2014
Alan R. Schriber* Alan R. Schriber	Director	February 27, 2014
Lynn A. Wentworth* Lynn A. Wentworth	Director	February 27, 2014
John M. Zrno* John M. Zrno	Director	February 27, 2014

*By: /s/ Theodore H. Torbeck

Theodore H. Torbeck
as attorney-in-fact and on his behalf
as Principal Executive Officer, President, Chief Executive Officer and Director

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

FORM 10-K/A
(AMENDMENT NO. 1 TO 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, 2013

☐ **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 $0.6 billion, computed by reference to the closing sale price of the common stock on the New York Stock Exchange on June 30, 2013, 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, 2014, there were 208,738,253 common shares outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

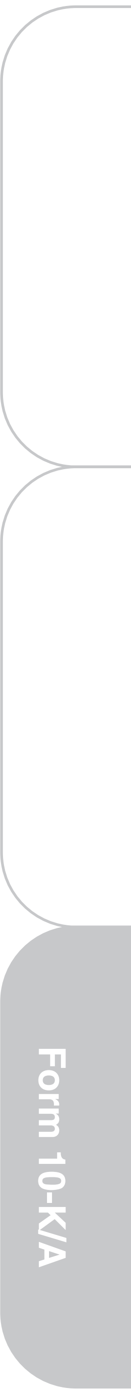
Portions of the definitive proxy statement relating to the Company's 2014 Annual Meeting of Shareholders are incorporated by reference into Part III of this report to the extent described herein.

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A amends the Form 10-K filed by Cincinnati Bell Inc. on February 27, 2014 for the fiscal year ended December 31, 2013. In accordance with Rule 3-09 of SEC Regulation S-X, we are filing this amendment to include the financial statements of our equity method investee, CyrusOne Inc. and subsidiaries and CyrusOne LP and subsidiaries, as of December 31, 2013 (Successor) and 2012 (Predecessor) and for the periods from January 24, 2013 to December 31, 2013 (Successor), January 1, 2013 to January 23, 2013 (Predecessor) and for the years ended December 31, 2012 and 2011 (Predecessor). The audited financial statements of CyrusOne Inc. and subsidiaries and CyrusOne LP and subsidiaries for these periods are filed in this Form 10-K/A under Item 15 Exhibits and Financial Statement Schedules. In addition to the audited financial statements, new Exhibits 23.1, 23.2, 31.3, 31.4 and 32.3 are being filed pursuant to Commission regulations. Otherwise, this Form 10-K/A does not modify or update the financial position, results of operations, cash flows, disclosures or other information in Cincinnati Bell Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013 and does not reflect events occurring after February 27, 2014 (the date the Form 10-K was filed).

PART IV

	Page
Item 15. Exhibits and Financial Statement Schedules	4
Signatures	71



Item 15. Exhibits and Financial Statement Schedules

(a) 1. Financial Statements

The consolidated financial statements, as indexed on page 68 of the 2013 Form 10-K, were filed on February 27, 2014.

2. Financial Statement Schedules

Financial Statement Schedule II — Valuation and Qualifying Accounts was included on page 135 of the 2013 Form 10-K filed on February 27, 2014. All other schedules are not required under the related instructions or are not applicable.

3. Exhibits

See the exhibits listed under Exhibits on pages 65 - 70 of this Annual Report on Form 10-K/A.

(c) Pursuant to Rule 3-09 of SEC Regulation S-X, the following information is included herein in this Annual Report on Form 10-K/A:

	Page
CyrusOne Inc.	
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	5
CyrusOne LP	
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	6
CyrusOne Inc.	
CONSOLIDATED AND COMBINED BALANCE SHEETS	7
CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS	8
CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS	9
CONSOLIDATED AND COMBINED STATEMENTS OF EQUITY	10
CyrusOne LP	
CONSOLIDATED AND COMBINED BALANCE SHEETS	11
CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS	12
CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS	13
CONSOLIDATED AND COMBINED STATEMENTS OF PARTNERSHIP CAPITAL	14
CyrusOne Inc. and CyrusOne LP	
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS	15
Financial Statement Schedules	
SCHEDULE II. VALUATION AND QUALIFYING ACCOUNTS	62
SCHEDULE III. CONSOLIDATED REAL ESTATE AND ACCUMULATED DEPRECIATION	63

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of CyrusOne Inc.

We have audited the accompanying balance sheets of CyrusOne Inc. and subsidiaries (the "Company") as of December 31, 2013 (Successor) and 2012 (Predecessor), and the related statements of operations, equity, and cash flows for the periods from January 24, 2013 to December 31, 2013 (Successor) and January 1, 2013 to January 23, 2013 (Predecessor) and for the years ended December 31, 2012 and 2011 (Predecessor). Our audits also included the financial statement schedules listed in the index at Item 15. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules 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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 financial statements present fairly, in all material respects, the financial position of CyrusOne Inc. and subsidiaries at December 31, 2013 (Successor) and 2012 (Predecessor), and the results of their operations and their cash flows for the periods from January 24, 2013 to December 31, 2013 (Successor) and January 1, 2013 to January 23, 2013 (Predecessor) and for the years ended December 31, 2012 and 2011 (Predecessor), in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated and combined financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Note 3, the financial statements of the Company as of December 31, 2012 and for the period from January 1, 2013 to January 23, 2013 and for the years ended December 31, 2012 and 2011 include allocation of certain corporate overhead costs from Cincinnati Bell Inc. ("CBI"). These costs may not be reflective of the actual level of costs which would have been incurred had the Company operated as a separate entity apart from CBI. Also, the financial statements of the Company as of December 31, 2012 and for the periods from January 1, 2013 to January 23, 2013 and for the years ended December 31, 2012 and 2011 are presented as the "Predecessor" financial statements on a combined basis and the financial statements as of December 31, 2013 and for the period from January 24, 2013 to December 31, 2013 are presented on a consolidated basis as the "Successor" financial statements.

/s/ Deloitte & Touche LLP

Dallas, Texas
February 28, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Partners of CyrusOne LP

We have audited the accompanying balance sheets of CyrusOne LP and subsidiaries (the "Partnership") as of December 31, 2013 (Successor) and 2012 (Predecessor), and the related statements of operations, partnership capital, and cash flows for the periods from January 24, 2013 to December 31, 2013 (Successor) and January 1, 2013 to January 23, 2013 (Predecessor) and for the years ended December 31, 2012 and 2011 (Predecessor). Our audits also included the financial statement schedules listed in the index at Item 15. These financial statements and financial statement schedules are the responsibility of the Partnership's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules 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. The Partnership is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 financial statements present fairly, in all material respects, the financial position of CyrusOne LP and subsidiaries at December 31, 2013 (Successor) and 2012 (Predecessor), and the results of their operations and their cash flows for the periods from January 24, 2013 to December 31, 2013 (Successor) and January 1, 2013 to January 23, 2013 (Predecessor) and for the years ended December 31, 2012 and 2011 (Predecessor), in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated and combined financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Note 3, the financial statements of the Partnership as of December 31, 2012 and for the period from January 1, 2013 to January 23, 2013 and for the years ended December 31, 2012 and 2011 include allocation of certain corporate overhead costs from Cincinnati Bell Inc. ("CBI"). These costs may not be reflective of the actual level of costs which would have been incurred had the Company operated as a separate entity apart from CBI. Also, the financial statements of the Partnership as of December 31, 2012 and for the periods from January 1, 2013 to January 23, 2013 and for the years ended December 31, 2012 and 2011 are presented as the "Predecessor" financial statements on a combined basis and the financial statements as of December 31, 2013 and for the period from January 24, 2013 to December 31, 2013 are presented on a consolidated basis as the "Successor" financial statements.

/s/ Deloitte & Touche LLP

Dallas, Texas
February 28, 2014

CyrusOne Inc.
CONSOLIDATED AND COMBINED BALANCE SHEETS
(dollars in millions)

	Successor	Predecessor
	As of December 31, 2013	As of December 31, 2012
Assets		
Investment in real estate:		
Land	$ 89.3	$ 44.5
Buildings and improvements	783.7	722.5
Equipment	190.2	52.4
Construction in progress	57.3	64.2
Subtotal	1,120.5	883.6
Accumulated depreciation	(236.7)	(176.7)
Net investment in real estate	883.8	706.9
Cash and cash equivalents	148.8	16.5
Rent and other receivables, net of allowance for doubtful accounts of $0.5 and $0.3 as of December 31, 2013 and December 31, 2012, respectively	41.2	33.2
Restricted cash	—	6.3
Goodwill	276.2	276.2
Intangible assets, net of accumulated amortization of $55.1 and $38.2 as of December 31, 2013, and December 31, 2012	85.9	102.6
Due from affiliates	0.6	2.2
Other assets	70.3	67.0
Total assets	$1,506.8	$1,210.9
Liabilities and equity		
Accounts payable and accrued expenses	$ 66.8	$ 37.1
Deferred revenue	55.9	52.8
Due to affiliates	8.5	2.9
Capital lease obligations	16.7	32.2
Long-term debt	525.0	525.0
Other financing arrangements	56.3	60.8
Total liabilities	729.2	710.8
Commitment and contingencies		
Equity		
Preferred stock, $.01 par value, 100,000,000 authorized; no shares issued or outstanding	—	—
Common stock, $.01 par value, 500,000,000 shares authorized and 21,991,669 shares issued and outstanding at December 31, 2013 (Successor)	0.2	—
Common stock, $.01 par value, 1,000 shares authorized and 100 shares issued and outstanding at December 31, 2012 (Predecessor)	—	—
Additional paid in capital	340.7	7.1
Accumulated deficit	(18.9)	—
Partnership capital	—	493.0
Total shareholders' equity/Parent's net investments	322.0	500.1
Noncontrolling interest	455.6	—
Total equity	777.6	500.1
Total liabilities and equity	$1,506.8	$1,210.9

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

CyrusOne Inc.
CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS
(dollars in millions, except per share data)

	Successor	Predecessor		
			Years Ended December 31,	
	January 24, 2013 to December 31, 2013	January 1, 2013 to January 23, 2013	2012	2011
Revenue	$248.4	$ 15.1	$220.8	$181.7
Costs and expenses:				
Property operating expenses	88.4	4.8	76.0	58.2
Sales and marketing	9.9	0.7	9.7	9.1
General and administrative	26.5	1.5	20.7	12.5
Depreciation and amortization	89.9	5.3	73.4	55.5
Restructuring charges	0.7	—	—	—
Transaction costs	1.3	0.1	5.7	2.6
Transaction-related compensation	—	20.0	—	—
Management fees charged by CBI	—	—	2.5	2.3
Loss on sale of receivables to an affiliate	—	—	3.2	3.5
Asset impairments	2.8	—	13.3	—
Total costs and expenses	219.5	32.4	204.5	143.7
Operating income (loss)	28.9	(17.3)	16.3	38.0
Interest expense	41.2	2.5	41.8	32.9
Other income	(0.1)	—	—	—
Loss on extinguishment of debt	1.3	—	—	1.4
Net (loss) income before income taxes	(13.5)	(19.8)	(25.5)	3.7
Income tax (expense) benefit	(1.9)	(0.4)	5.1	(2.2)
(Loss) income from continuing operations	(15.4)	(20.2)	(20.4)	1.5
(Loss) gain on sale of real estate improvements	(0.2)	—	0.1	—
Net (loss) income	$ (15.6)	$(20.2)	$ (20.3)	$ 1.5
Noncontrolling interest in net loss	10.3			
Net loss attributed to common shareholders	$ (5.3)			
Basic weighted average common shares outstanding	20.9			
Diluted weighted average common shares outstanding	20.9			
Loss per share—basic and diluted	$ (0.28)			

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

CyrusOne Inc.
CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS
(dollars in millions)

	Successor	Predecessor		
		Year Ended December 31,		
	January 24, 2013 to December 31, 2013	January 1, 2013 to January 23, 2013	2012	2011
Cash flows from operating activities:				
Net (loss) income	$ (15.6)	$(20.2)	$ (20.3)	$ 1.5
Adjustments to reconcile net (loss) income to net cash provided by operating activities:				
Depreciation and amortization	89.9	5.3	73.4	55.5
Loss on sale of receivables and other assets	—	—	3.0	3.5
Provision for bad debt write off	0.4	—	0.1	—
Asset impairments	2.8	—	13.3	—
Loss on extinguishment of debt	1.3	—	—	1.4
Noncash interest expense	4.0	0.1	0.3	—
Deferred income tax expense (benefit), including valuation allowance change	0.6	0.3	(4.5)	1.6
Stock-based compensation expense	6.0	0.2	—	—
Changes in operating assets and liabilities, net of effects of acquisitions:				
Increase in receivables and other assets	(15.7)	(9.6)	(24.0)	(3.3)
(Decrease) Increase in accounts payable and accrued expenses	(14.6)	20.5	(0.6)	3.5
(Decrease) Increase in deferred revenues	(0.1)	3.2	3.8	2.3
Increase in payables to related parties	18.4	1.5	—	—
Other	—	0.7	—	—
Net cash provided by operating activities	77.4	2.0	44.5	66.0
Cash flows from investing activities:				
Capital expenditures – acquisitions of real estate	(48.0)	—	(25.4)	(22.4)
Capital expenditures – other	(172.9)	(7.7)	(202.9)	(95.1)
Proceeds from the sale of assets	—	—	0.2	—
Increase in restricted cash	—	—	(11.1)	—
Release of restricted cash	4.4	1.9	4.8	—
Advances (to) from affiliates	—	—	(18.3)	11.6
Other	(0.2)	—	0.1	0.1
Net cash used in investing activities	(216.7)	(5.8)	(252.6)	(105.8)
Cash flows from financing activities:				
Issuance of common stock	360.5	—	—	—
IPO costs	(26.6)	—	—	—
Dividends paid	(31.0)	—	—	—
Borrowings from affiliates, net	—	—	119.8	66.6
Repayment of related party note	—	—	(400.0)	—
Proceeds from issuance of debt	—	—	525.0	—
Payments on capital lease obligations	(5.3)	(0.6)	(9.0)	(7.0)
Payments on financing obligations	(0.7)	—	—	(16.2)
Payment to buyout capital leases	(9.6)	—	—	—
Payment to buyout other financing arrangements	(10.2)	—	—	—
Debt issuance costs	(1.3)	—	(17.2)	—
Contributions from/(distributions to) parent, net	—	0.2	5.4	(7.8)
Other	—	—	—	(0.1)
Net cash provided by (used in) by financing activities	275.8	(0.4)	224.0	35.5
Net increase (decrease) in cash and cash equivalents	136.5	(4.2)	15.9	(4.3)
Cash and cash equivalents at beginning of period	12.3	16.5	0.6	4.9
Cash and cash equivalents at end of period	$ 148.8	$ 12.3	$ 16.5	$ 0.6
Supplemental disclosures				
Cash paid for interest, net of amount capitalized	$ 40.7	$ 0.3	$ 42.4	$ 33.0
Capitalized interest	1.6	—	2.7	2.6
Noncash investing and financing transactions:				
Acquisition of property in accounts payable and other liabilities	35.8	15.7	7.7	7.6
Acquisition of property by assuming capital lease obligations and other financing arrangements	—	—	11.6	43.7
Assets transferred by parent	—	—	2.0	—
Divisional control contribution funded by settlement of intercompany balances due to Parent	—	—	203.5	—
Contribution receivable from Parent related to transaction-related compensation	—	19.6	—	—
Dividend payable	10.4	—	—	—
Deferred IPO costs	—	1.7	—	—
Deferred IPO costs reclassified to additional paid in capital	9.5	—	—	—
Reclass of equipment to held for sale	0.3	—	—	—
Noncash additions to fixed assets through other financing arrangements	4.0	—	—	—

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

CyrusOne Inc.
CONSOLIDATED AND COMBINED STATEMENTS OF EQUITY
(in millions)

	Common Stock Issued								
	Shares	Amount	Accumulated Deficit	Paid-In Capital	Partnership Capital	Divisional Control	Total Shareholder's Equity/ Parent's Net Investment	Non Controlling Interest	Total Equity
Balance as of January 1, 2011	—	$ —	$ —	$ —	$ —	$ 317.8	$ 317.8	$ —	$ —
Net income	—	—	—	—	—	1.5	1.5	—	—
Distribution to parent	—	—	—	—	—	(7.8)	(7.8)	—	—
Balance as of December 31, 2011	—	$ —	$ —	$ —	$ —	$ 311.5	$ 311.5	$ —	$ —
Divisional Control Transfer	—	—	—	—	311.5	(311.5)	—	—	—
Net loss	—	—	—	—	(20.3)	—	(20.3)	—	—
Issuance of common stock (100 shares at $ .01 par value)	—	—	—	—	—	—	—	—	—
Issuance of partnership units	—	—	—	—	—	—	—	—	—
Contributions from Parent related to settlement of intercompany balances	—	—	—	7.1	196.4	—	203.5	—	—
Other contributions from Parent, net	—	—	—	—	5.4	—	5.4	—	—
Balance as of December 31, 2012	—	$ —	$ —	$ 7.1	$ 493.0	$ —	$ 500.1	$ —	$500.1
Net loss – January 1, 2013 to January 23, 2013	—	—	—	—	(20.2)	—	(20.2)	—	(20.2)
Other contributions from Parent	—	—	—	—	1.3	—	1.3	—	1.3
Contributions from Parent– transaction compensation expense reimbursement	—	—	—	—	19.6	—	19.6	—	19.6
Noncontrolling interest effective January 24, 2013	—	—	—	(7.1)	(493.7)	—	(500.8)	500.8	—
Common stock issued	19.0	0.2	—	336.9	—	—	337.1	—	337.1
Common stock issued to CBI in exchange for operating partnership units	1.5	—	—	—	—	—	—	—	—
Common stock issued to CBI in exchange for settlement of IPO costs paid by CBI	0.4	—	—	7.1	—	—	7.1	(7.1)	—
IPO costs	—	—	—	(9.5)	—	—	(9.5)	—	(9.5)
Restricted shares issued	1.1	—	—	—	—	—	—	—	—
Net loss – January 24, 2013 to December 31, 2013	—	—	(15.6)	—	—	—	(15.6)	—	(15.6)
Noncontrolling interest allocated net loss	—	—	10.3	—	—	—	10.3	(10.3)	—
Stock based compensation	—	—	—	6.2	—	—	6.2	—	6.2
Dividends declared, $0.64 per share	—	—	(13.6)	—	—	—	(13.6)	(27.8)	(41.4)
Balance as of December 31, 2013	22.0	$0.2	$(18.9)	$340.7	$ —	$ —	$ 322.0	$455.6	$777.6

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

CyrusOne LP
CONSOLIDATED AND COMBINED BALANCE SHEETS
(dollars in millions)

	Successor	Predecessor
	As of December 31, 2013	As of December 31, 2012
Assets		
Investment in real estate:		
Land	$ 89.3	$ 44.5
Buildings and improvements	783.7	722.5
Equipment	190.2	52.4
Construction in progress	57.3	64.2
Subtotal	1,120.5	883.6
Accumulated depreciation	(236.7)	(176.7)
Net investment in real estate	883.8	706.9
Cash and cash equivalents	148.8	16.5
Rent and other receivables, net of allowance for doubtful accounts of $0.5 and $0.3 as of December 31, 2013, and December 31, 2012, respectively	41.2	33.2
Restricted cash	—	6.3
Goodwill	276.2	276.2
Intangible assets, net of accumulated amortization of $55.1 and $38.2 as of December 31, 2013, and December 31, 2012	85.9	102.6
Due from affiliates	0.6	2.2
Other assets	70.3	59.1
Total assets	$1,506.8	$1,203.0
Liabilities and parent's net investment		
Accounts payable and accrued expenses	$ 66.8	$ 36.3
Deferred revenue	55.9	52.8
Due to affiliates	8.5	2.9
Capital lease obligations	16.7	32.2
Long-term debt	525.0	525.0
Other financing arrangements	56.3	60.8
Total liabilities	729.2	710.0
Commitment and contingencies		
Parent's net investment:		
Partnership capital	777.6	493.0
Total liabilities and partnership capital	$1,506.8	$1,203.0

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

Form 10-K/A

CyrusOne LP
CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS
(dollars in millions)

	Successor	Predecessor		
			Years Ended December 31,	
	January 24, 2013 to December 31, 2013	January 1, 2013 to January 23, 2013	2012	2011
Revenue	$248.4	$ 15.1	$220.8	$181.7
Costs and expenses:				
Property operating expenses	88.4	4.8	76.0	58.2
Sales and marketing	9.9	0.7	9.7	9.1
General and administrative	26.5	1.5	20.7	12.5
Depreciation and amortization	89.9	5.3	73.4	55.5
Restructuring charges	0.7	—	—	—
Transaction costs	1.3	0.1	5.7	2.6
Transaction-related compensation	—	20.0	—	—
Management fees charged by CBI	—	—	2.5	2.3
Loss on sale of receivables to an affiliate	—	—	3.2	3.5
Asset impairments	2.8	—	13.3	—
Total costs and expenses	219.5	32.4	204.5	143.7
Operating income (loss)	28.9	(17.3)	16.3	38.0
Interest expense	41.2	2.5	41.8	32.9
Other income	(0.1)	—	—	—
Loss on extinguishment of debt	1.3	—	—	1.4
Net (loss) income before income taxes	(13.5)	(19.8)	(25.5)	3.7
Income tax (expense) benefit	(1.9)	(0.4)	5.1	(2.2)
(Loss) income from continuing operations	(15.4)	(20.2)	(20.4)	1.5
(Loss) gain on sale of real estate improvements	(0.2)	—	0.1	—
Net (loss) income	$ (15.6)	$(20.2)	$ (20.3)	$ 1.5

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

CyrusOne LP
CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS
(dollars in millions)

	Successor	Predecessor		
		Year Ended December 31,		
	January 24, 2013 to December 31, 2013	January 1, 2013 to January 23, 2013	2012	2011
Cash flows from operating activities:				
Net (loss) income	$ (15.6)	$(20.2)	$ (20.3)	$ 1.5
Adjustments to reconcile net (loss) income to net cash provided by operating activities:				
Depreciation and amortization	89.9	5.3	73.4	55.5
Loss on sale of receivables and other assets	—	—	3.0	3.5
Provision for bad debt write off	0.4	—	0.1	—
Asset impairments	2.8		13.3	—
Loss on extinguishment of debt	1.3	—	—	1.4
Noncash interest expense	4.0	0.1	0.3	—
Deferred income tax expense (benefit), including valuation allowance change	0.6	0.3	(4.5)	1.6
Stock-based compensation expense	6.0	0.2	—	—
Changes in operating assets and liabilities, net of effects of acquisitions:				
Increase in receivables and other assets	(15.7)	(9.6)	(16.1)	(3.3)
(Decrease) increase in accounts payable and accrued expenses	(14.6)	20.5	(1.4)	3.5
(Decrease) increase in deferred revenues	(0.1)	3.2	3.8	2.3
Increase (decrease) in payables to related parties	18.4	1.5	—	—
Other	—	0.7	—	—
Net cash provided by operating activities	77.4	2.0	51.6	66.0
Cash flows from investing activities:				
Capital expenditures – acquisitions of real estate	(48.0)	—	(25.4)	(22.4)
Capital expenditures – other	(172.9)	(7.7)	(202.9)	(95.1)
Proceeds from the sale of assets	—	—	0.2	—
Increase in restricted cash	—	—	(11.1)	—
Release of restricted cash	4.4	1.9	4.8	—
Advances (to) from affiliates	—	—	(18.3)	11.6
Other	(0.2)	—	0.1	0.1
Net cash used in investing activities	(216.7)	(5.8)	(252.6)	(105.8)
Cash flows from financing activities:				
Issuance of partnership units	333.9	—	—	—
Distributions paid	(31.0)	—	—	—
Borrowings from affiliates, net	—	—	119.8	66.6
Repayment of related party note	—	—	(400.0)	—
Proceeds from issuance of debt	—	—	525.0	—
Payments on capital lease obligations	(5.3)	(0.6)	(9.0)	(7.0)
Payments on financing obligations	(0.7)	—	—	(16.2)
Payments to buyout capital leases	(9.6)	—	—	—
Payment to buyout other financing arrangements	(10.2)	—	—	—
Debt issuance costs	(1.3)	—	(17.2)	—
Contributions to/(distributions from) parent, net	—	0.2	(1.7)	(7.8)
Other	—	—	—	(0.1)
Net cash provided by (used in) by financing activities	275.8	(0.4)	216.9	35.5
Net increase (decrease) in cash and cash equivalents	136.5	(4.2)	15.9	(4.3)
Cash and cash equivalents at beginning of period	12.3	16.5	0.6	4.9
Cash and cash equivalents at end of period	$ 148.8	$ 12.3	$ 16.5	$ 0.6
Supplemental disclosures				
Cash paid for interest, net of amount capitalized	$ 40.7	$ 0.3	$ 42.4	$ 33.0
Cash paid for interest	1.6	—	2.7	2.6
Noncash investing and financing transactions:				
Acquisition of property in accounts payable and other liabilities	35.8	15.7	7.7	7.6
Acquisitions of property by assuming capital lease obligations and other financing arrangements	—	—	11.6	43.7
Contribution receivable from Parent related to transaction-related compensation	—	19.6	—	—
Distribution payable	10.4	—	—	—
Other contributions from Parent	1.3	1.7	—	—
Non-cash distribution to CyrusOne Inc.	2.4	—	—	—
Assets transferred to Parent	—	—	2.0	—
Divisional control contribution funded by settlement of intercompany balances due to Parent	—	—	196.4	—
Reclass of equipment to held for sale	0.3	—	—	—
Noncash additions to fixed assets through other financing arrangements	4.0	—	—	—

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

CyrusOne LP
CONSOLIDATED AND COMBINED STATEMENTS OF PARTNERSHIP CAPITAL
(in millions)

	Partnership Units	Partnership Capital	Divisional Control
Balance January 1, 2011	$ —	$ —	$ 317.8
Net Income	—	—	1.5
Distribution to CBI	—	—	(7.8)
Balance December 31, 2011	$ —	$ —	$ 311.5
Divisional Control Transfer from CBI	—	311.5	(311.5)
Net Loss	—	(20.3)	—
Issuance of Partnership units	123.6	—	—
Contributions from CBI related to settlement of intercompany balances	—	196.4	—
Other contributions from Parent, net	—	5.4	—
Balance December 31, 2012	$123.6	$493.0	$ —
Net loss—January 1, 2013, to January 23, 2013	—	(20.2)	—
Contributions from Parent—transaction-compensation expense reimbursement	—	19.6	—
Other contributions from Parent	—	1.3	—
Distribution to CyrusOne Inc.	—	(2.4)	—
Partnership reverse unit split 2.8 to 1	(79.5)	—	—
Partnership units exchanged by CBI for common stock in CyrusOne Inc.	(1.5)	—	—
Partnership units issued to CyrusOne Inc.	22.0	337.1	—
Compensation expense of CyrusOne Inc. allocated to Partnership	—	6.2	—
Net loss—January 24, 2013, to December 31, 2013	—	(15.6)	—
Partnership distributions declared	—	(41.4)	—
Balance at December 31, 2013	$ 64.6	$777.6	$ —

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

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

1. Description of Business

CyrusOne Inc., together with CyrusOne GP, a wholly-owned subsidiary of CyrusOne Inc., through which CyrusOne Inc. holds a controlling interest in CyrusOne LP (the "Operating Partnership") and the subsidiaries of the Operating Partnership (collectively, "CyrusOne", "we", "us", "our", and the "Company") is an owner, operator and developer of enterprise-class, carrier neutral data centers. Our customers operate in a number of industries, including energy, oil and gas, mining, medical, technology, finance and consumer goods and services. We currently operate 25 data centers located in the United States, United Kingdom and Singapore.

CyrusOne's operations are primarily conducted through the Operating Partnership. CyrusOne will elect to qualify as a REIT under the Internal Revenue Code of 1986 ("the Code"), as amended, for the taxable year ended December 31, 2013.

2. Formation

Prior to November 20, 2012, CyrusOne was not an operative legal entity or a combination of legal entities. The accompanying combined financial statements of CyrusOne for such periods represent the data center assets and operations owned by Cincinnati Bell, Inc. ("CBI") and, unless the context otherwise requires, its consolidated subsidiaries which historically have been maintained in various legal entities, some of which had significant unrelated business activities. The accompanying financial statements for such periods have been "carved out" of CBI's consolidated financial statements and reflect significant assumptions and allocations. The combined financial statements do not fully reflect what the financial position, results of operations and cash flows would have been had these operations been a stand-alone company during the periods presented. As a result, historical financial information is not necessarily indicative of CyrusOne's future results of operations, financial position and cash flows.

On November 20, 2012, the Operating Partnership received a contribution of interests in real estate properties and the assumption of debt and other specified liabilities from CBI in exchange for the issuance of 123,688,687 operating partnership units to CBI.

On January 24, 2013, CyrusOne Inc. completed its initial public offering ("IPO") of common stock, issuing approximately 19.0 million shares for $337.1 million, net of underwriters' discounts. At that time the Operating Partnership executed a 2.8 to 1.0 reverse unit split, resulting in CBI owning 44.1 million Operating Partnership units. In addition, CBI exchanged approximately 1.5 million of its Operating Partnership units for 1.5 million shares of CyrusOne Inc. common stock, and CBI was issued 0.4 million shares of CyrusOne Inc. common stock in repayment for transaction costs paid by CBI. CyrusOne Inc. also issued approximately 1.1 million shares of restricted stock to its directors and employees. In addition, on January 24, 2013, CyrusOne Inc., together with CyrusOne GP, purchased approximately 21.9 million or 33.9% of the Operating Partnership's units for $337.1 million and,through CyrusOne GP, assumed the controlling interest in the Operating Partnership. CBI retained a noncontrolling interest in the Operating Partnership of 66.1%.

As of December 31, 2013, the total number of outstanding partnership units was 64.6 million, and CBI holds a 65.9% ownership in the Operating Partnership.

3. Basis of Presentation

The accompanying financial statements as of December 31, 2012 and for the period ended January 23, 2013 and the years ended December 31, 2012 and 2011, were prepared on a combined basis using CBI's historical basis in the assets and liabilities of its data center business and are presented as the "Predecessor" financial statements. The Predecessor financial statements include all revenues, costs, assets and liabilities directly attributable to the data center business. In addition, certain expenses reflected in the Predecessor financial statements include allocations of corporate expenses from CBI, which in the opinion of management are

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

reasonable but do not necessarily reflect what CyrusOne's financial position, results of operations and cash flows would have been had been had CyrusOne been a stand-alone company during these respective periods. As a result, the Predecessor financial information is not necessarily indicative of CyrusOne's future results of operations, financial position and cash flows. The financial statements as of December 31, 2013 and for the period from January 24, 2013 to December 31, 2013 are prepared on a consolidated basis and are presented as the "Successor" financial statements.

In addition, the accompanying consolidated and combined balance sheets reflect a reclassification of certain financial statement accounts. We have combined 'other liabilities' with 'accounts payable and accrued expenses' as of December 31, 2012 and 2011 to conform to the 2013 presentation. We believe combining them more accurately reflects the nature of these accounts.

4. Significant Accounting Policies

Use of Estimates—Preparation of the consolidated and combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated and combined financial statements and accompanying notes. These estimates and assumptions are based on management's knowledge of current events and actions that we may undertake in the future. Estimates are used in determining the fair value of leased real estate, the useful lives of real estate and other long-lived assets, future cash flows associated with goodwill and other long-lived asset impairment testing, deferred tax assets and liabilities and loss contingencies. Estimates were also utilized in the determination of historical allocations of shared employees' payroll, benefits and incentives and management fees. Actual results may differ from these estimates and assumptions.

Investments in Real Estate—Investments in real estate consist of land, buildings, improvements and integral equipment utilized in our data center operations. Real estate acquired from third parties has been recorded at its acquisition cost. Real estate acquired from CBI and its affiliates has been recorded at its historical cost basis. Additions and improvements, which extend an asset's useful life or increase its functionality, are capitalized and depreciated over the asset's remaining life. Maintenance and repairs are expensed as incurred.

When we are involved in the construction of structural improvements to leased property, we are deemed the accounting owner of the leased real estate. In these instances, we bear substantially all the construction period risk, including managing or funding construction. These transactions generally do 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 consists of a building shell, and our associated obligation is recorded as construction in progress. As construction progresses, the value of the asset and obligation increases by the fair value of the structural improvements. When construction is complete, the asset is placed in service and depreciation commences. Leased real estate is 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. As of December 31, 2013, and 2012, leased assets, where we are deemed the accounting owner, were $56.3 million and $60.8 million, respectively. The associated obligation is presented as other financing arrangements in the accompanying consolidated and combined balance sheets.

When we are not deemed the accounting owner, we further evaluate leased real estate to determine whether the lease should be classified as a capital or operating lease. One of the following four characteristics must be present to classify a lease as a capital lease: (i) the lease transfers ownership of the property to the lessee by the end of the lease term, (ii) the lease contains a bargain purchase option, (iii) the lease term is equal to 75% or more of the estimated economic life of the leased property or (iv) the net present value of the lease payments are at least 90% of the fair value of the leased property. As of December 31, 2013, and 2012, capital lease assets included in investment in real estate were $40.8 million and $61.4 million, respectively.

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

Construction in progress includes direct and indirect expenditures for the construction and expansion of our data centers and is stated at its acquisition cost. Independent contractors perform substantially all of the construction and expansion efforts of our data centers. Construction in progress includes costs incurred under construction contracts including project management services, engineering and schematic design services, design development, construction services and other construction-related fees and services. Interest, property taxes and certain labor costs are also capitalized during the construction of an asset. Capitalized interest in 2013, 2012, and 2011 was $1.6 million, $2.7 million, and $2.6 million, respectively. These costs are depreciated over the estimated useful life of the related assets.

Depreciation is calculated using the straight-line method over the estimated useful life of the asset. Useful lives range from 9 to 48 years for buildings, 3 to 25 years for building improvements, and 3 to 5 years for equipment. Leasehold improvements are amortized over the shorter of the asset's useful life or the remaining lease term, including renewal options which are reasonably assured.

Management reviews the carrying value of long-lived assets, including intangible assets with finite lives, when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Examples of such indicators may include a significant adverse change in the extent to which or manner in which the property is being used, an accumulation of costs significantly in excess of the amount originally expected for acquisition or development, or a history of operating or cash flow losses. When such indicators exist, we review an estimate of the undiscounted future cash flows expected to result from the use of an asset (or group of assets) and its eventual disposition and compare such amount to its carrying amount. We consider factors such as future operating income, leasing demand, competition and other factors. If our undiscounted net cash flows indicate that we are unable to recover the carrying value of the asset, an impairment loss is recognized. An impairment loss is measured as the amount by which the asset's carrying value exceeds its estimated fair value.

Impairment exists when the Company's net book value of real estate assets is greater than the estimated fair value. For the years ended December 31, 2013 and 2012, we recognized impairments of $2.8 million and $11.8 million, respectively. No such impairments were recognized in 2011.

Cash and Cash Equivalents—Cash and cash equivalents include all non-restricted cash held in financial institutions and other non-restricted highly liquid short-term investments with original maturities at acquisition of three months or less.

Restricted Cash—Restricted cash consists of funds held in escrow to fund construction.

Goodwill—Goodwill represents the excess of the purchase price over the fair value of net assets acquired in connection with business acquisitions. We perform impairment testing of goodwill, at the reporting unit level, on an annual basis or more frequently if indicators of potential impairment exist.

The fair value of our reporting unit was determined using a combination of market-based valuation multiples for comparable businesses and discounted cash flow analysis based on internal financial forecasts incorporating market participant assumptions. No impairments have been recognized through December 31, 2013.

Long-Lived and Intangible Assets—Intangible assets represent purchased assets that lack physical substance, but can be separately distinguished from goodwill because of contractual or other legal rights or because the asset is capable of being sold or exchanged, either on its own or in combinations with a related contract, asset, or liability. Intangible assets with finite lives consist of trademarks, customer relationships, and a favorable leasehold interest.

For the year ended December 31, 2012, we recognized an impairment of $1.5 million related to the impairment of customer relationships. No such impairment was recognized in 2013 or 2011.

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

Receivables—Receivables consist principally of trade receivables from customers, are generally unsecured and are due within 30 to 120 days. Unbilled receivables arise from services rendered but not yet billed. Expected credit losses associated with trade receivables are recorded as an allowance for uncollectible accounts. The allowance for uncollectible accounts is estimated based upon historic patterns of credit losses for aged receivables 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. The Company has receivables with one customer that exceeds 10% of the Company's outstanding accounts receivable balance at December 31, 2013. There were two customers that exceeded 10% of the Company's outstanding accounts receivables balance at December 31, 2012.

Prior to October 1, 2012, we sold most of our trade and other accounts receivable without recourse to Cincinnati Bell Funding LLC ("CBF"), a bankruptcy-remote subsidiary of CBI, at a 2.5% discount to the receivables' face value. Cincinnati Bell Technology Solutions ("CBTS"), a wholly-owned subsidiary of CBI, and Cyrus Networks LLC ("Cyrus Networks") began selling their receivables to CBF in March 2009 and June 2011, respectively. The transfer of these assets qualified as a sale pursuant to Accounting Standards Codification ("ASC") 860-10, Transfers of Financial Assets, as these receivables had been isolated from the Predecessor and its creditors. The Predecessor continued to service these receivables and received a fee for this service. Effective October 1, 2012, we terminated our participation in this program.

As of December 31, 2013, receivables were $41.7 million, and the allowance for uncollectible accounts was $0.5 million. The December 31, 2012 receivables were $33.5 million, and the allowance for uncollectible accounts was $0.3 million.

Deferred Costs—Deferred costs include both deferred leasing costs and deferred financing costs. Deferred costs are presented with other assets in the accompanying consolidated and combined balance sheets. Leasing commissions incurred at the commencement of a new lease are capitalized and amortized over the term of the customer lease. Amortization of deferred leasing costs is presented with depreciation and amortization in the accompanying consolidated and combined statements of operations. If a lease terminates prior to the expected term of the lease, the remaining unamortized cost is written off to amortization expense.

Deferred financing costs include costs incurred in connection with issuance of debt and the revolving credit agreement. These financing costs are capitalized and amortized over the term of the debt or revolving credit agreement and are included as a component of interest expense.

Other Financing Arrangements—Other financing arrangements represent leases of real estate where we are involved in the construction of structural improvements to develop buildings into data centers. When we bear substantially all the construction period risk, such as managing or funding construction, we are deemed to be the accounting owner of the leased property and, at the lease inception date, we are required to record at fair value the property and associated liability on our consolidated and combined balance sheet. These transactions generally do not qualify for sale-leaseback accounting due to our continued involvement in these data center operations.

Revenue Recognition—Colocation rentals are generally billed monthly in advance, and some contracts have escalating payments over the 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 assets in the accompanying consolidated and combined balance sheets. As of December 31, 2013 and 2012, straight-line rents receivable was $25.5 million and $14.5 million, respectively.

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

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 and 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 lease, unless the pattern of service suggests otherwise. As of December 31, 2013 and 2012, deferred revenue was $55.9 million and $52.8 million, respectively.

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. Customer credits were insignificant for the year ended December 31, 2013.

Property Operating Expenses—Property operating expenses generally consist of electricity, salaries and benefits of data center operations personnel, real estate taxes, security, rent, insurance and other site operating and maintenance costs.

General and Administrative Expenses —General and administrative expenses consist of salaries and benefits of senior management and support functions, legal costs and consulting costs.

Sales and Marketing Expense—Sales and marketing expense is comprised of compensation and benefits associated with sales and marketing personnel as well as advertising and marketing costs. Costs related to advertising are expensed as incurred and amounted to $2.1 million for the period ended December 31, 2013, $0.1 million, for the period ended January 23, 2013, and $2.9 million and $1.4 million for the year ended December 31, 2012 and 2011, respectively.

Depreciation and Amortization Expense—Depreciation expense is recognized over the estimated useful lives of real estate applying the straight-line method. The useful life of leased real estate and leasehold improvements is 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. The residual value of leased real estate is estimated as the lesser of (i) the expected fair value of the asset at the end of the lease term or (ii) the expected amount of the unamortized liability at the end of the lease term. Depreciation expense was $70.3 million for the period ended December 31, 2013, $4.1 million for the period ended January 23, 2013, and $54.5 million and $39.1 million for the year ended December 31, 2012 and 2011, respectively.

Amortization expense is recognized over the estimated useful lives of finite-lived intangibles. An accelerated method of amortization is utilized to amortize our customer relationship intangible, consistent with the benefit expected to be derived from this asset. We amortize trademarks, favorable leasehold interests, deferred leasing costs and deferred sales commissions, over their estimated useful lives. The estimated useful life of trademarks and customer relationships is eight to 15 years. The favorable leasehold interest is being amortized over the remaining lease term of 56 years. Deferred leasing costs are amortized over three to five years. Amortization expense was $19.6 million for the period ended December 31, 2013, $1.2 million for the period ended January 23, 2013, and $18.9 million and $16.4 million for the year ended December 31, 2012 and 2011, respectively.

Transaction Costs—Transaction costs represent legal, accounting and professional fees incurred in connection with the formation transactions, our qualification as a REIT and potential business combinations. Transaction costs are expensed as incurred.

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

Restructuring Charges—Restructuring charges are a result of programs planned and controlled by management that materially changes either the scope of business undertaken or the manner in which that business is conducted. The 2013 restructuring charges were incurred as a result of moving certain administrative functions to the Company's corporate office. There were no such charges in 2012 or 2011.

Transaction-Related Compensation—During the period ended January 23, 2013, the Company received an allocated compensation charge from CBI of $20.0 million for the settlement of its long-term incentive plan associated with the completion of the IPO. The amount was determined by CBI and allocated to CyrusOne Inc. on January 23, 2013, and reflected as expense and contributed capital in the respective period.

Operating and Transactional Taxes—Certain operating taxes, such as property, sales, use and value added taxes, are reported as expenses in operating income. These taxes are not included in income tax expense because the amounts to be paid are not dependent on the level of income generated. We also record operating expenses for the establishment of liabilities related to certain operating tax audit exposures. These liabilities are established based on our assessment of the probability of payment. Upon resolution of an audit, any remaining liability not paid is released and increases operating income.

Income Taxes—The Company was included in CBI's consolidated Texas tax return for all Predecessor periods. In the accompanying financial statements, the Predecessor periods reflect income taxes as if the Company was a separate stand-alone company. The income tax provision consists of an amount for taxes currently payable and an amount for tax consequences deferred to future periods. CyrusOne Inc. will elect to be taxed as a REIT under the Code, as amended, by making our REIT election upon the filing of our 2013 REIT federal income tax return. Provided we qualify for taxation as a REIT and continue to meet the various qualification tests mandated under the Code, we are generally not subject to corporate level federal income tax on the earnings distributed currently to our shareholders. If we fail to qualify as a REIT in any taxable year, our taxable income will be subject to federal income tax at regular corporate rates and any applicable alternative minimum tax.

While CyrusOne Inc. and the Operating Partnership do not pay federal income taxes, we are still subject to foreign, state and local income taxes in the locations in which we conduct business. Our taxable REIT subsidiaries (each a "TRS") are also subject to federal and state income taxes to the extent there is taxable income.

Deferred income taxes are recognized in certain entities. Deferred income taxes are provided for temporary differences in the bases between financial statement and income tax assets and liabilities. Deferred income taxes are recalculated annually at rates then in effect. Valuation allowances are recorded to reduce deferred tax assets to amounts that are more likely than not to be realized. The ultimate realization of the deferred 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.

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 2010 and we have no liabilities for uncertain tax positions as of December 31, 2013.

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 other comprehensive (loss) income. Gains or losses from foreign currency transactions are included in determining net income.

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

Comprehensive Income (Loss)—Comprehensive income (loss) represents the change in net assets of a company from transactions and other events from non-owner sources. Comprehensive income (loss) comprises all components of net income and all components of other comprehensive income. As components of other comprehensive income (loss) were immaterial for all periods presented, comprehensive income (loss) is not presented. Comprehensive income (loss) was equal to our net income (loss) in 2013, 2012 and 2011.

Earnings per Share—For all periods subsequent to January 23, 2013, we present earnings per share ("EPS") data. Basic EPS includes only the weighted average number of common shares outstanding during the period. Diluted EPS includes the weighted average number of common shares and the dilutive effect of stock options, restricted stock and share unit awards and convertible subordinated notes outstanding during the period, when such instruments are dilutive.

All outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends are treated as participating in undistributed earnings with common shareholders. Awards of this nature are considered participating securities and the two-class method of computing basic and diluted EPS must be applied.

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 analyzed 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. Acquisition costs are expensed as incurred.

Related Party Transactions—CBI provided us with a variety of services. Cost allocation methods which were employed to determine the costs to be recognized in the accompanying combined financial statements included the following:

- Specific identification—Applied when amounts were specifically identifiable to our operations.
- Reasonable allocation method—When amounts were not clearly or specifically identifiable to our operations, management applied a reasonable allocation method.

Insurance Programs—CBI provided the Predecessor with coverage for certain employee health care benefits as well as losses incurred related to general liability, workers' compensation and automobile claims. CBI has purchased third-party insurance policies for these risks and is self-insured up to certain limits. Our portion of CBI's self-insured insurance expense has been determined based on its historical experience of paid claims. Since the completion of our IPO, we have adopted our own insurance policy program through third party providers.

Stock-Based Compensation—For all the Predecessor periods presented, some of our employees participated in CBI's stock-based compensation plans. CBI valued all share-based payments to employees at fair value on the date of grant and expensed this amount over the applicable vesting period. The fair value of stock options and stock appreciation rights was determined using the Black-Scholes option-pricing model using assumptions such as volatility, risk-free interest rate, holding period and expected dividends. The fair value of stock awards was based upon the closing market price of CBI's common stock on the date of grant. For all share-based awards, a forfeiture rate was estimated based upon historical forfeiture patterns. The forfeiture rate reduced the total fair value of the awards that was recognized as compensation expense. For graded vesting awards, CBI's policy was to recognize compensation expense on a straight-line basis over the vesting period. Certain employees were granted awards, which were indexed to the change in CBI's common stock price. The accompanying consolidated and combined financial statements include an allocation of stock-based compensation costs for awards granted to our employees. Upon completion of the IPO, all awards held by our employees were either terminated and settled by CBI or vesting was accelerated.

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

In conjunction with the IPO, our Board of Directors adopted the 2012 Long-Term Incentive Plan ("LTIP Plan"). The LTIP Plan is administered by the Board of Directors, or the plan administrator. Awards issuable under the LTIP Plan include common stock, restricted stock, stock options and other incentive awards. The awards under the LTIP Plan include the following:

Restricted Shares—On January 24, 2013, CyrusOne Inc. issued approximately 1 million restricted shares to its employees, officers and members of the Company's board of directors in conjunction with CyrusOne's IPO. These restricted shares will generally vest at the end of three years with a per share grant price of $19.

Performance and Market Based Awards—On April 17, 2013, the Company issued performance and market based awards in the form of options and restricted stock to certain employees and officers of the Company. Fifty percent of the restricted shares and stock options will vest annually based upon achieving certain performance criteria. The other fifty percent of the restricted shares and stock options will vest at the end of three years if certain market conditions are met. The fair value of these awards were determined using the Black-Scholes or Monte-Carlo model which use assumptions such as volatility, risk-free interest rate, and expected term of the awards. See Note 16 for additional details relating to these awards.

Compensation expense for these awards will be recognized over the vesting period.

Fair Value Measurements—Fair value measurements are utilized in accounting for business combinations and testing of goodwill and other long-lived assets for impairment. Fair value of financial and non-financial assets and liabilities is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The three-tier hierarchy for inputs used in measuring fair value, which prioritizes the inputs used in the methodologies of measuring fair value for asset and liabilities, is as follows:

Level 1—Observable inputs for identical instruments such as quoted market prices;

Level 2—Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs); and

Level 3—Unobservable inputs that reflect our 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.

Business Segments—Business segments are components of an enterprise for which separate financial information is available and regularly viewed by the chief operating decision maker to assess performance and allocate resources. Our chief operating decision maker, the Company's CEO, reviews our financial information on an aggregate basis. Furthermore, our data centers have similar economic characteristics and customers across all geographic locations, our service offerings have similar production processes, deliver services in a similar manner and use the same types of facilities and similar technologies. As a result, we have concluded that we have one reportable operating segment.

5. Recently Issued Accounting Standards

In February, 2013, the Financial Accounting Standards Board ("FASB") issued amendments to provide guidance on the recognition, measurement and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of obligation within the scope of this guidance is fixed at the reporting date, except for obligations addressed within existing guidance in GAAP. The amendments are effective for fiscal years and interim periods within those years, beginning after December 15, 2013. The Company does not believe the adoption of this guidance will have a material impact on the Company's financial statements.

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

6. Investment in Real Estate

A schedule of our gross investment in real estate follows:

	Successor			Predecessor		
	December 31, 2013			December 31, 2012		
(Dollars in millions)	Land	Building and Improvements	Equipment	Land	Building and Improvements	Equipment
West Seventh St., Cincinnati, OH (7th Street)	$ 0.9	$107.6	$ 11.0	$ 0.9	$108.7	$ 0.8
Parkway Dr., Mason, OH (Mason)	—	20.2	0.6	—	20.2	0.4
Industrial Rd., Florence, KY (Florence)	2.2	41.4	2.4	—	46.8	0.5
Goldcoast Dr., Cincinnati, OH (Goldcoast)	0.6	6.7	0.1	0.6	6.7	—
Knightsbridge Dr., Hamilton, OH (Hamilton)	—	49.2	3.6	—	49.9	2.1
E. Monroe St., South Bend, IN (Monroe St.)	—	2.5	—	—	3.2	—
Springer St., Lombard, IL (Lombard)	0.7	4.6	0.2	—	2.6	—
Crescent Circle, South Bend, IN (Blackthorn)	—	3.3	0.2	—	3.3	0.1
Kingsview Dr., Lebanon, OH (Lebanon)	4.0	71.7	2.2	4.0	71.0	1.1
McAuley Place, Blue Ash, OH (Blue Ash)	—	0.6	—	—	0.6	—
Westway Park Blvd., Houston, TX (Houston West 1)	1.4	84.4	39.4	3.3	87.8	12.0
Westway Park Blvd., Houston, TX (Houston West 2)	2.0	22.4	15.8	—	—	—
Westway Park Blvd., Houston, TX (Houston West 3)	18.3	—	—	—	—	—
Southwest Fwy., Houston, TX (Galleria)	—	68.4	13.3	—	66.0	6.6
E. Ben White Blvd., Austin, TX (Austin 1)	—	22.5	1.2	—	22.6	0.8
S. State Highway 121 Business, Lewisville, TX (Lewisville)	—	77.0	20.3	—	76.0	9.6
Marsh Lane, Carrollton, TX (Marsh Ln)	—	0.1	0.5	—	0.1	0.2
Midway Rd., Carrollton, TX (Midway)	—	2.0	0.4	—	2.0	0.3
W. Frankford Rd., Carrollton, TX (Carrollton)	16.1	42.6	34.8	16.1	34.6	5.0
Bryan St., Dallas, TX (Bryan St)	—	0.1	0.1	—	0.1	—
North Freeway, Houston, TX (Greenspoint)	—	1.3	0.4	—	1.3	0.4
South Ellis Street, Chandler, AZ (Phoenix)	15.0	55.7	11.7	15.0	38.7	6.8
Westover Hills Blvd., San Antonio, TX (San Antonio 1)	4.6	32.1	29.5	4.6	30.8	4.7
Westover Hills Blvd., San Antonio, TX (San Antonio 2)	6.7	—	—	—	—	—
Metropolis Dr., Austin, TX (Austin 2)	2.0	23.1	1.7	—	22.7	0.6
Kestral Way (London)	—	34.8	0.7	—	17.1	0.3
Jurong East (Singapore)	—	9.4	0.1	—	9.7	0.1
Ridgetop Circle, Sterling, VA (Northern VA)	6.9	—	—	—	—	—
Metropolis Dr., Austin, TX (Austin 3)	7.9	—	—	—	—	—
Total	**$89.3**	**$783.7**	**$190.2**	**$44.5**	**$722.5**	**$52.4**

Construction in progress was $57.3 million and $64.2 million as of December 31, 2013 and December 31, 2012, respectively. We continue to have high amounts of construction in progress as we continue to build data center facilities.

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

For the year ended December 31, 2013, we made various land acquisitions. We purchased 33 acres of land in Houston (Houston West 3) for $18.2 million, 22 acres of land for $6.7 million in San Antonio (San Antonio 2), 22 acres of land for $7.9 million in Austin (Austin Met 3), and 14 acres of land for $6.9 million in Virginia (Northern VA).

We executed our lease buyout options and purchased the Springer Street, Lombard, IL (Lombard) and Industrial Road, Florence, KY (Florence) data center facilities for total purchase price of $5.5 million and $10.5 million, respectively, and extinguished our Metropolis Drive, Austin, TX (Austin 2) data center facility related financing lease obligation for $12.2 million.

The extinguishment resulted in the settlement of the related financing lease obligation for Austin 2 of $8.9 million, acquisition of land of $2.0 million and a loss on extinguishment of debt of $1.3 million.

Upon completion of the buyout of the Lombard and Florence capital leases, the gross basis of each acquired asset was reset to the net carrying value of the leased assets and the depreciable life was extended to 25 years consistent with our policy for depreciating buildings. The amounts of these adjustments for Lombard and Florence were $0.1 million and $7.9 million, respectively.

Impairment exists when the Company's net book value of real estate assets is greater than the estimated fair value. For the years ended December 31, 2013 and 2012, we recognized impairments of $2.8 million and $11.8 million, respectively. No such impairment was recognized in 2011.

7. Goodwill, Intangible and Other Long-Lived Assets

Goodwill and intangible assets were recognized in connection with the acquisition of Cyrus Networks as well as prior acquisitions. The carrying amount of goodwill was $276.2 million as of December 31, 2013 and 2012.

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

		Successor			Predecessor		
		December 31, 2013			December 31, 2012		
(Dollars in millions)	Weighted-Average Life (in years)	Gross Carrying Amount	Accumulated Amortization	Total	Gross Carrying Amount	Accumulated Amortization	Total
Customer relationships	15	$129.7	$(53.1)	$76.6	$129.5	$(36.8)	$ 92.7
Trademark	15	7.4	(1.8)	5.6	7.4	(1.2)	6.2
Favorable leasehold interest	56	3.9	(0.2)	3.7	3.9	(0.2)	3.7
Total		$141.0	$(55.1)	$85.9	$140.8	$(38.2)	$102.6

During the second quarter of 2012, management identified impairment indicators for a customer relationship intangible and other long-lived assets primarily related to the GramTel acquisition. We performed step one of the impairment tests for these assets utilizing cash flow estimates from the most recent long-term business plan and other updated assumptions. The results of these tests indicated a potential impairment loss for each of these asset groups.

Management engaged a third-party valuation specialist to assist with our 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 includes estimates of future expenses, capital expenditures and an appropriate discount rate.

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

Management also estimated the fair value of other long-lived assets, primarily leasehold improvements, using an income approach based on projected discounted future cash flows using estimates of future revenues and expenses, projected capital expenditures and an appropriate discount rate. During 2012, the fair value of the customer relationship intangible was estimated by management to be $2.8 million resulting in an asset impairment of $1.5 million. Management estimated the fair value of other long-lived assets, primarily leasehold improvements, at $2.4 million resulting in an impairment loss of $11.8 million. There were no intangible asset impairments for the year ended December 31, 2013 or 2011.

Amortization expense for acquired intangible assets subject to amortization was $15.9 million, $1.0 million, $16.4 million and $15.5 million for the periods ended December 31, 2013 and January 23, 2013, and the years ended December 31, 2012 and 2011, respectively.

The following table presents estimated amortization expense for 2014 through 2018:

(Dollars in millions)	
2014	$16.9
2015	14.6
2016	11.6
2017	9.5
2018	7.6

8. Sale of Accounts Receivable

Prior to October 1, 2012, we sold most of our receivables to an affiliated entity at a discount of 2.5% of the face value. Proceeds from the sale of these assets were settled through CBI's centralized cash management system. Effective October 1, 2012, we terminated our participation in this program and previously derecognized receivables of $25.9 million were transferred back to us. Prior to such date, all excess cash was transferred to CBI's corporate cash accounts on a periodic basis.

	Predecessor	
	For the years ended December 31,	
(Dollars in millions)	2012	2011
Receivables sold, net	$127.8	$137.5
Proceeds upon sale	124.6	134.0
Loss on sale	3.2	3.5
Servicing fees received	0.1	0.1

9. Debt and Other Financing Arrangements

Debt and other financing arrangements presented in the accompanying consolidated and combined financial statements consist of the following:

	Successor	Predecessor
(dollars in millions)	December 31, 2013	December 31, 2012
Revolving credit agreement	$ —	$ —
Capital lease obligations	16.7	32.2
6 3/8% Senior Notes due 2022	525.0	525.0
Other financing arrangements	56.3	60.8
Total	$598.0	$618.0

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

Revolving credit agreement—On November 20, 2012, we entered into a credit agreement (the "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 Credit Agreement has a maturity date of November 20, 2017. Borrowings under the 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 Credit Agreement bear interest, at our election, at a rate per annum equal to (i) LIBOR plus the applicable margin or (ii) the base rate plus the applicable margin. The applicable margin is based on our Total Net Leverage Ratio, as defined in the Credit Agreement, and ranges between 3.25% and 3.75% for LIBOR rate advances and 2.25% and 2.75% for base rate advances. As of December 31, 2013, the applicable margin was 3.25% for LIBOR rate advances and 2.25% 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%.

Borrowings under the Credit Agreement are guaranteed by CyrusOne Inc., CyrusOne GP, CyrusOne Finance Corp., CyrusOne LLC, CyrusOne TRS Inc, and CyrusOne Foreign Holdings LLC. The obligations under the Credit Agreement are secured by, subject to certain exceptions, the capital stock of certain of our subsidiaries, certain intercompany debt and the tangible and other intangible assets of us and certain of our subsidiaries.

The 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 and dispose of assets or subsidiaries. In addition, the Credit Agreement requires us to maintain a certain secured net leverage ratio, ratio of earnings before interest, taxes, depreciation and amortization ("EBITDA") to fixed charges and ratio of total indebtedness to gross asset value, in each case on a consolidated basis. Notwithstanding the limitations set forth above, we will be permitted, subject to the terms and conditions of the Credit Agreement, to distribute to our shareholders cash dividends in an amount not to exceed 95% of our adjusted funds from operations (as defined in the Credit Agreement) for any period.

The 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 us. Notwithstanding the foregoing, our revolving credit facility restricts CyrusOne LP from making distributions to its stockholders and limited partners, or redeeming or otherwise repurchasing shares of its capital stock or partnership units, after the occurrence and during the continuance of an event of default, except in limited circumstances including as necessary to enable CyrusOne Inc. to maintain its qualification as a REIT and to minimize the payment of income tax.

As of December 31, 2013 and 2012, there were no borrowings on the Credit Agreement.

We pay commitment fees for the unused amount of borrowings on the Credit Agreement and letter of credit fees on any outstanding letters of credit. The commitment fees are equal to 0.50% per annum 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 Credit Agreement were $1.1 million in 2013 and insignificant in 2012.

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

Capital lease obligations—We use leasing as a source of financing for certain of our data center facilities and related equipment. We currently operate four data center facilities recognized as capital leases. We have options to extend the initial lease term on all these leases and options to purchase the facility for one of these leases. Interest expense on capital lease obligations was \$6.3 million, \$0.3 million, \$7.4 million and \$5.4 million for the periods ended December 31, 2013, and January 23, 2013, and years ended 2012 and 2011, respectively.

Related party note due on demand—Prior to November 20, 2012, we participated in CBI's centralized cash management program. On a daily basis, all excess cash was transferred to CBI's corporate cash accounts. Likewise, substantially all funds to finance our operations and capital expenditures were funded by CBI. Advances and borrowings between affiliates were governed by an intercompany cash management note. Borrowings were unsecured. On November 20, 2012, we repaid \$80 million on this note, and the remaining amount outstanding were settled with an equity contribution to CyrusOne LP.

6 $^3/_8$% Senior Notes due 2022—On November 20, 2012, CyrusOne LP and CyrusOne Finance Corp. (the "Issuers") issued \$525 million of 6 $^3/_8$% Senior Notes due 2022 ("6 $^3/_8$% Senior Notes"). The 6 $^3/_8$% 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 6 $^3/_8$% 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 6 $^3/_8$% Senior Notes are fully and unconditionally and jointly and severally guaranteed by CyrusOne Inc., CyrusOne GP, and each of CyrusOne LP's existing and future domestic 100% owned subsidiaries, subject to certain exceptions. 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 6 $^3/_8$% Senior Notes are structurally subordinated to all liabilities (including trade payables) of each subsidiary of the Issuer that does not guarantee the Senior Notes. The 6 $^3/_8$% Senior Notes bear interest at a rate of 6 $^3/_8$% per annum, payable semi-annually on May 15 and November 15 of each year, beginning on May 15, 2013.

The indenture governing the 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, the Company's ability to: incur secured or unsecured indebtedness; pay dividends or distributions on its equity interests, or redeem or repurchase equity interests of the Company; 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, our indenture restricts CyrusOne LP from making distributions to its stockholders and limited partners, or redeeming or otherwise repurchasing shares of its capital stock or partnership units, after the occurrence and during the continuance of an event of default, except in limited circumstances including as necessary to enable CyrusOne Inc. to maintain its qualification as a REIT and to minimize the payment of income tax. The Company 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, in each case subject to certain qualifications set forth in the indenture.

The 6 $^3/_8$% 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 6 $^3/_8$% Senior Notes at a redemption price equal to 100% of the principal amount of the 6 $^3/_8$% 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 our option, redeem some or all of the 6 $^3/_8$% 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

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

(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 6 $^{3}/_{8}$% 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 6 $^{3}/_{8}$% Senior Notes remains outstanding and (ii) the redemption occurs within 90 days of the closing of any such equity offering.

Other financing arrangements—Other financing arrangements represent leases of real estate in which we are involved in the construction of structural improvements to develop buildings into data centers. When we bear substantially all the construction period risk, such as managing or funding construction, we are deemed to be the accounting owner of the leased property and, at the lease inception date, we are required to record at fair value the property and associated liability on our balance sheet. These transactions generally do not qualify for sale-leaseback accounting due to our continued involvement in these data center operations.

On June 18, 2013, we extinguished our Metropolis Drive, Austin, TX (Austin 2) data center facility related financing lease obligation for $12.2 million. See Note 6 for further discussion.

In 2011, we terminated the financing obligation for Westway Park Blvd., Houston, TX (Houston West 1) by purchasing the property from the former lessor. The Predecessor recognized a loss on extinguishment of debt of $1.4 million upon the termination of this arrangement.

The following table summarizes our annual minimum payments associated with our other financing arrangements for the five years subsequent to December 31, 2013, and thereafter:

(Dollars in millions)	
2014	$ 5.7
2015	5.8
2016	5.9
2017	6.0
2018	6.1
Thereafter	28.1
Total financing arrangements	$57.6

The following table summarizes annual principal maturities of our 6 $^{3}/_{8}$% Senior Notes due 2022 and capital leases for the five years subsequent to December 31, 2013, and thereafter:

		Capital Leases			
(Dollars in millions)	6 $^{3}/_{8}$% Senior Notes	Interest Payments	Principal Payment	Total Capital Leases	Total Debt
2014	$ —	$1.4	$ 1.5	$ 2.9	$ 1.5
2015	—	1.2	1.2	2.4	1.2
2016	—	1.0	1.6	2.6	1.6
2017	—	0.8	0.4	1.2	0.4
2018	—	0.7	0.7	1.4	0.7
Thereafter	525.0	1.4	4.8	6.2	529.8
Total debt	$525.0	$6.5	$10.2	$16.7	$535.2

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

Deferred financing costs—Deferred financing costs are costs incurred in connection with obtaining long-term financing. Deferred financing costs were incurred in connection with the issuance of the Credit Agreement and 6 $^{3}/_{8}$% Senior Notes due 2022. As of December 31, 2013, and 2012, deferred financing costs totaled $14.1 million and $16.9 million, respectively. Deferred financing costs are amortized using the effective interest method over the term of the related indebtedness. Amortization of deferred financing costs, included in interest expense in the consolidated and combined statements of operations, totaled $4.0 million and $0.1 million for the periods ended December 31, 2013, and January 23, 2013, respectively, and $0.3 million in 2012 with no such costs in 2011.

Debt Covenants —The indenture governing the 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, the Company's ability to: incur secured or unsecured indebtedness; pay dividends or distributions on its equity interests, or redeem or repurchase equity interests of the Company; 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 the Company's ability to pay dividends or distributions to shareholders to the extent (i) no default or event of default exists or is continuing under the indenture and (ii) the Company believes in good faith that we qualify as a REIT under the Code and the payment of such dividend or distribution is necessary either to maintain its status as a REIT or to enable it to avoid payment of any tax that could be avoided by reason of such dividend or distribution. The Company 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 agreement facility shall be treated as unsecured indebtedness.

The revolving credit agreement requires us 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, we will be permitted, subject to the terms and conditions of the revolving credit agreement, to distribute to our shareholders cash dividends in an amount not to exceed 95% of our AFFO (as defined in the Credit Agreement) for any period. Similarly, our indenture permits dividends and distributions necessary for us to maintain our status as a REIT.

The Company's most restrictive covenants are generally included in its revolving credit agreement. In order to continue to have access to the amounts available to it under the revolving credit agreement, the Company must remain in compliance with all covenants.

As of December 31, 2013, the Company was in compliance with all covenants.

10. Fair Value of Financial Instruments

The fair value of cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued expenses approximate their carrying value because of the short-term nature of these instruments.

The carrying value and fair value of other financial instruments are as follows:

	Successor		Predecessor	
	December 31, 2013		December 31, 2012	
(Dollars in millions)	Carrying Value	Fair Value	Carrying Value	Fair Value
6 $^{3}/_{8}$% Senior Notes due 2022	525.0	539.4	525.0	547.3
Other financing arrangements	56.3	63.8	60.8	69.5

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

The fair value of our Senior Notes as of December 31, 2013, was based on the quoted market price for these notes, which is considered Level 1 of the fair value hierarchy. The estimated fair value of our Senior Notes on December 31, 2012, was based on the market price of similar notes at that time, which is considered Level 2 of the fair value hierarchy. The fair value of other financing arrangements at December 31, 2013 and December 31, 2012, was calculated using a discounted cash flow model that incorporates current borrowing rates for obligations of similar duration. These fair value measurements are considered Level 2 of the fair value hierarchy.

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.

The measured fair value used in 2013 and 2012 related impairment charges is summarized below:

(dollars in millions)	December 31, 2013	Quoted prices in active markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	2013 Impairment Loss
Equipment	$0.3	$—	$0.3	$ —	$ (2.8)
Total Impairment					$ (2.8)

	December 31, 2012	Quoted prices in active markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	2012 Impairment Loss
Customer relationships	$2.8	$—	$ —	$2.8	$ (1.5)
Buildings and improvements	2.4	—	—	2.4	(11.8)
Total Impairment					$(13.3)

In the fourth quarter of 2013, we agreed to an offer to purchase equipment which had a net book value of $3.1 million for $0.3 million resulting in a loss of $2.8 million.

In the second quarter of 2012, the customer relationship intangible obtained in our 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 current customer contracts, and includes estimates of future expenses and 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, leasehold improvements and other property at GramTel data centers 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 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.

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

11. Noncontrolling Interests—Operating Partnership

Noncontrolling interests represent the limited partnership interests in the Operating Partnership held by individuals and entities other than CyrusOne Inc.

The following table shows the ownership interests in the Operating Partnership as of December 31, 2013:

	December 31, 2013	
	Number of Units	Percentage of Total
The Company	22.0	34.1%
Noncontrolling interests consist of:		
Data Center Investments Holdco*	18.1	28.0%
Data Center South Holdings*	24.5	37.9%
Total	64.6	100.0%

* Both entities are wholly-owned subsidiares of CBI

On August 6, 2012, CyrusOne issued 100 shares of its common stock to CBI for $1,000 in connection with its initial capitalization. During 2012, transaction costs of $7.1 million associated with our initial public offering were paid by CBI and reflected as a contribution from Parent in our financial statements.

Prior to November 20, 2012, the Predecessor was not a separate legal entity and was operated by CBI during the periods presented. At December 31, 2011, divisional control represented CBI's net investment in the Predecessor. In 2011, the Predecessor distributed $7.8 million to CBI.

At December 31, 2012, partnership capital represented CBI's net investment in CyrusOne LP. On November 20, 2012, CyrusOne LP received a contribution of interests in the real estate properties from CBI. In exchange, CyrusOne LP issued 123,688,687 operating partnership units to CBI. CBI also assumed certain of the Predecessor's intercompany payables and other liabilities of $203.5 million. Subsequent to December 31, 2012, CyrusOne LP executed a 2.8 to 1.0 reverse unit split, resulting in CBI owning 44,102,556 operating partnership units. On January 24, 2013, CBI exchanged 1,500,000 operating partnership units for common shares of CyrusOne Inc.

12. Stockholders' Equity and Partnership Capital

On January 24, 2013, CyrusOne Inc. 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. As a result of the initial public offering, CyrusOne Inc. raised a total of $360.5 million in gross proceeds, and retained approximately $337.1 million in net proceeds after deducting underwriting discounts and commissions of $23.4 million. CyrusOne Inc. used the amount of the net proceeds from the offering to purchase approximately 19.0 million of CyrusOne LP's operating partnership units. In addition, CyrusOne Inc. issued approximately 1.0 million of common shares to directors and employees. Vesting of these shares is contingent upon completion of service. Following the completion of these transactions, CyrusOne Inc. and CyrusOne GP held a combined 33.9% interest in CyrusOne LP, with the remaining 66.1% interest held by CBI.

CyrusOne Inc. and CyrusOne LP stockholders' equity and partnership capital were $780.4 million at December 31, 2013.

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

We have declared cash dividends on common shares and distributions on operating partnership units for the year ended December 31, 2013 as presented in the table below:

Record date	Payment date	Cash dividend per share or Operating Partnership units
3/29/2013	4/15/2013	$0.16
6/28/2013	7/15/2013	$0.16
9/27/2013	10/15/2013	$0.16
12/27/2013	1/10/2014	$0.16

13. Customer Leases

Customer lease arrangements customarily contain provisions that allow either 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 to be received under non-cancelable operating leases, excluding month-to-month arrangements and submetered power, for the next five years are shown below:

(Dollars in millions)	
2014	$145.4
2015	98.7
2016	69.1
2017	44.3
2018	29.7

14. Employee Benefit Plans

Prior to the IPO, some of our shared employees and retirees participated in CBI's pension and other benefit plans. CBI managed these plans on a combined basis for all its affiliates and funded all plan contributions. Our employees were also eligible to participate in one of two sponsored defined contribution plans. One of these plans was sponsored by CyrusOne and the other by CBI. Employee contributions to these plans were matched by the sponsoring employer. Our direct and allocated contributions to these plans were $0.4 million for each of the years ended December 31, 2012 and 2011.

CyrusOne continues to offer a retirement savings plan to its employees. CyrusOne's matching contribution to its retirement savings plan was less than $0.5 million for the period ended December 31, 2013, and less than $0.1 million for the period ended January 23, 2013.

In addition, prior to the IPO, some of our shared employees participated in CBI's sponsored health care plans. We were unable to estimate our share of CBI's liability for claims incurred but not reported or reported but not paid. Our allocated costs of these plans for the years ended December 31, 2012 and 2011, were $0.1 million and $0.8 million, respectively.

After the IPO, our employees participated in health care plans sponsored by CyrusOne, which provided medical, dental, vision and prescription benefits. We incurred $1.6 million and $0.1 million of expenses related to these plans for the periods ended December 31, 2013, and January 23, 2013, respectively. Effective with the completion of the IPO on January 24, 2013, we no longer receive an allocated charge from CBI or participate in CBI's sponsored health care plans.

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

15. Loss Per Share

Basic loss per share is calculated using the weighted average number of shares of common stock outstanding during the period. In addition, net loss applicable to participating securities and the related participating securities are excluded from the computation of basic loss per share.

Diluted loss per share is calculated using the weighted average number of shares of common stock outstanding during the period, including restricted stock outstanding. If there is net income during the period, the dilutive impact of common stock equivalents outstanding would also be reflected.

The following table reflects a reconciliation of the shares used in the basic and diluted net loss per share computation for the period ended December 31, 2013:

(Dollars and shares in millions, except per share amounts)	Period Ended December 31, 2013 Basic	Diluted
Numerator:		
Net loss attributed to common shareholders	$ (5.3)	$ (5.3)
Less: Restricted stock dividends	(0.6)	(0.6)
Net loss available to shareholders	$ (5.9)	$ (5.9)
Denominator:		
Weighted average common outstanding-basic	20.9	20.9
Performance-based restricted stock(1)		—
Convertible securities(1)		—
Weighted average shares outstanding-diluted		20.9
EPS:		
Net loss per share-basic	$(0.28)	
Effect of dilutive shares		—
Net loss per share-diluted		$(0.28)

(1) We have excluded 0.2 million of restricted stock, and 42.6 million of Operating Partnership Units which are securities convertible into common stock in January 2014, from our diluted earnings per share as of December 31, 2013. These amounts were deemed anti-dilutive.

16. Stock-Based Compensation Plans

In conjunction with the CyrusOne Inc. IPO, the board of directors of CyrusOne Inc. adopted the LTIP Plan. The LTIP Plan is administered by the board of directors, or the plan administrator. Awards issuable under the LTIP include common stock, restricted stock, stock options and other incentive awards. CyrusOne Inc. has reserved a total of 4 million shares of CyrusOne Inc. common stock for issuance pursuant to the LTIP Plan, which may be adjusted for changes in capitalization and certain corporate transactions. To the extent that an award, if forfeitable, expires, terminates or lapses, or an award is otherwise settled in cash without the delivery of shares of common stock to the participant, then any unpaid shares subject to the award will be available for future grant or issuance under the LTIP Plan. The payment of dividend equivalents in cash in conjunction with any outstanding awards will not be counted against the shares available for issuance under the LTIP Plan. The related stock compensation expense incurred by CyrusOne Inc. will be allocated to the Operating Partnership. Shares available under the plan at December 31, 2013, were approximately 3 million.

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

Restricted Stock

CyrusOne Inc. issued approximately 1 million restricted shares to its employees, officers and board of director members in conjunction with CyrusOne Inc.'s IPO. The restricted shares granted to employees and officers will vest at the end of three years and have been issued in the form of common stock. The restricted shares granted to the board of director members will vest one-third on May 15, 2014, one-third on January 17, 2015, and one-third on January 17, 2016, and will be issued in the form of common stock. These restricted shares also earn non-forfeitable dividends throughout the vesting period. CyrusOne Inc. recognized stock-based compensation expense of approximately $5.3 million for the period ended December 31, 2013, with no such expense for the period ended January 23, 2013. As of December 31, 2013, we have unrecognized compensation expense of approximately $11.9 million. This expense will be recognized over the remaining vesting period, or approximately 2.1 years. The forfeiture rate for these shares of restricted stock was approximately 12% in 2013.

The following table sets forth the restricted stock awards activity for the period ended December 31, 2013:

Restricted Stock Awards

(in thousands, expect per share amounts)	Shares	Weighted average per share
Granted	1,024	$19.01
Forfeited	(119)	19.00
Vested	—	—
Shares outstanding at December 31, 2013	905	$19.01

Performance and Market Based Awards

On April 17, 2013, the Company approved grants of performance and market based restricted stock and options under the LTIP Plan. The performance based restricted stock and options will vest annually based upon achieving certain predetermined EBITDA thresholds over a three-year cumulative performance period. The performance based awards will vest based on the following scale:

- Below 90% of EBITDA target = 0%
- At 90% of EBITDA target = 50%
- At 100% of EBITDA target = 100%
- At or above 115% of EBITDA target = 200%

The market based restricted stock and options vest at the end of 3 years if the total stockholder return during the three year measurement period following the grant date meets or exceeds the return of the MSCI US REIT Index over the same period. The market based awards will vest based on the following scale:

- If CyrusOne's total stockholder return is less than the return of the Index = 0%
- If CyrusOne's total stockholder return is equal to or greater than the return of the Index = 100%, up to 200% if CyrusOne's total stockholder return exceeds the return of the Index by 2%
- If CyrusOne's total stockholder return exceeds the return of the Index, but is negative, any calculated vesting amount will be reduced by 50%

These awards are expensed based on the grant date fair value if it is probable that the conditions will be achieved. The forfeiture rate for these awards was approximately 11% in 2013.

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

The following tables set forth the activity for the performance based awards for the period ended December 31, 2013. The share/option count in these tables reflect the maximum amount of shares/options available (200%) under the plan. The related compensation expense is being calculated using the amount of shares/options that are probable under the plan (100%).

Performance Based-Restricted Stock

(in thousands, expect per share amounts)	Shares	Weighted average grant date fair value per share
Granted	125	$23.58
Forfeited	(14)	23.58
Vested	—	—
Shares outstanding at December 31, 2013	111	$23.58

Assuming these awards vest at a rate of 100%, the value of the restricted stock is equivalent to the Company's share price as of the grant date. These awards are expensed based on the grant date value if it is probable that the performance conditions will be achieved. CyrusOne Inc. recognized stock-based compensation expense of approximately $0.3 million for the period ended December 31, 2013, with no such expense for the period ended January 23, 2013. As of December 31, 2013, we have unrecognized compensation expense of approximately $1.0 million. This expense will be recognized over the remaining vesting period, or approximately 2.3 years.

Performance Based-Stock Options

(in thousands, expect per option amounts)	Options	Weighted average grant date fair value per option
Granted	95	$5.45
Forfeited	(11)	5.45
Vested	—	—
Shares outstanding at December 31, 2013	84	$5.45

These awards are expensed based on the grant date fair value if it is probable that the performance conditions will be achieved. The fair value of each stock option is estimated using the Black-Scholes option-pricing model. Significant assumptions used in the Black-Scholes model were six years for the expected term of the stock options, 35% for the expected volatility, 0.92% for the risk-free rate of return and 3.4% for the expected dividend yield. CyrusOne Inc. recognized stock-based compensation expense of approximately $0.1 million for the period ended December 31, 2013, with no such expense for the period ended January 23, 2013. As of December 31, 2013, we have unrecognized compensation expense of approximately $0.2 million. This expense will be recognized over the remaining vesting period, or approximately 2.3 years. The exercise price for these options is $23.58.

The following tables set forth the activity for the market based awards for the year ended December 31, 2013. The share/option count in these tables reflect the maximum amount of shares/options available under the plan. The share/option count in these tables reflect the maximum amount of shares/options available (200%) under the plan. The related compensation expense is being calculated using the amount of shares/options that are probable under the plan (100%).

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

The fair value of these awards was calculated using a Monte Carlo simulation. The Monte Carlo simulation is a modeling technique in which an uncertain variable or variables are identified and assigned an expected distribution of potential outcomes. The significant assumptions used in this model were the correlation coefficient of 0.70, measurement period of 3 years, volatility factor of 35%, risk free rate of 0.35% and dividend yield of 3.4%.

Market Based-Restricted Stock

(in thousands, expect per share amounts)	Shares	Weighted average grant date fair value per share
Granted	125	$25.91
Forfeited	(14)	25.91
Vested	—	—
Shares outstanding at December 31, 2013	111	$25.91

These awards are expensed based on the grant date fair value if it is probable that the performance conditions will be achieved. CyrusOne Inc. recognized stock-based compensation expense of approximately $0.3 million for the period ended December 31, 2013, with no such expense for the period ended January 23, 2013. As of December 31, 2013, we have unrecognized compensation expense of approximately $1.1 million. This expense will be recognized over the remaining vesting period, or approximately 2.3 years.

Market Based-Stock Options

(in thousands, expect per option amounts)	Options	Weighted average grant date fair value per option
Granted	95	$9.46
Forfeited	(11)	9.46
Vested	—	—
Shares outstanding at December 31, 2013	84	$9.46

These awards are expensed based on the grant date fair value if it is probable that the performance conditions will be achieved. CyrusOne Inc. recognized stock-based compensation expense of approximately $0.1 million for the period ended December 31, 2013, with no such expense for the period ended January 23, 2013. As of December 31, 2013, we have unrecognized compensation expense of approximately $0.3 million. This expense will be recognized over the remaining vesting period, or approximately 2.3 years. The exercise price for these options is $23.58.

CBI Sponsored Long-Term Incentive Plans

Some of our employees were historically granted stock options, stock appreciation rights, and awards indexed to CBI’s common stock under CBI sponsored long-term incentive plans. These awards may have been time-based or performance-based. Generally these stock options awards vested three years from the grant date and expired ten years from the date of grant. Performance based stock option and other awards generally vested over three to four years and upon the achievement of certain performance-based objectives. Performance-based awards were expensed based on their grant date fair value, if it was probable that the performance conditions

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

would be achieved. For cash-settled awards which are indexed to CBI's common stock price, compensation expense was recognized for changes in the market price of CBI's common stock. Subsequent to December 31, 2012, all unvested share-based awards issued by CBI to CyrusOne employees were forfeited.

Allocated stock-based compensation expense incurred by the Predecessor was $3.4 million and $0.6 million in 2012 and 2011, respectively. The allocated cost was determined based upon specific identification of awards to specific data center employees as well as shared employees. For shared employees, the allocated cost was based upon the individual's estimated percentage of time spent on data center activities. The tax benefit associated with stock-based compensation was $0.9 million and $0.2 million in 2012 and 2011, respectively.

17. Related Party Transactions

Prior to November 20, 2012, CyrusOne Inc., CyrusOne GP, CyrusOne LP and its subsidiaries were operated by CBI during the periods presented. The consolidated financial statements have been prepared from the records maintained by CBI and may not necessarily be indicative of the conditions that would have existed or the results of operations that would have occurred if the business had been operated as an unaffiliated company. The consolidated and combined financial statements reflect the following transactions with CBI and its affiliated entities, including Cincinnati Bell Telephone ("CBT") and Cincinnati Bell Technology Solutions ("CBTS"):

Revenues—The Company records revenues from CBI under contractual service arrangements. These services include leasing of data center space, power and cooling in certain of our data center facilities network interface services and office space.

Operating Expenses—The Company records expenses from CBI incurred in relation to network support, services calls, monitoring and management, storage and backup, IT systems support, and connectivity services.

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

The following related party transactions are based on agreements and arrangements that were in place as of December 31, 2013. Revenues and expenses for the periods presented were as follows:

	Successor	Predecessor	Predecessor	Predecessor
(Dollars in millions)	**January 24, 2013 to December 31, 2013**	**January 1, 2013 to January 23, 2013**	**December 31, 2012**	**December 31, 2011**
Revenue:				
Data center colocation agreement provided to CBT and CBTS	$ 5.6	$0.3	$ 5.4	$ 4.4
229 West 7th Street lease provided to CBT	1.7	—	—	—
Goldcoast Drive/Parkway (Mason) lease	0.3	—	0.3	0.3
Transition services provided to CBTS (network interfaces)	0.6	0.1	0.5	—
Data center leases provided to CBTS	13.1	—	14.3	14.2
Total revenue	$21.3	$0.4	$20.5	$18.9
Operating costs and expenses:				
Transition services agreement by CBTS	$ 1.3	$ —	$ 1.5	$ —
Charges for services provided by CBT (connectivity)	1.0	0.1	0.7	0.7
209 West 7th Street rent provided by CBT	0.1	—	0.1	0.4
Management Fees with CBI	0.1	—	2.5	2.3
Allocated employee benefit plans by CBI	—	0.2	3.5	1.8
Allocated centralized insurance costs by CBI	—	0.1	0.4	0.4
Selling and Marketing services provided by CBT & CBTS	—	—	0.3	—
Interest expense on note with CBI	—	—	7.0	1.1
Loss on sale of receivables	—	—	3.2	3.5
Total operating costs and expenses	$ 2.5	$0.4	$19.2	$10.2

As of December 31, 2013 and 2012, the amounts receivable and payable to CBI were as follows:

	Successor	Predecessor
(Dollars in millions)	**As of December 31, 2013**	**As of December 31, 2012**
Accounts receivable from CBI	$0.6	$2.2
Accounts payable	$1.7	$2.9
Dividends payable	6.8	—
Accounts payable to CBI	$8.5	$2.9

The dividends payable as of December 31, 2013 reflect the balance due to CBI related to the dividend declared on December 11, 2013, of $0.16 per common share equivalent payable on their limited partnership units.

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

Other Related Party Transactions

Prior to joining CyrusOne in March 2013, our internal counsel, was principal in the Law Offices of Thomas W. Bosse, PLLC, (“Bosselaw”). In 2013, amounts paid to Bosselaw for services rendered prior to his employment were $1.6 million, which included a bonus payment under CyrusOne’s Data Center Plan as a result of the successful completion of the initial public offering.

In the ordinary course of its business, CyrusOne periodically pays brokerage commissions to real estate brokerage firms in connection with property transactions and tenant leases. In 2013, CyrusOne paid $1.5 million to one such firm, Jones Lang LaSalle. One of our current directors is a principal with Jones Lang LaSalle.

The spouse of one of our directors is a partner with Skadden, Arps, Slate, Meagher & Flom LLP (“Skadden”). In 2013, CyrusOne paid Skadden $0.2 million for services rendered.

18. Restructuring Charges

For the period ended December 31, 2013, we incurred restructuring charges of $0.7 million, with no such charges for the period ended January 23, 2013. Restructuring charges incurred for the period ended December 31, 2013, were a result of moving certain administrative functions to the corporate office. Restructuring charges accrued at December 31, 2013, were $0.6 million. No restructuring charges were recognized for the years ended December 31, 2012 and 2011.

19. Income Taxes

CyrusOne Inc., will elect to be taxed as a REIT under the Code, as amended, commencing with our taxable year ending December 31, 2013. To qualify as a REIT, we are required to distribute at least 90% of our taxable income to our stockholders and meet various other requirements imposed by the Code relating to such matters as operating results, asset holdings, distribution levels and diversity of stock ownership. Provided we qualify for taxation as a REIT, we are generally not subject to corporate level federal income tax on the taxable income distributed currently to our shareholders. It is our policy and intent, subject to change, to distribute 100% of our taxable income and therefore no provision is required in the accompanying financial statements for federal income taxes with regards to activities of the CyrusOne Inc. and its subsidiary pass-through entities.

We have elected to designate two subsidiaries as taxable REIT subsidiaries (each, a “TRS”). A TRS may perform services for our tenants that would otherwise be considered impermissible for REITs. The income generated from these services is taxed at regular federal and state corporate rates. Income tax expense for the periods ended December 31, 2013 and January 23, 2013, and the year ended December 31, 2011 was $1.9 million, $0.4 million, and $2.2 million, respectively. For the year ended December 31, 2012, we recognized income tax benefit of $5.1 million.

In conjunction with the Company’s tax sharing arrangement with CBI, CBI may be required to file Texas margin tax returns on a consolidated, combined or unitary basis with the Company for any given year. If such return is prepared by CBI on a combined or consolidated basis to include the Company, the related Texas margin tax of the Company will be paid by CBI. The Company will then reimburse CBI for its portion of the related Texas margin tax. As of December 31, 2013, our total Texas margin tax payable was $1.4 million.

For certain entities we calculate deferred tax assets and liabilities for temporary differences in the basis 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 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. Deferred tax assets (net of valuation allowance) and liabilities were accrued, as necessary, for the periods ended December 31, 2013, and

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

December 31, 2012. Historically, we have recorded a full valuation allowance on our net foreign deferred tax assets related to our foreign generated net operating losses due to the uncertainty of their realization. In 2013, management determined it was necessary to record a full valuation allowance on all of our domestic and foreign net deferred tax assets due to the uncertainty of their realization. At December 31, 2012, the net deferred domestic assets were $0.5 million, with no such balance recorded at December 31, 2013.

20. Commitments and Contingencies

Operating Leases

We lease certain data center facilities and equipment from third parties. Operating lease expense was $6.5 million, $0.2 million, $5.9 million and $5.7 million for the periods ended December 31, 2013, and January 23, 2013 and years ended December 31, 2012 and 2011, respectively. Certain of these leases provide for renewal options with fixed rent escalations beyond the initial lease term.

At December 31, 2013, future minimum lease payments required under operating leases having initial or remaining non-cancelable lease terms in excess of one year are as follows:

(Dollars in millions)	
2014	$4.4
2015	1.8
2016	0.7
2017	—
2018	—
Thereafter	1.0
Total	$7.9

Performance Guarantees

Customer contracts generally require specified levels of performance related to uninterrupted service and cooling temperatures. If these performance standards are not met, we could be obligated to issue billing credits to the customer. Management assesses the probability that a performance standard will not be achieved. As of December 31, 2013 and 2012, no amounts had been accrued for performance guarantees.

Indemnifications

During the normal course of business, CyrusOne has made certain indemnities, commitments and guarantees under which it may be required to make payments in relation to certain transactions. These include (i) intellectual property indemnities to customers in connection with the use, sale, and/or license of products and services, (ii) indemnities to vendors and service providers pertaining to claims based on negligence or willful misconduct and (iii) indemnities involving the representations and warranties in certain contracts. The majority of these indemnities, commitments and guarantees do not provide for any limitation on the maximum potential for future payments that we could be obligated to make.

Purchase Commitments

CyrusOne has non-cancelable purchase commitments related to certain services. These agreements range from one to two years and provide for payments for early termination or require minimum payments for the remaining term. As of December 31, 2013, the minimum commitments for these arrangements were $16.1 million. We also have purchase orders and contracts related to construction of data center facilities and equipment. We generally have the right to cancel open purchase orders prior to delivery and to terminate the contracts without cause.

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

Contingencies

CyrusOne is involved in legal, tax and regulatory proceedings arising from the conduct of its business activities. Liabilities are established for loss contingencies when losses associated with such claims are deemed to be probable, and the loss can be reasonably estimated. Based on information currently available and consultation with legal counsel, we believe that the outcome of all claims will not, individually or in the aggregate, have a material effect on our financial statements.

Affiliate Guarantees of Lease Obligations

CBI has previously guaranteed our performance under certain leases. CBI had also issued a letter of credit to provide assurance that we will meet our lease commitments. This letter of credit expired in December 2012. Fees for maintaining this letter of credit were paid by CBI and allocated to us through management fees. These fees were $0.1 million in 2012 and $0.4 million in 2011.

21. Guarantors

CyrusOne Inc.

CyrusOne LP and CyrusOne Finance Corp., as “LP Co-issuer” and “Finance Co-issuer,” respectively (together, the “Issuers”), had $525 million aggregate principal amount of Senior Notes outstanding at December 31, 2013, and 2012. The Senior Notes are fully and unconditionally and jointly and severally guaranteed on a senior basis by CyrusOne Inc. (“Parent Guarantor”), CyrusOne GP (“General Partner”), and CyrusOne LP’s 100% owned subsidiaries, CyrusOne LLC, CyrusOne TRS Inc. and CyrusOne Foreign Holdings LLC (such subsidiaries, together the “Guarantors”). None of the subsidiaries organized outside of the United States (collectively, the “Non-Guarantors”) guarantee the Senior Notes. Subject to the provisions of the indenture governing the Senior Notes, in certain circumstances, a Guarantor may be released from its guarantee obligation, including:

- upon the sale or other disposition (including by way of consolidation or merger) of such Guarantor or of all of the capital stock of such Guarantor such that such Guarantor is no longer a restricted subsidiary under the indenture,
- upon the sale or disposition of all or substantially all of the assets of the Guarantor,
- upon the LP Co-issuer designating such Guarantor as an unrestricted subsidiary under the terms of the indenture,
- if such Guarantor is no longer a guarantor or other obligor of any other indebtedness of the LP Co-issuer or the Parent Guarantor, and
- upon the defeasance or discharge of the Senior Notes in accordance with the terms of the indenture.

The following provides information regarding the entity structure of each guarantor of the Senior Notes:

CyrusOne Inc. — CyrusOne Inc. was formed on July 31, 2012. As of January 23, 2013, CyrusOne Inc. was a wholly-owned subsidiary of CBI. Effective January 24, 2013, CyrusOne Inc. completed its IPO of common stock for net proceeds of $337.1 million, and together with the General Partner, purchased a 33.9% ownership interest in CyrusOne LP. CyrusOne Inc. also represents a guarantor or Parent Guarantor and became a separate registrant with the SEC upon completion of its IPO.

CyrusOne GP — CyrusOne GP was formed on July 31, 2012, and was a 100% owned subsidiary of CyrusOne Inc. as of January 23, 2013. Effective upon completion of CyrusOne Inc.’s IPO, this entity became the general partner and 1% owner of CyrusOne LP and has no other assets or operations. Prior to the IPO, this entity did not incur any obligations or record any transactions.

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

Issuers — The Issuers include CyrusOne LP and CyrusOne Finance Corp. CyrusOne Finance Corp., a 100% owned subsidiary of CyrusOne LP, was formed for the sole purpose of acting as co-issuer of the Senior Notes and has no other assets or operations. CyrusOne LP, in addition to being the co-issuer of the Senior Notes, is also the 100% owner, either directly or indirectly, of the Guarantors and Non-Guarantors.

Guarantors — The guarantors include CyrusOne LLC, CyrusOne TRS Inc., and CyrusOne Foreign Holdings LLC. CyrusOne LLC accounts for all of the domestic operations of CyrusOne LP, including the businesses that composed the Predecessor operations. CyrusOne LLC, together with CyrusOne Foreign Holdings LLC, directly or indirectly owns 100% of the Non-Guarantors. As of December 31, 2013, CyrusOne TRS Inc. had not incurred any obligations or recorded any material transactions for the period ended December 31, 2013, and January 23, 2013.

As of December 31, 2013, the Non-Guarantors consist of 100% owned subsidiaries, which conduct operations in the United Kingdom and Singapore.

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

The following schedules present the financial information for the periods ended December 31, 2013, and January 23, 2013, and the years ended December 31, 2012 and 2011, for the Parent Guarantor, General Partner, LP Co-issuer, Finance Co-issuer, Guarantors, and Non-Guarantors. The financial statements for the period ended January 23, 2013, present the financial information prior to the effective date of the IPO, and the financial statements for the period ended December 31, 2013, present the financial information after the effective date of the IPO. The consolidating schedules are provided in accordance with the reporting requirements for guarantor subsidiaries.

Consolidating Balance Sheets

	As of December 31, 2013							
(dollars in millions)	Parent Guarantor	General Partner	LP Co-issuer	Finance Co-issuer	Guarantors	Non-Guarantors	Eliminations	Total
Land	$ —	$ —	$ —	$ —	$ 89.3	$ —	$ —	$ 89.3
Buildings and improvements	—	—	—	—	739.6	44.1	—	783.7
Equipment	—	—	—	—	189.4	0.8	—	190.2
Construction in progress	—	—	—	—	57.3	—	—	57.3
Subtotal	—	—	—	—	1,075.6	44.9	—	1,120.5
Accumulated depreciation	—	—	—	—	(232.0)	(4.7)	—	(236.7)
Net investment in real estate	—	—	—	—	843.6	40.2	—	883.8
Cash and cash equivalents	—	—	—	—	146.8	2.0	—	148.8
Investment in subsidiaries	777.6	7.8	795.0	—	2.1	—	(1,582.5)	—
Rent and other receivables	—	—	—	—	40.3	0.9	—	41.2
Intercompany receivable	—	—	508.1	508.2	0.2	—	(1,016.5)	—
Goodwill	—	—	—	—	276.2	—	—	276.2
Intangible assets, net	—	—	—	—	85.9	—	—	85.9
Due from affiliates	—	—	—	—	0.6	—	—	0.6
Other assets	—	—	14.1	14.1	53.0	3.2	(14.1)	70.3
Total assets	$777.6	$7.8	$1,317.2	$522.3	$1,448.7	$46.3	$(2,613.1)	$1,506.8
Accounts payable and accrued expenses	$ —	$ —	$ 7.8	$ 4.2	$ 58.6	$ 0.4	$ (4.2)	$ 66.8
Deferred revenue	—	—	—	—	55.1	0.8	—	55.9
Intercompany payable	—	—	—	—	508.1	0.2	(508.3)	—
Due to affiliates	—	—	6.8	—	1.7	—	—	8.5
Capital lease obligations	—	—	—	—	8.6	8.1	—	16.7
Long-term debt	—	—	525.0	525.0	—	—	(525.0)	525.0
Other financing arrangements	—	—	—	—	21.6	34.7	—	56.3
Total liabilities	—	—	539.6	529.2	653.7	44.2	(1,037.5)	729.2
Total equity	777.6	7.8	777.6	(6.9)	795.0	2.1	(1,575.6)	777.6
Total liabilities and equity	$777.6	$7.8	$1,317.2	$522.3	$1,448.7	$46.3	$(2,613.1)	$1,506.8

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

(dollars in millions)	Parent Guarantor	General Partner	LP Co-issuer	Finance Co-issuer	Guarantors	Non-Guarantors	Eliminations	Total
	As of December 31, 2012							
Land	$—	$—	$ —	$ —	$ 44.5	$ —	$ —	$ 44.5
Buildings and improvements	—	—	—	—	695.7	26.8	—	722.5
Equipment	—	—	—	—	52.0	0.4	—	52.4
Construction in progress	—	—	—	—	51.4	12.8	—	64.2
Subtotal	—	—	—	—	843.6	40.0	—	883.6
Accumulated depreciation	—	—	—	—	(174.8)	(1.9)	—	(176.7)
Net investment in real estate	—	—	—	—	668.8	38.1	—	706.9
Cash and cash equivalents	—	—	—	—	15.6	0.9	—	16.5
Investment in subsidiaries	—	—	497.2	—	0.4	—	(497.6)	—
Rent and other receivables	—	—	—	—	32.6	0.6	—	33.2
Restricted cash	—	—	—	—	6.3	—	—	6.3
Goodwill	—	—	—	—	276.2	—	—	276.2
Intangible assets, net	—	—	—	—	102.6	—	—	102.6
Intercompany receivable	—	—	508.2	508.2	—	—	(1,016.4)	—
Due from affiliates	—	—	—	—	2.2	—	—	2.2
Other assets	7.9	—	17.0	17.0	41.6	0.5	(17.0)	67.0
Total assets	$7.9	$—	$1,022.4	$525.2	$1,146.3	$40.1	$(1,531.0)	$1,210.9
Accounts payable and accrued expenses	$0.8	$—	$ 4.4	$ 4.4	$ 31.7	$ 0.2	$ (4.4)	$ 37.1
Deferred revenue	—	—	—	—	52.3	0.5	—	52.8
Intercompany payable	—	—	—	—	508.0	0.2	(508.2)	—
Due to affiliates	—	—	—	—	2.9	—	—	2.9
Capital lease obligations	—	—	—	—	23.2	9.0	—	32.2
Long-term debt	—	—	525.0	525.0	—	—	(525.0)	525.0
Other financing arrangements	—	—	—	—	31.0	29.8	—	60.8
Total liabilities	0.8	—	529.4	529.4	649.1	39.7	(1,037.6)	710.8
Total parent's net investment	7.1	—	493.0	(4.2)	497.2	0.4	(493.4)	500.1
Total liabilities and parent's net investment	$7.9	$—	$1,022.4	$525.2	$1,146.3	$40.1	$(1,531.0)	$1,210.9

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

Consolidating Statements of Operations

	Period Ended December 31, 2013							
(dollars in millions)	Parent Guarantor	General Partner	LP Co-issuer	Finance Co-issuer	Guarantors	Non-Guarantors	Eliminations	Total
Revenue	$ —	$ —	$ —	$ —	$244.3	$ 4.1	$ —	$248.4
Costs and expenses:								
Property operating expenses	—	—	—	—	85.9	2.5	—	88.4
Sales and marketing	—	—	—	—	9.7	0.2	—	9.9
General and administrative	—	—	—	—	26.3	0.2	—	26.5
Depreciation and amortization	—	—	—	—	87.1	2.8	—	89.9
Restructuring charges	—	—	—	—	0.7	—	—	0.7
Transaction costs	—	—	—	—	1.3	—	—	1.3
Asset Impairment	—	—	—	—	2.8	—	—	2.8
Total costs and expenses	—	—	—	—	213.8	5.7	—	219.5
Operating income (loss)	—	—	—	—	30.5	(1.6)	—	28.9
Interest expense	—	—	36.5	36.5	1.8	2.9	(36.5)	41.2
Other income	—	—	—	—	(0.1)	—	—	(0.1)
Loss on Extinguishment of debt	—	—	—	—	1.3	—	—	1.3
Income (loss) before income taxes	—	—	(36.5)	(36.5)	27.5	(4.5)	36.5	(13.5)
Income tax expense	—	—	—	—	(1.9)	—	—	(1.9)
Equity earnings (loss) related to investment in subsidiaries	(15.6)	(0.2)	20.9	—	(4.5)	—	(0.6)	—
Income (loss) from continuing operations	(15.6)	(0.2)	(15.6)	(36.5)	21.1	(4.5)	35.9	(15.4)
Loss on sale of real estate improvements	—	—	—	—	(0.2)	—	—	(0.2)
Net loss	(15.6)	(0.2)	(15.6)	(36.5)	20.9	(4.5)	35.9	(15.6)
Noncontrolling interest in net loss	10.3	—	—	—	—	—	—	10.3
Net income (loss) attributed to common shareholders	$ (5.3)	$(0.2)	$(15.6)	$(36.5)	$ 20.9	$(4.5)	$ 35.9	$ (5.3)

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

	Period Ended January 23, 2013							
(dollars in millions)	Parent Guarantor	General Partner	LP Co-issuer	Finance Co-issuer	Guarantors	Non-Guarantors	Eliminations	Total
Revenue	$—	$—	$ —	$ —	$ 14.9	$ 0.2	$ —	$ 15.1
Costs and expenses:								
Property operating expenses	—	—	—	—	4.8	—	—	4.8
Sales and marketing	—	—	—	—	0.7	—	—	0.7
General and administrative	—	—	—	—	1.4	0.1	—	1.5
Transaction-related compensation	—	—	—	—	20.0	—	—	20.0
Depreciation and amortization	—	—	—	—	5.2	0.1	—	5.3
Transaction costs	—	—	—	—	0.1	—	—	0.1
Total costs and expenses	—	—	—	—	32.2	0.2	—	32.4
Operating loss	—	—	—	—	(17.3)	—	—	(17.3)
Interest expense	—	—	2.3	2.3	0.1	0.1	(2.3)	2.5
Loss before income taxes	—	—	(2.3)	(2.3)	(17.4)	(0.1)	2.3	(19.8)
Income tax expense	—	—	—	—	(0.4)	—	—	(0.4)
Equity loss related to investment in subsidiaries	—	—	(17.9)	—	(0.1)	—	18.0	—
Loss from continuing operations	—	—	(20.2)	(2.3)	(17.9)	(0.1)	20.3	(20.2)
Net loss	$—	$—	$(20.2)	$(2.3)	$ (17.9)	$(0.1)	$20.3	$ (20.2)

	Year Ended December 31, 2012							
(dollars in millions)	Parent Guarantor	General Partner	LP Co-issuer	Finance Co-issuer	Guarantors	Non-Guarantors	Eliminations	Total
Revenue	$—	$—	$ —	$ —	$219.4	$ 1.4	$ —	$220.8
Costs and expenses:								
Property operating expenses	—	—	—	—	74.1	1.9	—	76.0
Sales and marketing	—	—	—	—	9.5	0.2	—	9.7
General and administrative	—	—	—	—	20.6	0.1	—	20.7
Depreciation and amortization	—	—	—	—	71.9	1.5	—	73.4
Transaction costs	—	—	5.7	—	—	—	—	5.7
Management fees charged by CBI	—	—	—	—	2.5	—	—	2.5
Loss on sale of receivables to an affiliate	—	—	—	—	3.2	—	—	3.2
Asset impairment	—	—	—	—	13.3	—	—	13.3
Total costs and expenses	—	—	5.7	—	195.1	3.7	—	204.5
Operating income (loss)	—	—	(5.7)	—	24.3	(2.3)	—	16.3
Interest expense	—	—	4.2	4.2	35.0	2.6	(4.2)	41.8
Loss before income taxes	—	—	(9.9)	(4.2)	(10.7)	(4.9)	4.2	(25.5)
Income tax benefit	—	—	—	—	5.1	—	—	5.1
Equity loss related to investment in subsidiaries	—	—	(10.4)	—	(4.9)	—	15.3	—
Loss from continuing operations	—	—	(20.3)	(4.2)	(10.5)	(4.9)	19.5	(20.4)
Gain on sale of real estate improvements	—	—	—	—	0.1	—	—	0.1
Net loss	$—	$—	$(20.3)	$(4.2)	$ (10.4)	$(4.9)	$19.5	$ (20.3)

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

	Year Ended December 31, 2011							
(dollars in millions)	Parent Guarantor	General Partner	LP Co-issuer	Finance Co-issuer	Guarantors	Non-Guarantors	Eliminations	Total
Revenue	$ —	$ —	$ —	$ —	$181.5	$ 0.2	$ —	$181.7
Costs and expenses:								
Property operating expenses	—	—	—	—	57.9	0.3	—	58.2
Sales and marketing	—	—	—	—	9.1	—	—	9.1
General and administrative	—	—	—	—	12.4	0.1	—	12.5
Depreciation and amortization	—	—	—	—	55.1	0.4	—	55.5
Transaction costs	—	—	—	—	2.6	—	—	2.6
Management fees charged by CBI	—	—	—	—	2.3	—	—	2.3
Loss on sale of receivables to an affiliate	—	—	—	—	3.5	—	—	3.5
Total costs and expenses	—	—	—	—	142.9	0.8	—	143.7
Operating income (loss)	—	—	—	—	38.6	(0.6)	—	38.0
Interest expense	—	—	—	—	32.3	0.6	—	32.9
Loss on extinguishment of debt	—	—	—	—	1.4	—	—	1.4
Income (loss) before income taxes	—	—	—	—	4.9	(1.2)	—	3.7
Income tax expense	—	—	—	—	(2.2)	—	—	(2.2)
Equity loss related to investment in subsidiaries	—	—	—	—	(1.2)	—	1.2	—
Income (loss) from continuing operations	—	—	—	—	1.5	(1.2)	1.2	1.5
Net income (loss)	$ —	$ —	$ —	$ —	$ 1.5	$(1.2)	$1.2	$ 1.5

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

Consolidating Statements of Cash Flows

	Period Ended December 31, 2013							
(dollars in millions)	Parent Guarantor	General Partner	LP Co-issuer	Finance Co-issuer	Guarantors	Non-Guarantors	Eliminations	Total
Net (loss) income	$ (15.6)	(0.2)	$ (15.6)	$(36.5)	20.9	$(4.5)	$ 35.9	$ (15.6)
Equity earnings (loss) related to investment in subsidiaries	15.6	0.2	(20.9)	—	4.5	—	0.6	—
Adjustments to reconcile net (loss) income to net cash provided by operating activities	(7.1)	—	(9.4)	4.6	82.0	2.8	32.1	$ 105.0
Changes in operating assets and liabilities, net of effects of acquisitions:								
Increase in receivables and other assets	9.4	—	—	—	(9.9)	(3.0)	(12.2)	$ (15.7)
(Decrease) increase in accounts payable and accrued expenses	(2.3)	—	4.8	(2.3)	0.2	0.3	(15.3)	$ (14.6)
Increase (decrease) in payables to related parties	—	—	6.8	—	18.4	—	(6.8)	$ 18.4
Other changes in assets and liabilities	—	—	—	—	(0.3)	0.2	—	$ (0.1)
Net cash (used in) provided by operating activities	—	—	(34.3)	(34.2)	115.8	(4.2)	34.3	77.4
Cash flows from investing activities:								
Capital expenditures - acquisitions of real estate	—	—	—	—	(48.0)	—	—	(48.0)
Capital expenditures - other	—	—	—	—	(172.9)	—	—	(172.9)
Investment in subsidiaries	(337.1)	—	(337.1)	—	—	—	674.2	—
Return of investment	31.0	—	66.5	35.5	—	—	(133.0)	—
Release of restricted cash	—	—	—	—	4.4	—	—	4.4
Intercompany advances, net	—	—	—	—	—	—	—	—
Other, net	—	—	—	—	(0.2)	—	—	(0.2)
Net cash (used in) provided by investing activities	(306.1)	—	(270.6)	35.5	(216.7)	—	541.2	(216.7)
Cash flows from financing activities:								
Issuance of common stock/ partnership units	360.5	—	337.1	—	—	—	(337.1)	360.5
IPO costs	(23.4)	—	—	—	(3.2)	—	—	(26.6)
Dividends paid	(31.0)	—	(31.0)	—	(31.0)	—	62.0	(31.0)
Payments on capital leases	—	—	—	—	(4.4)	(0.9)	—	(5.3)
Other financing arrangements	—	—	—	—	(0.5)	(0.2)	—	(0.7)
Payments to buyout capital leases	—	—	—	—	(9.6)	—	—	(9.6)
Payment to buyout other financing arrangement	—	—	—	—	(10.2)	—	—	(10.2)
Contributions from parent guarantor	—	—	—	—	295.4	6.3	(301.7)	—
Debt issuance costs	—	—	(1.3)	(1.3)	—	—	1.3	(1.3)
Net cash provided by (used in) financing activities	306.1	—	304.8	(1.3)	236.5	5.2	(575.5)	275.8
Net (decrease) increase in cash and cash equivalents	—	—	(0.1)	—	135.6	1.0	—	136.5
Cash and cash equivalents at beginning of period	—	—	0.1	—	11.2	1.0	—	12.3
Cash and cash equivalents at end of period	$ —	$ —	$ —	$ —	$ 146.8	$ 2.0	$ —	$ 148.8

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

	Period Ended January 23, 2013							
(dollars in millions)	Parent Guarantor	General Partner	LP Co-issuer	Finance Co-issuer	Guarantors	Non-Guarantors	Eliminations	Total
Net (loss) income	$ —	—	$(20.2)	(2.3)	$(17.9)	(0.1)	$ 20.3	(20.2)
Equity loss related to investment in subsidiaries	—	—	17.9	—	0.1	—	(18.0)	—
Adjustments to reconcile net (loss) income to net cash provided by operating activities	—	—	0.2	0.2	5.6	0.1	(0.2)	5.9
Changes in operating assets and liabilities, net of effects of acquisitions:								
Increase in receivables and other assets	0.2	—	—	—	(9.8)	—	—	(9.6)
(Decrease) increase in accounts payable and accrued expenses	(0.2)	—	2.1	2.1	18.6	—	(2.1)	20.5
Increase (decrease) in payables to related parties	—	—	—	—	1.5	—	—	1.5
Other changes in assets and liabilities	—	—	—	—	3.8	0.1	—	3.9
Net cash provided by operating activities	—	—	—	—	1.9	0.1	—	2.0
Cash flows from investing activities:								
Capital expenditures - other	—	—	—	—	(7.7)	—	—	(7.7)
Release of restricted cash	—	—	—	—	1.9	—	—	1.9
Intercompany advances, net	—	—	0.1	—	(0.1)	—	—	—
Net cash provided by (used in) investing activities	—	—	0.1	—	(5.9)	—	—	(5.8)
Cash flows from financing activities:								
Payments on capital lease obligations	—	—	—	—	(0.6)	—	—	(0.6)
Contributions from parent, net	—	—	—	—	0.2	—	—	0.2
Net cash used in financing activities	—	—	—	—	(0.4)	—	—	(0.4)
Net increase (decrease) in cash and cash equivalents	—	—	0.1	—	(4.4)	0.1	—	(4.2)
Cash and cash equivalents at beginning of period	—	—	—	—	15.6	0.9	—	16.5
Cash and cash equivalents at end of period	$ —	$—	$ 0.1	$ —	$ 11.2	$ 1.0	$ —	$ 12.3

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

	Year Ended December 31, 2012							
(dollars in millions)	Parent Guarantor	General Partner	LP Co-issuer	Finance Co-issuer	Guarantors	Non-Guarantors	Eliminations	Total
Net (loss) income	$ —	$ —	$ (20.3)	$ (4.2)	$ (10.4)	$(4.9)	$ 19.5	$ (20.3)
Equity loss related to investment in subsidiaries	—	—	10.4	—	4.9	—	(15.3)	—
Adjustments to reconcile net (loss) income to net cash provided by operating activities	—	—	0.2	0.2	83.9	1.5	(0.2)	85.6
Changes in operating assets and liabilities, net of effects of acquisitions:								
Increase in receivables and other assets	(7.9)	—	—	—	(15.5)	(0.6)	—	(24.0)
(Decrease) increase in accounts payable and accrued expenses	0.8	—	4.4	4.4	(5.5)	(0.3)	(4.4)	(0.6)
Increase (decrease) in payables to related parties	—	—	—	—	3.3	0.5	—	3.8
Net cash (used in) provided by operating activities	(7.1)	—	(5.3)	0.4	60.7	(3.8)	(0.4)	44.5
Cash flows from investing activities:								
Capital expenditures - acquisitions of real estate	—	—	—	—	(25.1)	(0.3)	—	(25.4)
Capital expenditures - other	—	—	—	—	(202.9)	—	—	(202.9)
Proceeds from sale of assets	—	—	—	—	0.2	—	—	0.2
Increase in restricted cash	—	—	—	—	(11.1)	—	—	(11.1)
Release of restricted cash	—	—	—	—	4.8	—	—	4.8
Advances to affiliate	—	—	—	—	(18.3)	—	—	(18.3)
Intercompany advances, net	—	—	(508.2)	(508.2)	508.1	0.1	508.2	—
Other, net	—	—	—	—	0.1	—	—	0.1
Net cash (used in) provided by investing activities	—	—	(508.2)	(508.2)	255.8	(0.2)	508.2	(252.6)
Cash flows from financing activities:								
Borrowings from affiliates, net	—	—	—	—	119.8	—	—	119.8
Repayment of related party note	—	—	—	—	(400.0)	—	—	(400.0)
Proceeds from issuance of debt	—	—	525.0	525.0	—	—	(525.0)	525.0
Payment on capital lease obligations	—	—	—	—	(8.4)	(0.6)	—	(9.0)
Debt issuance costs	—	—	(17.2)	(17.2)	—	—	17.2	(17.2)
Contributions from (distribution to) parent, net	7.1	—	5.7	—	(12.7)	5.3	—	5.4
Net cash provided by (used in) financing activities	7.1	—	513.5	507.8	(301.3)	4.7	(507.8)	224.0
Net increase in cash and cash equivalents	—	—	—	—	15.2	0.7	—	15.9
Cash and cash equivalents at beginning of period	—	—	—	—	0.4	0.2	—	0.6
Cash and cash equivalents at end of period	$ —	$ —	$ —	$ —	$ 15.6	$ 0.9	$ —	$ 16.5

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

(dollars in millions)	Year Ended December 31, 2011							
	Parent Guarantor	General Partner	LP Co-issuer	Finance Co-issuer	Guarantors	Non-Guarantors	Eliminations	Total
Net income (loss)	$ —	$ —	$ —	$ —	$ 1.5	$(1.2)	$ 1.2	$ 1.5
Equity loss related to investment in subsidiaries	—	—	—	—	1.2	—	(1.2)	—
Adjustments to reconcile net (loss) income to net cash provided by operating activities	—	—	—	—	61.6	0.4	—	62.0
Changes in operating assets and liabilities, net of effects of acquisitions:								
Increase in receivables and other assets	—	—	—	—	(2.9)	(0.4)	—	(3.3)
(Decrease) increase in accounts payable and accrued expenses	—	—	—	—	3.2	0.3	—	3.5
Increase (decrease) in payables to related parties	—	—	—	—	2.3	—	—	2.3
Net cash provided by operating activities	—	—	—	—	66.9	(0.9)	—	66.0
Cash flows from investing activities:								
Capital expenditures - acquisitions of real estate	—	—	—	—	(22.4)	—	—	(22.4)
Advances to affiliate	—	—	—	—	(95.1)	—	—	(95.1)
Intercompany advances, net	—	—	—	—	11.6	—	—	11.6
Other, net	—	—	—	—	0.1	—	—	0.1
Net cash used in investing activities	—	—	—	—	(105.8)	—	—	(105.8)
Cash flows from financing activities:								
Borrowings from affiliates, net	—	—	—	—	66.6	—	—	66.6
Payment on capital lease obligations	—	—	—	—	(7.0)	—	—	(7.0)
Payments on financing obligations	—	—	—	—	(16.2)	—	—	(16.2)
Distributions to parent, net	—	—	—	—	(8.9)	1.1	—	(7.8)
Other, net	—	—	—	—	(0.1)	—	—	(0.1)
Net cash used in financing activities	—	—	—	—	34.4	1.1	—	35.5
Net increase (decrease) in cash and cash equivalents	—	—	—	—	(4.5)	0.2	—	(4.3)
Cash and cash equivalents at beginning of period	—	—	—	—	4.9	—	—	4.9
Cash and cash equivalents at end of period	$ —	$ —	$ —	$ —	$ 0.4	$ 0.2	$ —	$ 0.6

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

CyrusOne LP

CyrusOne LP and CyrusOne Finance Corp., as “LP Co-issuer” and “Finance Co-issuer,” respectively (together, the “Issuers”), had $525 million aggregate principal amount of Senior Notes outstanding at December 31, 2013 and 2012. The Senior Notes are fully and unconditionally and jointly and severally guaranteed on a senior basis by CyrusOne Inc. (“Parent Guarantor”), CyrusOne GP (“General Partner”), and CyrusOne LP’s 100% owned subsidiaries, CyrusOne LLC, CyrusOne TRS Inc. and CyrusOne Foreign Holdings LLC (such subsidiaries, together the “Guarantors”). None of the subsidiaries organized outside of the United States (collectively, the “Non-Guarantors”) guarantee the Senior Notes. Subject to the provisions of the indenture governing the Senior Notes, in certain circumstances, a Guarantor may be released from its guarantee obligation, including:

- upon the sale or other disposition (including by way of consolidation or merger) of such Guarantor or of all of the capital stock of such Guarantor such that such Guarantor is no longer a restricted subsidiary under the indenture,
- upon the sale or disposition of all or substantially all of the assets of the Guarantor,
- upon the LP Co-issuer designating such Guarantor as an unrestricted subsidiary under the terms of the indenture,
- if such Guarantor is no longer a guarantor or other obligor of any other indebtedness of the LP Co-issuer or the Parent Guarantor, and
- upon the defeasance or discharge of the Senior Notes in accordance with the terms of the indenture.

The following provides information regarding the entity structure of each guarantor of the Senior Notes:

CyrusOne Inc. — CyrusOne Inc. was formed on July 31, 2012. As of January 23, 2013, CyrusOne Inc. was a 100% owned subsidiary of CBI. Effective January 24, 2013, CyrusOne Inc. completed its IPO of common stock for net proceeds of $337.1 million, and together with the General Partner, purchased a 33.9% ownership interest in CyrusOne LP. CyrusOne Inc. also represents a guarantor or Parent Guarantor. In addition, CyrusOne Inc. became a separate registrant with the SEC upon completion of its IPO.

CyrusOne GP — CyrusOne GP was formed on July 31, 2012, and was a 100% owned subsidiary of CyrusOne Inc. as of January 23, 2013. Effective upon completion of CyrusOne Inc.’s IPO, this entity became the general partner and 1% owner of CyrusOne LP and has no other assets or operations. Prior to the IPO, this entity did not incur any obligations or record any transactions.

Issuers — The Issuers include CyrusOne LP and CyrusOne Finance Corp. CyrusOne Finance Corp., a 100% owned subsidiary of CyrusOne LP, was formed for the sole purpose of acting as co-issuer of the Senior Notes and has no other assets or operations. CyrusOne LP, in addition to being the co-issuer of the Senior Notes, is also the 100% owner, either directly or indirectly, of the Guarantors and Non-Guarantors.

Guarantors — The guarantors include CyrusOne LLC, CyrusOne TRS Inc., and CyrusOne Foreign Holdings LLC. CyrusOne LLC accounts for all of the domestic operations of CyrusOne LP, including the businesses that composed the Predecessor operations. CyrusOne LLC, together with CyrusOne Foreign Holdings LLC, directly or indirectly owns 100% of the Non-Guarantors. As of December 31, 2013, CyrusOne TRS Inc. had not incurred any obligations or recorded any material transactions for the period ended December 31, 2013 and January 23, 2013.

As of December 31, 2013, the Non-Guarantors consist of 100% owned subsidiaries, which conduct operations in the United Kingdom and Singapore.

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

The following schedules present the financial information for the periods ended December 31, 2013, and January 23, 2013, and the years ended December 31, 2012 and December 31, 2011, for the LP Co-issuer, Finance Co-issuer, Guarantors, and Non-Guarantors. The financial statements for the period ended January 23, 2013, present the financial information prior to the effective date of the IPO, and the financial statements for the period ended December 31, 2013, present the financial information after the effective date of the IPO. The consolidating schedules are provided in accordance with the reporting requirements for guarantor subsidiaries.

Consolidating Balance Sheets

	As of December 31, 2013					
(dollars in millions)	LP Co-issuer	Finance Co-issuer	Guarantors	Non-Guarantors	Eliminations	Total
Land	$ —	$ —	$ 89.3	$ —	$ —	$ 89.3
Buildings and improvements	—	—	739.6	44.1	—	783.7
Equipment	—	—	189.4	0.8	—	190.2
Construction in progress	—	—	57.3	—	—	57.3
Subtotal	—	—	1,075.6	44.9	—	1,120.5
Accumulated depreciation	—	—	(232.0)	(4.7)	—	(236.7)
Net investment in real estate	—	—	843.6	40.2	—	883.8
Cash and cash equivalents	—	—	146.8	2.0	—	148.8
Investment in subsidiaries	795.0	—	2.1	—	(797.1)	—
Rent and other receivables	—	—	40.3	0.9	—	41.2
Intercompany receivable	508.1	508.2	0.2	—	(1,016.5)	—
Goodwill	—	—	276.2	—	—	276.2
Intangible assets, net	—	—	85.9	—	—	85.9
Due from affiliates	—	—	0.6	—	—	0.6
Other assets	14.1	14.1	53.0	3.2	(14.1)	70.3
Total assets	$1,317.2	$522.3	$1,448.7	$46.3	$(1,827.7)	$1,506.8
Accounts payable and accrued expenses	$ 7.8	$ 4.2	$ 58.6	$ 0.4	$ (4.2)	$ 66.8
Deferred revenue	—	—	55.1	0.8	—	55.9
Intercompany payable	—	—	508.1	0.2	(508.3)	—
Due to affiliates	6.8	—	1.7	—	—	8.5
Capital lease obligations	—	—	8.6	8.1	—	16.7
Long-term debt	525.0	525.0	—	—	(525.0)	525.0
Other financing arrangements	—	—	21.6	34.7	—	56.3
Total liabilities	539.6	529.2	653.7	44.2	(1,037.5)	729.2
Partnership capital	777.6	(6.9)	795.0	2.1	(790.2)	777.6
Total liabilities and partnership capital	$1,317.2	$522.3	$1,448.7	$46.3	$(1,827.7)	$1,506.8

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

(dollars in millions)	As of December 31, 2012					
	LP Co-issuer	Finance Co-issuer	Guarantors	Non-Guarantors	Eliminations	Total
Land	$ —	$ —	$ 44.5	$ —	$ —	$ 44.5
Buildings and improvements	—	—	695.7	26.8	—	722.5
Equipment	—	—	52.0	0.4	—	52.4
Construction in progress	—	—	51.4	12.8	—	64.2
Subtotal	—	—	843.6	40.0	—	883.6
Accumulated depreciation	—	—	(174.8)	(1.9)	—	(176.7)
Net investment in real estate	—	—	668.8	38.1	—	706.9
Cash and cash equivalents	—	—	15.6	0.9	—	16.5
Investment in subsidiaries	497.2	—	0.4	—	(497.6)	—
Rent and other receivables	—	—	32.6	0.6	—	33.2
Restricted cash	—	—	6.3	—	—	6.3
Goodwill	—	—	276.2	—	—	276.2
Intangible assets, net	—	—	102.6	—	—	102.6
Intercompany receivable	508.2	508.2	—	—	(1,016.4)	—
Due from affiliates	—	—	2.2	—	—	2.2
Other assets	17.0	17.0	41.6	0.5	(17.0)	59.1
Total assets	$1,022.4	$525.2	$1,146.3	$40.1	$(1,531.0)	$1,203.0
Accounts payable and accrued expenses	$ 4.4	$ 4.4	$ 31.7	$ 0.2	$ (4.4)	$ 36.3
Deferred revenue	—	—	52.3	0.5	—	52.8
Intercompany payable	—	—	508.0	0.2	(508.2)	—
Due to affiliates	—	—	2.9	—	—	2.9
Capital lease obligations	—	—	23.2	9.0	—	32.2
Long-term debt	525.0	525.0	—	—	(525.0)	525.0
Other financing arrangements	—	—	31.0	29.8	—	60.8
Total liabilities	529.4	529.4	649.1	39.7	(1,037.6)	710.0
Total parent's net investment	493.0	(4.2)	497.2	0.4	(493.4)	493.0
Total liabilities and parent's net investment	$1,022.4	$525.2	$1,146.3	$40.1	$(1,531.0)	$1,203.0

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

Consolidating Statements of Operations

	Period Ended December 31, 2013					
(dollars in millions)	LP Co-issuer	Finance Co-issuer	Guarantors	Non-Guarantors	Eliminations	Total
Revenue	$ —	$ —	$244.3	$ 4.1	$ —	$248.4
Costs and expenses:						
Property operating expenses	—	—	85.9	2.5	—	88.4
Sales and marketing	—	—	9.7	0.2	—	9.9
General and administrative	—	—	26.3	0.2	—	26.5
Depreciation and amortization	—	—	87.1	2.8	—	89.9
Restructuring charges	—	—	1.3	—	—	1.3
Transaction costs	—	—	0.7	—	—	0.7
Asset Impairment	—	—	2.8	—	—	2.8
Total costs and expenses	—	—	213.8	5.7	—	219.5
Operating income (loss)	—	—	30.5	(1.6)	—	28.9
Interest expense	36.5	36.5	1.8	2.9	(36.5)	41.2
Other income	—	—	(0.1)	—	—	(0.1)
Loss on extinguishment of debt	—	—	1.3	—	—	1.3
Income (loss) before income taxes	(36.5)	(36.5)	27.5	(4.5)	36.5	(13.5)
Income tax expense	—	—	(1.9)	—	—	(1.9)
Equity earnings (loss) related to investment in subsidiaries	20.9	—	(4.5)	—	(16.4)	—
Income (loss) from continuing operations	(15.6)	(36.5)	21.1	(4.5)	20.1	(15.4)
Loss on sale of real estate improvements	—	—	(0.2)	—	—	(0.2)
Net income (loss)	$(15.6)	$(36.5)	$ 20.9	$(4.5)	$ 20.1	$ (15.6)

	Period Ended January 23, 2013					
(dollars in millions)	LP Co-issuer	Finance Co-issuer	Guarantors	Non-Guarantors	Eliminations	Total
Revenue	$ —	$ —	$ 14.9	$ 0.2	$ —	$ 15.1
Costs and expenses:						
Property operating expenses	—	—	4.8	—	—	4.8
Sales and marketing	—	—	0.7	—	—	0.7
General and administrative	—	—	1.4	0.1	—	1.5
Transaction-related compensation	—	—	20.0	—	—	20.0
Depreciation and amortization	—	—	5.2	0.1	—	5.3
Transaction costs	—	—	0.1	—	—	0.1
Total costs and expenses	—	—	32.2	0.2	—	32.4
Operating loss	—	—	(17.3)	—	—	(17.3)
Interest expense	2.3	2.3	0.1	0.1	(2.3)	2.5
Loss before income taxes	(2.3)	(2.3)	(17.4)	(0.1)	2.3	(19.8)
Income tax expense	—	—	(0.4)	—	—	(0.4)
Equity loss related to investment in subsidiaries	(17.9)	—	(0.1)	—	18.0	—
Loss from continuing operations	(20.2)	(2.3)	(17.9)	(0.1)	20.3	(20.2)
Net loss	$(20.2)	$ (2.3)	$ (17.9)	$(0.1)	$ 20.3	$ (20.2)

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

	Year Ended December 31, 2012					
(dollars in millions)	LP Co-issuer	Finance Co-issuer	Guarantors	Non-Guarantors	Eliminations	Total
Revenue	$ —	$ —	$219.4	$ 1.4	$ —	$220.8
Costs and expenses:						
Property operating expenses	—	—	74.1	1.9	—	76.0
Sales and marketing	—	—	9.5	0.2	—	9.7
General and administrative	—	—	20.6	0.1	—	20.7
Depreciation and amortization	—	—	71.9	1.5	—	73.4
Transaction costs	5.7	—	—	—	—	5.7
Management fees charged by CBI	—	—	2.5	—	—	2.5
Loss on sale of receivables to an affiliate	—	—	3.2	—	—	3.2
Asset impairments	—	—	13.3	—	—	13.3
Total costs and expenses	5.7	—	195.1	3.7	—	204.5
Operating income (loss)	(5.7)	—	24.3	(2.3)	—	16.3
Interest expense	4.2	4.2	35.0	2.6	(4.2)	41.8
Loss before income taxes	(9.9)	(4.2)	(10.7)	(4.9)	4.2	(25.5)
Income tax benefit	—	—	5.1	—	—	5.1
Equity loss related to investment in subsidiaries	(10.4)	—	(4.9)	—	15.3	—
Loss from continuing operations	(20.3)	(4.2)	(10.5)	(4.9)	19.5	(20.4)
Gain on sale of real estate improvements	—	—	0.1	—	—	0.1
Net loss	$(20.3)	$(4.2)	$ (10.4)	$(4.9)	$19.5	$ (20.3)

	Year Ended December 31, 2011					
(dollars in millions)	LP Co-issuer	Finance Co-issuer	Guarantors	Non-Guarantors	Eliminations	Total
Revenue	$ —	$ —	$181.5	$ 0.2	$ —	$181.7
Costs and expenses:						
Property operating expenses	—	—	57.9	0.3	—	58.2
Sales and marketing	—	—	9.1	—	—	9.1
General and administrative	—	—	12.4	0.1	—	12.5
Depreciation and amortization	—	—	55.1	0.4	—	55.5
Transaction costs	—	—	2.6	—	—	2.6
Management fees charged by CBI	—	—	2.3	—	—	2.3
Loss on sale of receivables to an affiliate	—	—	3.5	—	—	3.5
Total costs and expenses	—	—	142.9	0.8	—	143.7
Operating income (loss)	—	—	38.6	(0.6)	—	38.0
Interest expense	—	—	32.3	0.6	—	32.9
Loss on extinguishment of debt	—	—	1.4	—	—	1.4
Income (loss) before income taxes	—	—	4.9	(1.2)	—	3.7
Income tax expense	—	—	(2.2)	—	—	(2.2)
Equity loss related to investment in subsidiaries	—	—	(1.2)	—	1.2	—
Income (loss) from continuing operations	—	—	1.5	(1.2)	1.2	1.5
Net income (loss)	$ —	$ —	$ 1.5	$(1.2)	$ 1.2	$ 1.5

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

Consolidating Statements of Cash Flows

(dollars in millions)	Period Ended December 31, 2013					
	LP Co-issuer	Finance Co-issuer	Guarantors	Non-Guarantors	Eliminations	Total
Net (loss) income	$ (15.6)	$(36.5)	$ 20.9	$(4.5)	$ 20.1	$ (15.6)
Equity earnings (loss) related to investment in subsidiaries	(20.9)	—	4.5	—	16.4	—
Adjustments to reconcile net (loss) income to net cash provided by operating activities	(9.4)	4.6	82.0	2.8	25.0	105.0
Changes in operating assets and liabilities, net of effects of acquisitions:						
Increase in receivables and other assets	—	—	(9.9)	(3.0)	(2.8)	(15.7)
Increase (decrease) in accounts payable and accrued expenses	4.8	(2.3)	0.2	0.3	(17.6)	(14.6)
Increase (decrease) in payables to related parties	6.8	—	18.4	—	(6.8)	18.4
Other changes in assets and liabilities	—	—	(0.3)	0.2	—	(0.1)
Net cash provided by (used in) operating activities	(34.3)	(34.2)	115.8	(4.2)	34.3	77.4
Cash flows from investing activities:						
Capital expenditures - acquisitions of real estate	—	—	(48.0)	—	—	(48.0)
Capital expenditures - other	—	—	(172.9)	—	—	(172.9)
Investment in subsidiaries	(337.1)	—	—	—	337.1	—
Return of investment	66.5	35.5	—	—	(102.0)	—
Release of restricted cash	—	—	4.4	—	—	4.4
Intercompany advances, net	—	—	—	—	—	—
Other, net	—	—	(0.2)	—	—	(0.2)
Net cash provided by (used in) investing activities	(270.6)	35.5	(216.7)	—	235.1	(216.7)
Cash flows from financing activities:						
Issuance of partnership units	337.1	—	(3.2)	—	—	333.9
Distributions paid	(31.0)	—	(31.0)	—	31.0	(31.0)
Payments on capital leases	—	—	(4.4)	(0.9)	—	(5.3)
Other financing arrangements	—	—	(0.5)	(0.2)	—	(0.7)
Payments to buyout capital leases	—	—	(9.6)	—	—	(9.6)
Payment to buyout other financing arrangement	—	—	(10.2)	—	—	(10.2)
Contribution from parent, net	—	—	295.4	6.3	(301.7)	—
Debt issuance costs	(1.3)	(1.3)	—	—	1.3	(1.3)
Net cash provided by (used in) financing activities	304.8	(1.3)	236.5	5.2	(269.4)	275.8
Net increase (decrease) in cash and cash equivalents	(0.1)	—	135.6	1.0	—	136.5
Cash and cash equivalents at beginning of period	0.1	—	11.2	1.0	—	12.3
Cash and cash equivalents at end of period	$ —	$ —	$ 146.8	$ 2.0	$ —	$ 148.8

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

(dollars in millions)	Period Ended January 23, 2013					
	LP Co-issuer	Finance Co-issuer	Guarantors	Non-Guarantors	Eliminations	Total
Net (loss) income	$(20.2)	(2.3)	$(17.9)	(0.1)	$ 20.3	$(20.2)
Equity loss related to investment in subsidiaries	17.9	—	0.1	—	(18.0)	—
Adjustments to reconcile net (loss) income to net cash provided by operating activities	0.2	0.2	5.6	0.1	(0.2)	5.9
Changes in operating assets and liabilities, net of effects of acquisitions:						
Increase in receivables and other assets	—	—	(9.6)	—	—	(9.6)
(Decrease) increase in accounts payable and accrued expenses	2.1	2.1	18.6	—	(2.3)	20.5
Increase (decrease) in payables to related parties	—	—	1.5	—	—	1.5
Other changes in assets and liabilities	—	—	3.8	0.1	—	3.9
Net cash provided by operating activities	—	—	2.1	0.1	(0.2)	2.0
Cash flows from investing activities:						
Capital expenditures - other	—	—	(7.7)	—	—	(7.7)
Release of restricted cash	—	—	1.9	—	—	1.9
Intercompany advances, net	0.1	—	(0.1)	—	—	—
Net cash provided by (used in) investing activities	0.1	—	(5.9)	—	—	(5.8)
Cash flows from financing activities:						—
Payments on capital lease obligations	—	—	(0.6)	—	—	(0.6)
Contributions from parent, net	—	—	0.2	—	—	0.2
Net cash used in financing activities	—	—	(0.4)	—	—	(0.4)
Net increase (decrease) in cash and cash equivalents	0.1	—	(4.2)	0.1	(0.2)	(4.2)
Cash and cash equivalents at beginning of period	—	—	15.6	0.9	—	16.5
Cash and cash equivalents at end of period	$ 0.1	$ —	$ 11.4	$ 1.0	$ (0.2)	$ 12.3

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

	Year Ended December 31, 2012					
(dollars in millions)	LP Co-issuer	Finance Co-issuer	Guarantors	Non-Guarantors	Eliminations	Total
Net (loss) income	$ (20.3)	$ (4.2)	$ (10.4)	$(4.9)	$ 19.5	$ (20.3)
Equity loss related to investment in subsidiaries	10.4	—	4.9	—	(15.3)	—
Adjustments to reconcile net (loss) income to net cash provided by operating activities	0.2	0.2	83.9	1.5	(0.2)	85.6
Changes in operating assets and liabilities, net of effects of acquisitions:						
Increase in receivables and other assets	—	—	(15.5)	(0.6)	—	(16.1)
(Decrease) increase in accounts payable and accrued expenses	4.4	4.4	(5.5)	(0.3)	(4.4)	(1.4)
Increase (decrease) in payables to related parties	—	—	3.3	0.5	—	3.8
Net cash provided by operating activities	(5.3)	0.4	60.7	(3.8)	(0.4)	51.6
Cash flows from investing activities:						
Capital expenditures - acquisitions of real estate	—	—	(25.1)	(0.3)	—	(25.4)
Capital expenditures - other	—	—	(202.9)	—	—	(202.9)
Proceeds from sale of assets	—	—	0.2	—	—	0.2
Increase in restricted cash	—	—	(11.1)	—	—	(11.1)
Release of restricted cash	—	—	4.8	—	—	4.8
Advances to affiliate	—	—	(18.3)	—	—	(18.3)
Intercompany advances, net	(508.2)	(508.2)	508.1	0.1	508.2	—
Other, net	—	—	0.1	—	—	0.1
Net cash provided by (used in) investing activities	(508.2)	(508.2)	255.8	(0.2)	508.2	(252.6)
Cash flows from financing activities:						
Borrowings from affiliates, net	—	—	119.8	—	—	119.8
Repayment of related party note	—	—	(400.0)	—	—	(400.0)
Proceeds from issuance of debt	525.0	525.0	—	—	(525.0)	525.0
Payment on capital lease obligations	—	—	(8.4)	(0.6)	—	(9.0)
Debt issuance costs	(17.2)	(17.2)	—	—	17.2	(17.2)
Contributions from (distributions to) parent, net	5.7	—	(12.7)	5.3	—	(1.7)
Net cash provided by (used in) financing activities	513.5	507.8	(301.3)	4.7	(507.8)	216.9
Net increase in cash and cash equivalents	—	—	15.2	0.7	—	15.9
Cash and cash equivalents at beginning of period	—	—	0.4	0.2	—	0.6
Cash and cash equivalents at end of period	$ —	$ —	$ 15.6	$ 0.9	$ —	$ 16.5

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

(dollars in millions)	Year Ended December 31, 2011					
	LP Co-issuer	Finance Co-issuer	Guarantors	Non-Guarantors	Eliminations	Total
Net income (loss)	$ —	$ —	$ 1.5	$(1.2)	$ 1.2	$ 1.5
Equity loss related to investment in subsidiaries	—	—	1.2	—	(1.2)	—
Adjustments to reconcile net (loss) income to net cash provided by operating activities	—	—	61.6	0.4	—	62.0
Changes in operating assets and liabilities, net of effects of acquisitions:						
Increase in receivables and other assets	—	—	(2.9)	(0.4)	—	(3.3)
(Decrease) increase in accounts payable and accrued expenses	—	—	3.2	0.3	—	3.5
Increase (decrease) in payables to related parties	—	—	2.3	—	—	2.3
Net cash provided by operating activities	—	—	66.9	(0.9)	—	66.0
Cash flows from investing activities:						
Capital expenditures - acquisitions of real estate	—	—	(22.4)	—	—	(22.4)
Advances to affiliate	—	—	(95.1)	—	—	(95.1)
Intercompany advances, net	—	—	11.6	—	—	11.6
Other, net	—	—	0.1	—	—	0.1
Net cash provided by (used in) investing activities	—	—	(105.8)	—	—	(105.8)
Cash flows from financing activities:						
Borrowings from affiliates, net	—	—	66.6	—	—	66.6
Payment on capital lease obligations	—	—	(7.0)	—	—	(7.0)
Payments on financing obligations	—	—	(16.2)	—	—	(16.2)
Distributions to parent, net	—	—	(8.9)	1.1	—	(7.8)
Other, net	—	—	(0.1)	—	—	(0.1)
Net cash provided by (used in) financing activities	—	—	34.4	1.1	—	35.5
Net increase (decrease) in cash and cash equivalents	—	—	(4.5)	0.2	—	(4.3)
Cash and cash equivalents at beginning of period	—	—	4.9	—	—	4.9
Cash and cash equivalents at end of period	$ —	$ —	$ 0.4	$ 0.2	$ —	$ 0.6

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

22. Quarterly Financial Information (Unaudited)

The table below reflects the unaudited selected quarterly information for the years ended December 31, 2013 and 2012:

(Dollars in millions, except per share amounts)	2013					
	January 1, 2013 to January 23, 2013	January 24, 2013 to March 31, 2013	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenue	$ 15.1	$ 45.0	$ 63.6	67.5	$ 72.3	263.5
Operating income (loss)	(17.3)	5.8	5.6	8.5	9.0	11.6
Net loss	(20.2)	(2.8)	(6.8)	(2.2)	(3.6)	(35.6)
Net loss attributed to common shareholders		(0.9)	(2.3)	(0.8)	(1.3)	(5.3)
Basic and diluted loss per share		(0.05)	(0.12)	(0.05)	(0.06)	(0.28)

	2012				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenue	$ 52.1	$ 54.0	$ 56.7	$ 58.0	$220.8
Operating income (loss)	10.2	(4.8)	7.7	3.2	16.3
Net loss	$ (0.7)	(9.9)	(2.8)	(6.9)	(20.3)

Schedule II.

Valuation and Qualifying Accounts

(dollars in millions)	Beginning of Period	Charge to Expenses	Deductions/ (Additions)	End of Period
Allowance for Doubtful Accounts				
2013	$0.3	$0.4	$ 0.2	$0.5
2012	—	0.1	(0.2)	0.3
2011	0.2	0.2	0.4	—
Deferred Tax Valuation Allowance				
2013	$1.9	$1.7	$ —	$3.6
2012	0.3	1.6	—	1.9
2011	0.1	0.2	—	0.3

Prior to October 1, 2012, CyrusOne sold most of its receivables to an affiliated entity at a discount of 2.5% of the face value. Proceeds from the sale of these assets were settled through CBI's centralized cash management system. Effective October 1, 2012, we terminated our participation in this program.

Schedule III.

Real Estate Properties and Accumulated Depreciation

CyrusOne Inc.

	As of December 31, 2013										
(dollars in millions)	Initial Costs			Cost Capitalized Subsequent to Acquisition			Gross Carrying Amount				
Description	Land	Building and Improvements	Equipment	Land	Building and Improvements	Equipment	Land	Building and Improvements	Equipment	Accumulated Depreciation	Acquisition
West Seventh St., Cincinnati, OH (7th Street)	$ 0.9	$ 42.2	$ —	$—	$ 65.4	$ 11.0	$ 0.9	$107.6	$ 11.0	$ 63.6	1999
Parkway Dr., Mason, OH (Mason)	—	—	—	—	20.2	0.6	—	20.2	0.6	9.7	2004
Industrial Rd., Florence, KY (Florence)	2.2	7.7	—	—	33.7	2.4	2.2	41.4	2.4	15.4	2005
Goldcoast Dr., Cincinnati, OH (Goldcoast)	0.6	—	—	—	6.7	0.1	0.6	6.7	0.1	1.8	2007
Knightsbridge Dr., Hamilton, OH (Hamilton)	—	9.5	—	—	39.7	3.6	—	49.2	3.6	17.9	2007
E. Monroe St., South Bend, IN (Monroe St.)	—	—	—	—	2.5	—	—	2.5	—	1.0	2007
Springer St., Lombard, IL (Lombard)	0.7	3.2	—	—	1.4	0.2	0.7	4.6	0.2	0.5	2008
Crescent Circle, South Bend, IN (Blackthorn)	—	1.1	—	—	2.2	0.2	—	3.3	0.2	1.0	2008
Kingsview Dr., Lebanon, OH (Lebanon)	4.0	12.3	—	—	59.4	2.2	4.0	71.7	2.2	16.6	2008
McAuley Place, Blue Ash, OH (Blue Ash)	—	2.6	—	—	(2.0)	—	—	0.6	—	0.1	2009
Westway Park Blvd., Houston, TX (Houston West 1)[(a)]	1.4	21.4	0.1	—	63.0	39.3	1.4	84.4	39.4	25.4	2010
Westway Park Blvd., Houston, TX (Houston West 2)	2.0	—	—	—	22.4	15.8	2.0	22.4	15.8	1.9	2013
Westway Park Blvd., Houston, TX (Houston West 3)	18.3	—	—	—	—	—	18.3	—	—	—	2013
Southwest Fwy., Houston, TX (Galleria)	—	56.0	2.0	—	12.4	11.3	—	68.4	13.3	21.8	2010
E. Ben White Blvd., Austin, TX (Austin 1)	—	11.9	0.2	—	10.6	1.0	—	22.5	1.2	6.3	2010
S. State Highway 121 Business, Lewisville, TX (Lewisville)	—	46.2	2.2	—	30.8	18.1	—	77.0	20.3	28.4	2010
Marsh Lane, Carrollton, TX (Marsh Ln)	—	—	—	—	0.1	0.5	—	0.1	0.5	0.2	2010
Midway Rd., Carrollton, TX (Midway)	—	1.8	—	—	0.2	0.4	—	2.0	0.4	2.1	2010
W. Frankford Rd., Carrollton, TX (Carrollton)	16.1	—	—	—	42.6	34.8	16.1	42.6	34.8	5.2	2012
Bryan St., Dallas, TX (Bryan St)	—	0.1	—	—	—	0.1	—	0.1	0.1	0.1	2010
North Freeway, Houston, TX (Greenspoint)	—	—	—	—	1.3	0.4	—	1.3	0.4	0.8	2010
South Ellis Street, Chandler, AZ (Phoenix)	15.0	—	—	—	55.7	11.7	15.0	55.7	11.7	3.7	2011
Westover Hills Blvd., San Antonio, TX (San Antonio 1)	4.6	3.0	—	—	29.1	29.5	4.6	32.1	29.5	4.2	2011
Westover Hills Blvd., San Antonio, TX (San Antonio 2)	6.7	—	—	—	—	—	6.7	—	—	—	2013
Metropolis Dr., Austin, TX (Austin 2)	2.0	—	—	—	23.1	1.7	2.0	23.1	1.7	4.3	2011
Kestral Way (London)	—	16.5	—	—	18.3	0.7	—	34.8	0.7	2.6	2011
Jurong East (Singapore)	—	9.0	—	—	0.4	0.1	—	9.4	0.1	2.1	2011
Ridgetop Circle, Sterling, VA (Northern VA)	6.9	—	—	—	—	—	6.9	—	—	—	2013
Metropolis Dr., Austin, TX (Austin 3)	7.9	—	—	—	—	—	7.9	—	—	—	2013
	$89.3	$244.5	$4.5	$—	$539.2	$185.7	$89.3	$783.7	$190.2	$236.7	

(a) The "Gross Carrying Amount" for this respective asset, reflects an impairment of $2.8 million recorded in 2013.

The aggregate cost of the total properties for federal income tax purposes was $1,491.7 million at December 31, 2013.

Historical Cost and Accumulated Depreciation and Amortization

The following table reconciles the historical cost and accumulated depreciation for the years ended December 31, 2013, 2012 and 2011.

(dollars in millions)	Years Ended December 31, 2013	2012	2011
Property			
Balance — beginning of period	$ 883.6	$660.2	$498.4
Disposals	(8.5)	(1.2)	(1.2)
Impairments	(4.0)	(17.1)	—
Additions (acquisitions and improvements)	249.4	241.7	163.0
Balance, end of period	$1,120.5	$883.6	$660.2
Accumulated Depreciation			
Balance — beginning of period	$ 176.7	$131.2	$ 94.7
Disposals	(9.3)	(1.2)	(1.2)
Impairments	(0.9)	(5.3)	—
Additions (depreciation and amortization expense)	70.2	52.0	37.7
Balance, end of period	$ 236.7	$176.7	$131.2

Exhibits

Exhibits identified in parenthesis below, on file with the Securities and Exchange Commission, are incorporated herein by reference as exhibits hereto.

Exhibit Number	Description
(3.1)	Amended and Restated Articles of Incorporation of Cincinnati Bell Inc. (Exhibit 3.1 to Current Report on Form 8-K, date of Report April 25, 2008, File No. 1-8519).
(3.2)	Amended and Restated Regulations of Cincinnati Bell Inc. (Exhibit 3.2 to Current Report on Form 8-K, date of Report April 25, 2008, File No. 1-8519).
(4.1)	Indenture dated July 1, 1993, between Cincinnati Bell Inc., as Issuer, and The Bank of New York, as Trustee, relating to Cincinnati Bell Inc.'s 7 1/4% Notes Due June 15, 2023 (Exhibit 4-A to Current Report on Form 8-K, date of Report July 12, 1993, File No. 1-8519).
(4.2)	Indenture dated as of 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 1/4% 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 8 3/4% Senior Subordinated Notes due 2018 (Exhibit 4.1 to Current Report on Form 8-K, date of Report March 15, 2010, File No. 1-8519).
(4.4)	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 8 3/8% Senior Notes due 2020 (Exhibit 4.1 to Current Report on Form 8-K, date of Report October 13, 2010, File No. 1-8519).
(4.5)	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, date of Report November 30, 1998, File No. 1-8519).
(4.6)	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).
(4.7)	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).
(4.8)	Indenture dated as of November 20, 2012, by and among CyrusOne LP, CyrusOne Finance Corp., guarantors party thereto and Wells Fargo Bank, N.A., as Trustee, relating to CyrusOne Inc.'s 6 3/8% Senior Notes due 2022 (Exhibit 4.1 to Current Report on Form 8-K, date of Report November 20, 2012, File No. 1-8519).
(4.9)	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).
(4.10)	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).
(4.11)	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).

Exhibit Number	Description
(4.12)	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 Discount 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).
(4.13)	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 Discount 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).
(4.14)	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 Discount 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).
(4.15)	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 Discount Notes due 2009 (Exhibit 4(c)(viii)(4) to Annual Report on Form 10-K for the year ended December 31, 2004, File No. 1-8519).
(4.16)	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 Discount 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).
(4.17)	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)	Credit Agreement dated as of November 20, 2012, among Cincinnati Bell Inc., an Ohio corporation, the subsidiary guarantors party thereto, 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).
(10.2)	First Amendment to Credit Agreement dated as of September 10, 2013, among Cincinnati Bell Inc., an Ohio corporation, the subsidiary guarantors party thereto, the Lenders party thereto and Bank of America, N.A. (Exhibit 10.1 to Current Report on Form 8-K, date of Report September 10, 2013, File No. 1-8519).
(10.3)	Annex I to First Amendment to Credit Agreement dated as of September 10, 2013, among Cincinnati Bell Inc., an Ohio corporation, the subsidiary guarantors party thereto, the Lenders party thereto and Bank of America, N.A. (Exhibit 10.2 to Current Report on Form 8-K, date of Report September 10, 2013, File No. 1-8519).
(10.4)	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).
(10.5)*	Registration Rights Agreement dated as of January 24, 2013, by and among CyrusOne Inc., CyrusOne GP, CyrusOne LP, Data Center Investments Holdco LLC and Data Centers South Holdings LLC.
(10.6)	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).
(10.7)	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).
(10.8)	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 6, 2011, File No. 1-8519).

Exhibit Number	Description
(10.9)	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 1, 2011, File No. 1-8519).
(10.10)	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 1, 2012, File No. 1-8519).
(10.11)	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 6, 2011, File No. 1-8519).
(10.12)	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 1, 2011, File No. 1-8519).
(10.13)	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).
(10.14)	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 1, 2012, File No. 1-8519).
(10.15)	Fourth Amendment to Amended and Restated Receivables Purchase Agreement, dated as of June 3, 2013, 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 (Exhibit 99.1 to Current Report on Form 8-K, date Report June 3, 2013, File No. 1-8519).
(10.16)*	Fifth Amendment to Amended and Restated Receivables Purchase Agreement, dated as of September 13, 2013, 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.
(10.17)	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).
(10.18)	Amendment to Cincinnati Bell Inc. Pension Program, effective December 31, 2011 (Exhibit 10.12 to Annual Report on Form 10-K for the year ended December 31, 2011, File No. 1-8519).
(10.19)	Restatement of the Cincinnati Bell Management Pension Plan executed January 17, 2011 (Exhibit 10.13 to Annual Report on Form 10-K for the year ended December 31, 2011, File No. 1-8519).
(10.20)	Restatement of the Cincinnati Bell Pension Plan executed January 25, 2011 (Exhibit 10.14 to Annual Report on Form 10-K for the year ended December 31, 2011, File No. 1-8519).
(10.21)*	Amendment to Cincinnati Bell Management Pension Plan executed December 20, 2013.
(10.22)*	Amendment to Cincinnati Bell Management Pension Plan executed May 16, 2013.
(10.23)*	Amendment to Cincinnati Bell Management Pension Plan executed April 17, 2012.
(10.24)*	Amendment to Cincinnati Bell Management Pension Plan executed December 20, 2011.
(10.25)*	Amendment to Cincinnati Bell Pension Plan executed on December 20, 2013.

Exhibit Number	Description
(10.26)*	Amendment to Cincinnati Bell Pension Plan executed on April 17, 2012.
(10.27)*	Amendment to Cincinnati Bell Pension Plan executed on November 29, 2011.
(10.28)	Cincinnati Bell Inc. 2011 Short Term Incentive Plan (Appendix A to the Company's 2011 Proxy Statement on Schedule 14A filed March 21, 2011, File No. 1-8519).
(10.29)	Cincinnati Bell Inc. Deferred Compensation Plan for Outside Directors, as amended and restated as of January 1, 2005 (Exhibit (10)(iii)(A)(2) to Annual Report on Form 10-K for the year ended December 31, 2008, File No. 1-8519).
(10.30)	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).
(10.31)	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).
(10.32)	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).
(10.33)	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).
(10.34)	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).
(10.35)	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).
(10.36)	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).
(10.37)	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).
(10.38)	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).
(10.39)	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).
(10.40)	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).
(10.41)	Amendment to Amended and Restated Employment Agreement effective as of February 5, 2010, between Cincinnati Bell Inc. and John F. Cassidy (Exhibit 10.1 to Current Report on Form 8-K, date of Report February 5, 2010, File No. 1-8519).
(10.42)	Amended and Restated Employment Agreement effective as of January 1, 2009, between Cincinnati Bell Inc. and Gary J. Wojtaszek (Exhibit (10)(iii)(A)(12) to Annual Report on Form 10-K for the year ended December 31, 2008, File No. 1-8519).
(10.43)	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).
(10.44)	Resignation Letter, dated as of January 23, 2013, by and between Cincinnati Bell Inc. and Gary J. Wojtaszek. (Exhibit 10.1 to Current Report on Form 8-K, date of Report January 23, 2013, File No. 1-8519).

Exhibit Number	Description
(10.45)	Amended and Restated Employment Agreement effective January 1, 2005, between Cincinnati Bell Inc. and Christopher J. Wilson (Exhibit (10) to Annual Report on Form 10-K for the year ended December 31, 2008, File No. 1-8519).
(10.46)	Amended and Restated Employment Agreement between Cincinnati Bell Inc. and Christopher J. Wilson effective July 26, 2013 (Exhibit 10.1 to Current Report on Form 8-K, date of Report July 26, 2013, File No. 1-8519).
(10.47)	Amended and Restated Employment Agreement dated September 7, 2010 between Cincinnati Bell Inc. and Theodore H. Torbeck (Exhibit 10.1 to Current Report on Form 8-K, date of Report September 7, 2010, File No. 1-8519).
(10.48)	Employment Agreement dated as of February 6, 2013 between Cincinnati Bell Inc. and Theodore H. Torbeck (Exhibit 10.1 to Current Report on Form 8-K, date of Report January 31, 2013, File No. 1-8519).
(10.49)	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).
(10.50)	Consulting Agreement effective September 30, 2013, between Cincinnati Bell Inc. and Kurt A. Freyberger (Exhibit 10.1 to Current Report on Form 8-K, date of Report September 23, 2013, File No. 1-8519).
(10.51)	Amended and Restated Employment Agreement effective July 26, 2013 between Cincinnati Bell Inc. and Leigh R. Fox (Exhibit 10.2 to Current Report on Form 8-K, date of Report July 26, 2013, File No. 1-8519).
(10.52)	Employment Agreement between Cincinnati Bell Inc. and David L. Heimbach dated as of November 20, 2013 (Exhibit 10.1 to Current Report on Form 8-K, date of earliest event reported November 20, 2013, 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 (as previously included in Form 10-K filed on February 27, 2014).
(23.1) +	Consent of Independent Registered Public Accounting Firm (Deloitte & Touche LLP, Dallas, Texas), consolidated and combined financial statements and financial statement schedules, CyrusOne Inc. and subsidiaries.
(23.2) +	Consent of Independent Registered Public Accounting Firm (Deloitte & Touche LLP, Dallas, Texas), consolidated and combined financial statements and financial statement schedules, CyrusOne LP and subsidiaries.
(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 (as previously included in Form 10-K filed on February 27, 2014).
(31.2)*	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (as previously included in Form 10-K filed on February 27, 2014).
(31.3) +	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(31.4) +	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 (as previously included in Form 10-K filed on February 27, 2014).

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 (as previously included in Form 10-K filed on February 27, 2014).
(32.3) +	Certifications 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.

* Incorporated in 2013 Form 10-K filed on February 27, 2014.

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.

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: March 7, 2014	/s/ Leigh R. Fox
	Leigh R. Fox Chief Financial Officer
Date: March 7, 2014	/s/ Joshua T. Duckworth
	Joshua T. Duckworth 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	March 7, 2014
Phillip R. Cox* Phillip R. Cox	Chairman of the Board and Director	March 7, 2014
Theodore H. Schell* Theodore H. Schell	Director	March 7, 2014
Russel P. Mayer* Russel P. Mayer	Director	March 7, 2014
Jakki L. Haussler* Jakki L. Haussler	Director	March 7, 2014
Craig F. Maier* Craig F. Maier	Director	March 7, 2014
Alan R. Schriber* Alan R. Schriber	Director	March 7, 2014
Lynn A. Wentworth* Lynn A. Wentworth	Director	March 7, 2014
John M. Zrno* John M. Zrno	Director	March 7, 2014

*By: /s/ Theodore H. Torbeck

Theodore H. Torbeck
as attorney-in-fact and on his behalf
as Principal Executive Officer, President, Chief Executive Officer and Director

Annual Meeting
The annual meeting of shareholders will be held at the Queen City Club, 331 East Fourth Street, Cincinnati, Ohio 45202, at 11:00 a.m. (Eastern Time) on Tuesday, May 6, 2014.

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
Vice President, Investor Relations and Controller
(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℠ is a trademark of Cincinnati Bell Telephone Company, LLC

Cincinnati Bell[SM]

221 East Fourth Street
P.O. Box 2301
Cincinnati, Ohio 45202
513.397.9900
www.cincinnatibell.com